Semi-Annual Report of the Kentucky Asset/Liability Commission

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For the period ending December 31, 2008

This report may be viewed at:

http://finance.ky.gov/ourcabinet/caboff/OOC/ofm/debt/AlcoSemiAnnualRpt.htm

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INTRODUCTION

This is the Kentucky Asset/Liability Commission's (ALCo or the Commission) twenty fourth semi-annual report pursuant to KRS 56.863 (11) for the period beginning July 1, 2008 through December 31, 2008. Several factors on both the state and national level had an impact on activity during the reporting period. The most significant factors were:

On the national level

- The National Bureau of Economic Reporting (NBER) officially declares the U.S. economy is experiencing a recession.
- U.S. home prices decline further due to additional market deterioration.
- War in the Middle East continues.
- The Dow Jones Industrial Average finishes the year at 8,776 down 2,571 points from June 2008.
- Federal Funds target rate decreases to a range of 0.00 to 0.25 percent during the period.
- Lehman Brothers declares bankruptcy.
- Fannie Mae and Freddie Mac are placed in federal receivership.
- The Reserve Primary money market fund traded under $1.00, "breaking the buck", further eroding market confidence.
- Congress passes the TARP (Troubled Asset Relief Program) to provide $700 billion in funds to help recapitalize the banking system.

On the state level

- Continued implementation of the two largest bond authorizations in the history of the Commonwealth from the 2005 and 2006 General Assemblies and began implementation of HB 406 from the 2008 General Assembly which authorized an additional $650 million General Fund supported bonds, an additional $135 million Road Fund supported bonds, an additional $643 million Agency Fund supported bonds, and an additional $231 million bonds to be supported from the Federal Highway Trust Fund.
- For the first six months of fiscal year 2009 General Fund revenues increased $85 million or 2.0 percent over the first half of fiscal year 2008, however the Consensus Forecasting Group (CFG) met in November and revised the revenue estimate downward by $456 million. Road Fund receipts decreased by $35.2 million or 5.6 percent over the same reporting period. The CFG also revised the fiscal year 2009 Road Fund revenue estimate downward by $104.7 million from the enacted estimate.

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MARKET OVERVIEW

The market overview of the semi-annual report six months ago described the on-going bursting of the housing bubble and the de-leveraging in the financial markets. At that time, the financial market turmoil was limiting credit availability in the broader market and beginning to affect consumer spending. Since consumer spending accounts for roughly 70 percent of Gross Domestic Product, even marginal changes have a substantial impact on the broader economy. In the six months since the previous report, the situation has dramatically deteriorated.

First consider the deterioration in the financial markets. On September 15, 2008, Lehman Brothers, the fourth largest brokerage firm in the country, filed for Chapter 11 bankruptcy protection. This was a "systemic event" which spread throughout the entire industry. Very soon after, the Reserve Fund, one of the oldest money market mutual funds "broke-the-buck" meaning it would no longer be able to return every dollar invested. AIG, the world's largest insurance company required a massive bailout by the federal government. Merrill Lynch, the nation's largest brokerage, was sold to Bank of America at "fire sale" levels. Goldman Sachs and Morgan Stanley, the remaining large brokerage firms, changed their charters to national banks.

This series of events effectively shut down the credit markets. The sentiment in the market turned to pure fear as no investment was considered safe except those backed by the full faith and credit of the United States. As an indication of how bad the situation was, certain Treasury bills temporarily traded at negative yields. Market participants were so concerned with credit risk that they were willing to pay to park money in the safest instrument available.

The federal government responded in a forceful manner. Congress passed TARP (Troubled Asset Recovery Program) in which the Treasury was authorized to spend up to $700 billion to prop up the banking system. The Federal Reserve and FDIC (Federal Deposit Insurance Corporation) created a variety of programs aimed at liquefying or stabilizing the financial system. Even in the face of massive government support (approaching $10 trillion by the end of February 2009), the world's large financial institutions have recorded over $1 trillion in credit losses with markets still not completely functional or stable.

The problems in the financial markets have clearly begun to affect the broader economy. The NBER (National Bureau of Economic Research) officially declared that the U.S. is in a recession which started in December of 2007 and continues. This recession may eventually be the deepest since the end of World War II in 1945. In fact, since that time, the decline of real GDP (Gross Domestic Product) of 6.2 percent in the 4th quarter of 2008 is tied as the 4th worst quarter ever. A number of indications point to the 1st quarter of 2009 as potentially being even worse.

There are several statistics that illustrate the severity of the situation. Total vehicle sales fell to an annualized rate of 10.2 million in November which is the lowest level since the early 1980s. This has forced government loans to GM and Chrysler and even Toyota lost money for the year. Existing home sales fell to 4.54 million in November which is the lowest on record. (The data series started in 1999.) The S&P 500 has fallen over 40 percent from its high on October 9, 2007. Consumer confidence has dropped to the lowest level since the early 1980s. Unemployment has reached the highest level since in the early 1990s.

This economic environment will likely cause continued pressure on the Commonwealth's financial well being including both the budget and on the ability to issue debt. All indications are that the economy and financial situation are not yet at a bottom. With the new administration in Washington, D.C., the government will continue, in cooperation with other countries, to support and strengthen the global financial system and overall economy. Only time will tell how successful these initiatives will be.

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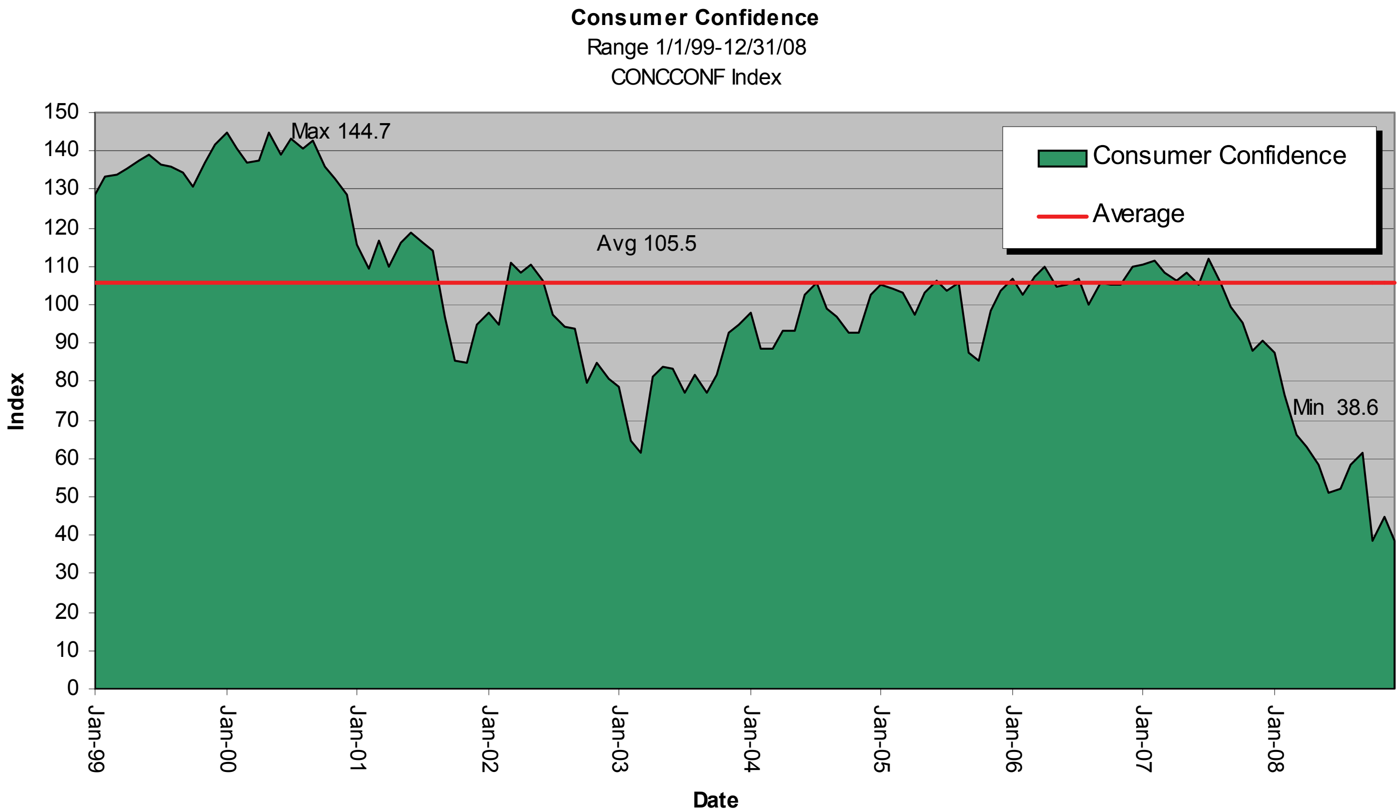
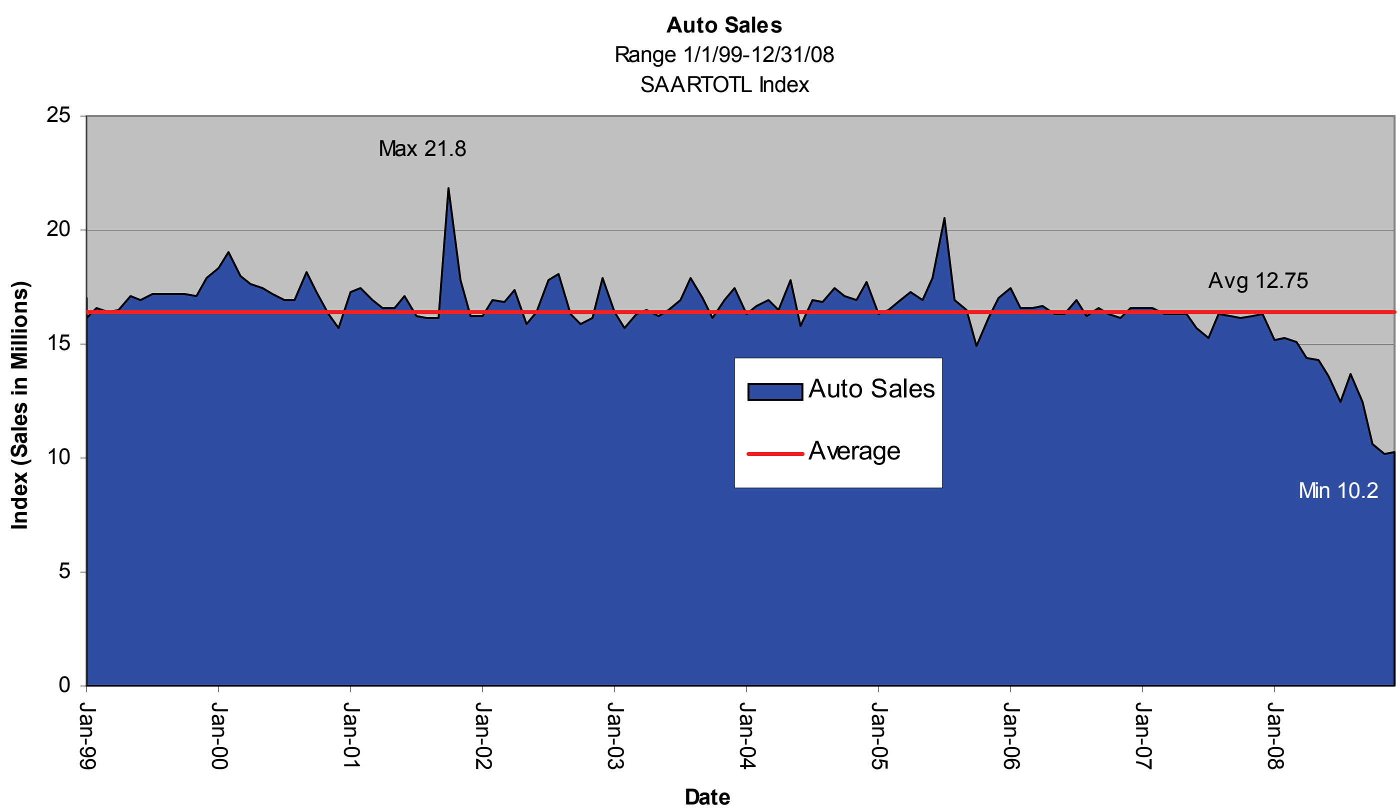
Consumer Confidence & Auto Sales





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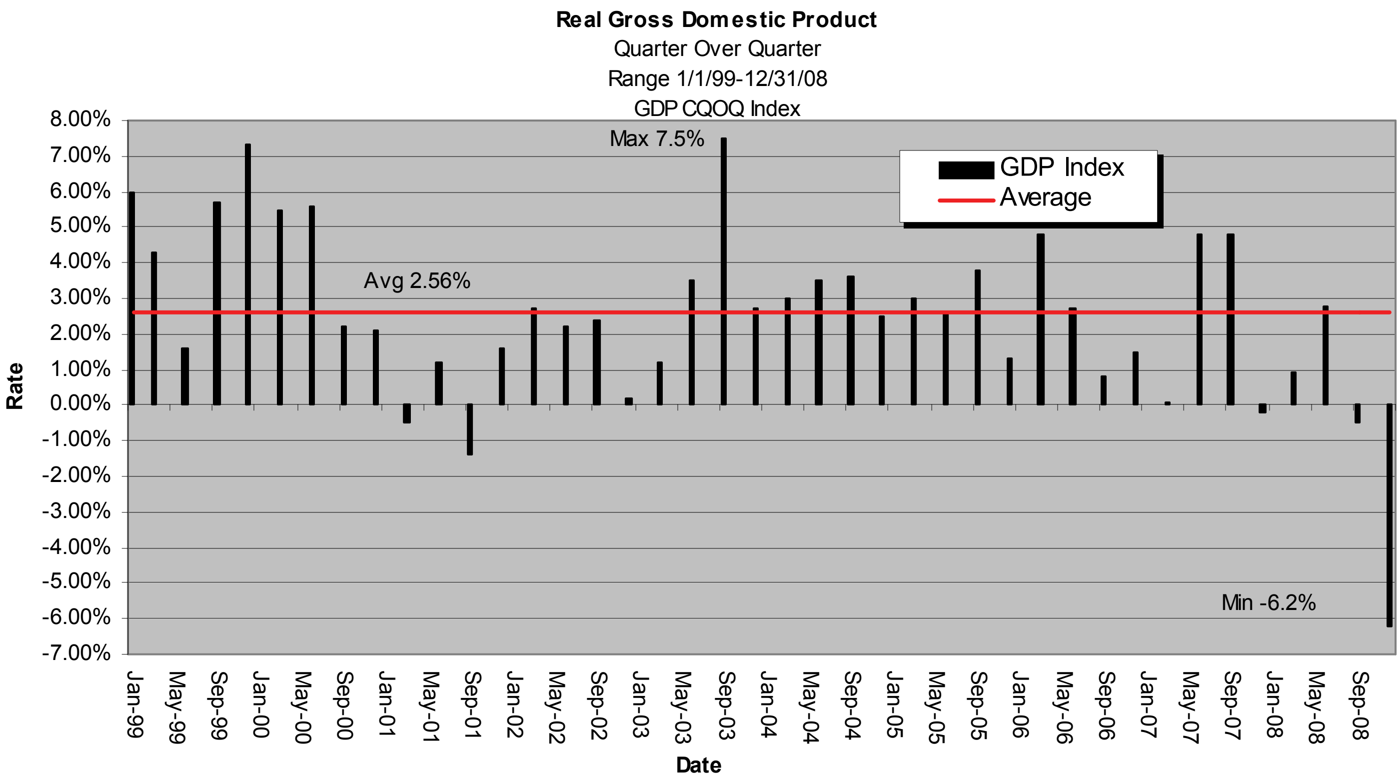
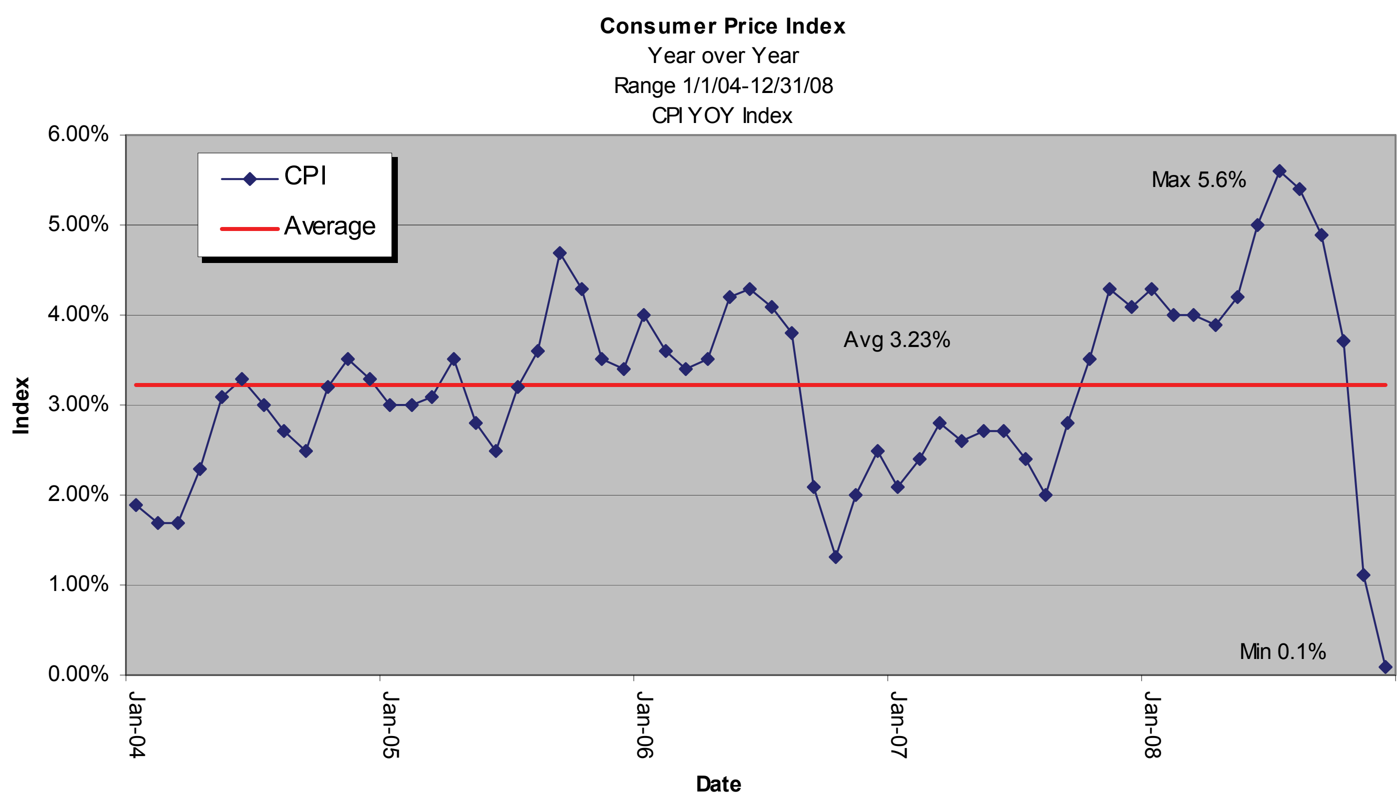
Gross Domestic Product & Consumer Price Index





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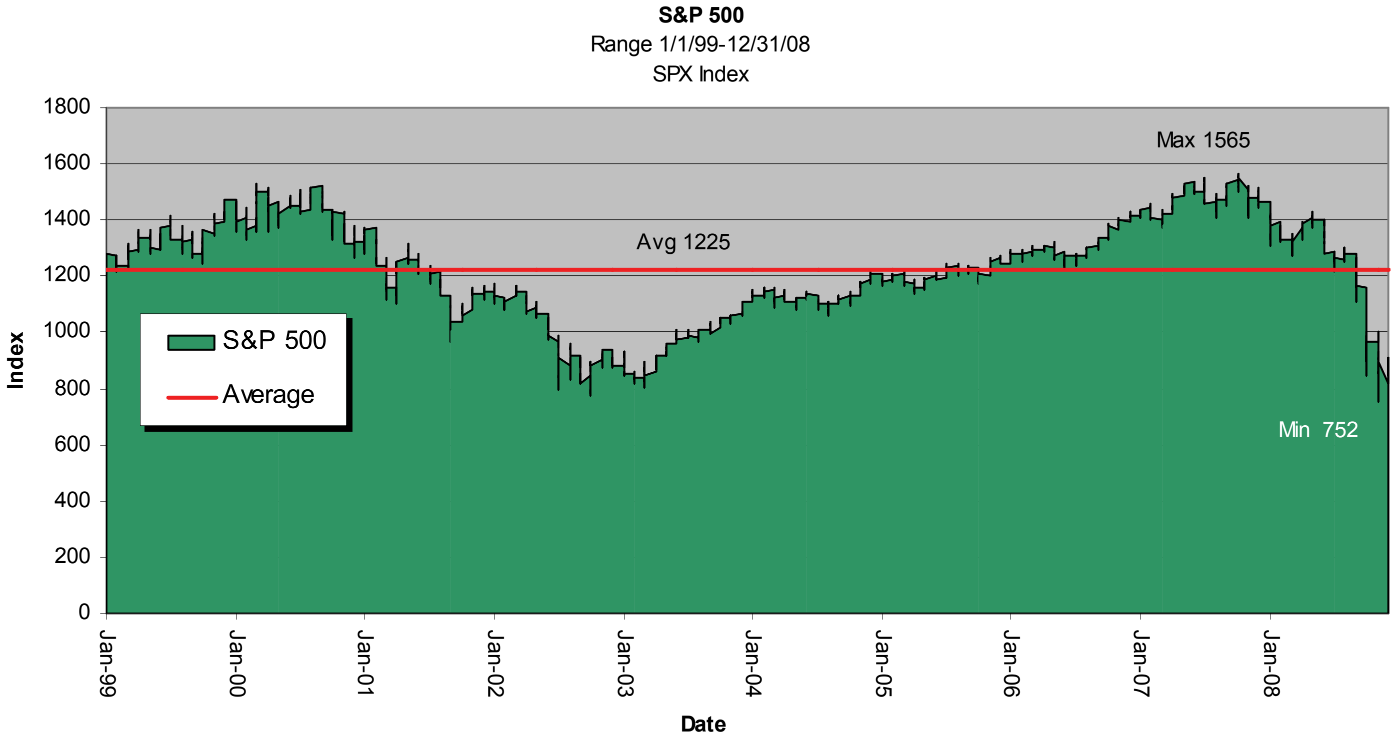
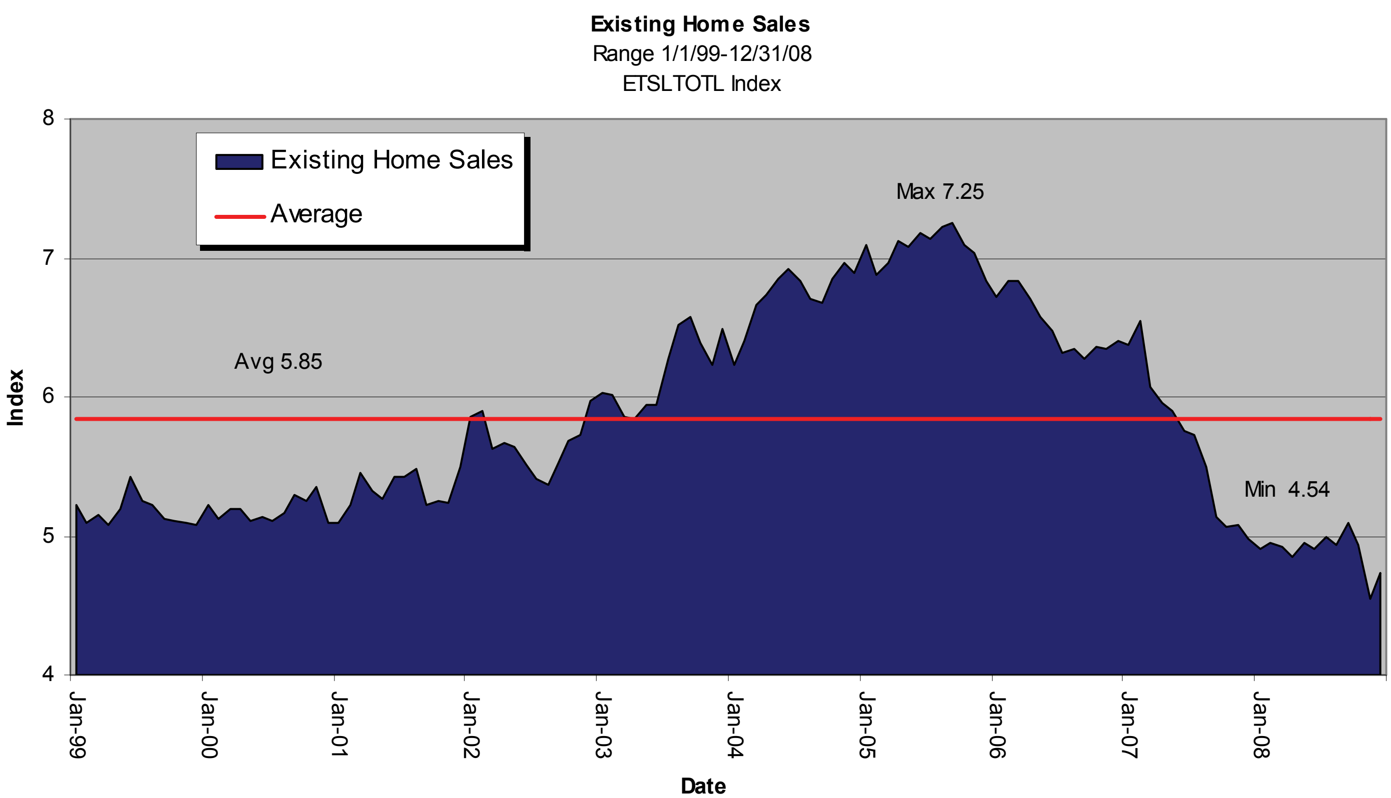
S&P 500 & Existing Home Sales





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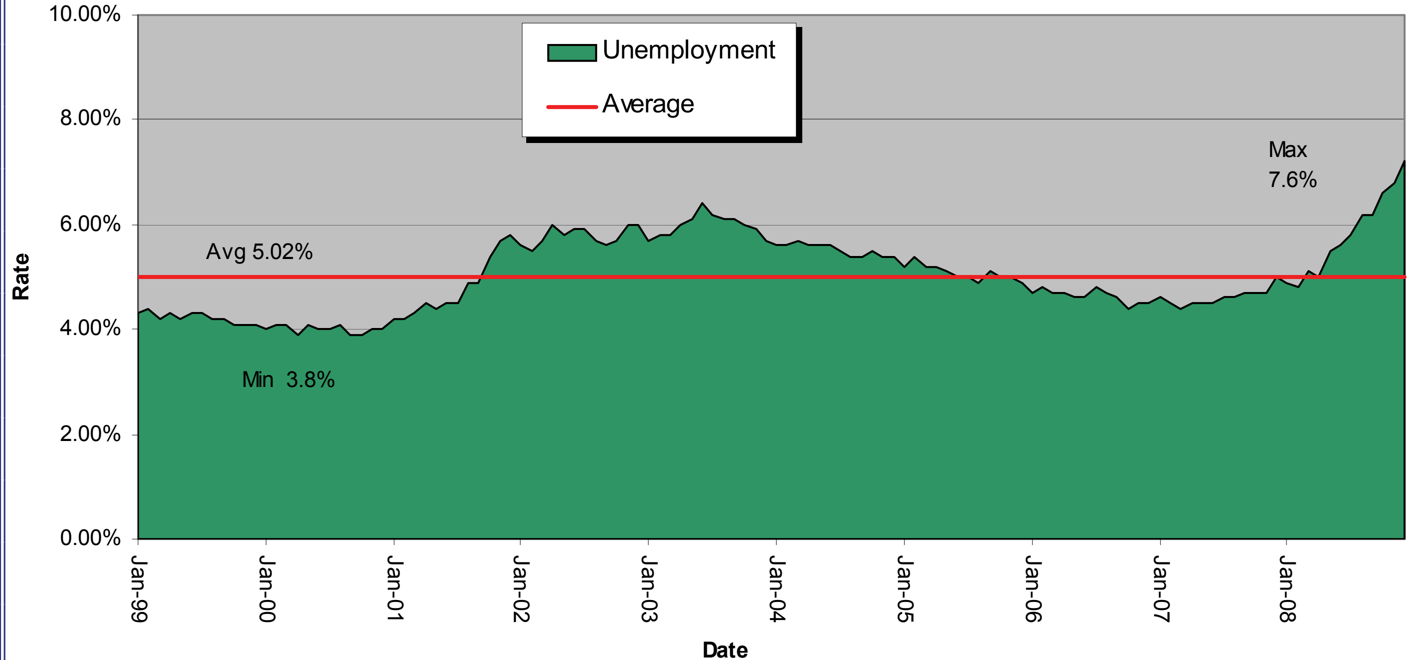
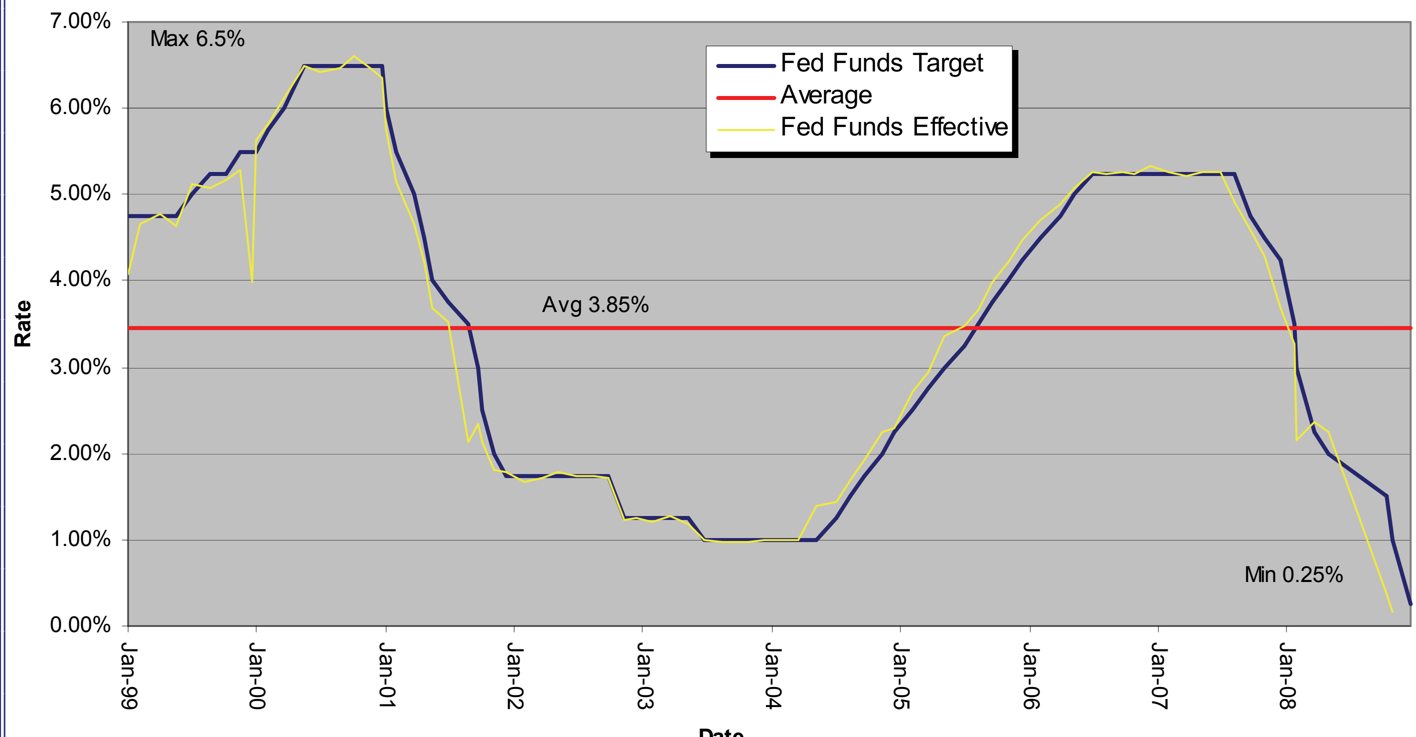
Unemployment & Federal Funds Target Rate

Unemployment Rate
Range 1/1/99-12/31/08
USURTOT Index



Federal Funds Target Rate
Range 1/1/99-12/31/08
FDTR Index



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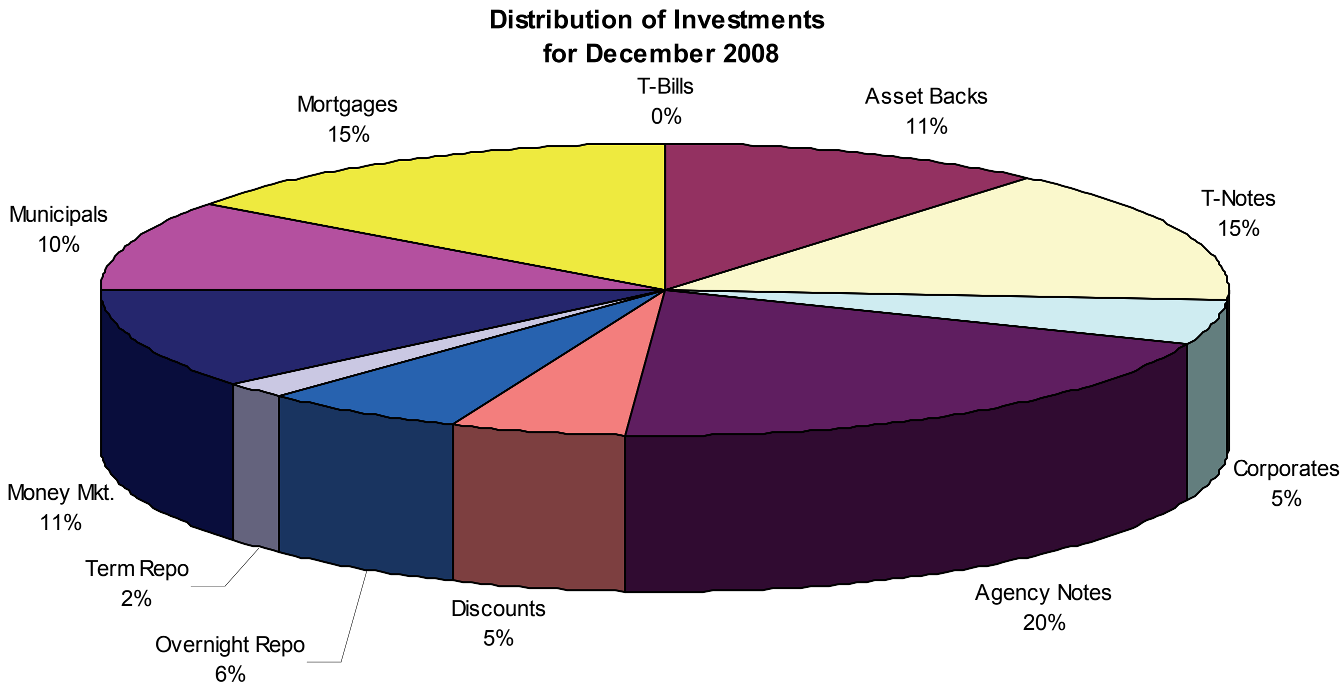
PORTFOLIO MANAGEMENT

For the six months ended December 31, 2008, the Commonwealth's investment portfolio averaged $3.2 billion. As of December 31, 2008, the portfolio was invested in U.S. Treasury Securities (15 percent), U.S. Agency Securities (25 percent), Mortgage Pass Through Securities (2 percent), Collateralized Mortgage Obligations (13 percent), Repurchase Agreements (8 percent), Municipal Securities (10 percent), Corporate Securities (5 percent), Asset-Backed Securities (11 percent), and Money Market Securities (11 percent). The portfolio had a market yield of 6.84 percent and an effective duration of .76 years.

The total portfolio is broken down into five investment pools. The pool balances as of December 31, 2008, were: Short Term Pool - $841 million, Intermediate Term Pool - $1,593 million, Bond Proceeds Pool - $240 million, TRAN Pool - $412 million, and UK Hospital Pool - $74 million.

Total investment income from all investments, on a cash basis, for the six months ended December 31, 2008, was $55.3 million versus $84.0 million for the six months ended December 31, 2007. On a full mark-to-market basis, investment income was $65.1 million for the six months ended December 31, 2008, versus $119.1 for the six months ended December 31, 2007.

During the reporting period, the Commonwealth held $5 million par value of a bond issued by Lehman Brothers which filed Chapter 11 bankruptcy. The security was subsequently sold for a loss of approximately $4.5 million. Also, within the securities lending portfolio, the Commonwealth held $25 million par value of a bond issued by Lehman Brothers and $25 million par value of a bond issued by Washington Mutual. Both of these bonds defaulted. Subsequent to the reporting period, the Commonwealth, after adopting emergency regulation changes, exchanged these two securities and others for a highly rated subordinate note issued by Credit Suisse. Through time, the par value of the defaulted bonds is expected to be recovered.



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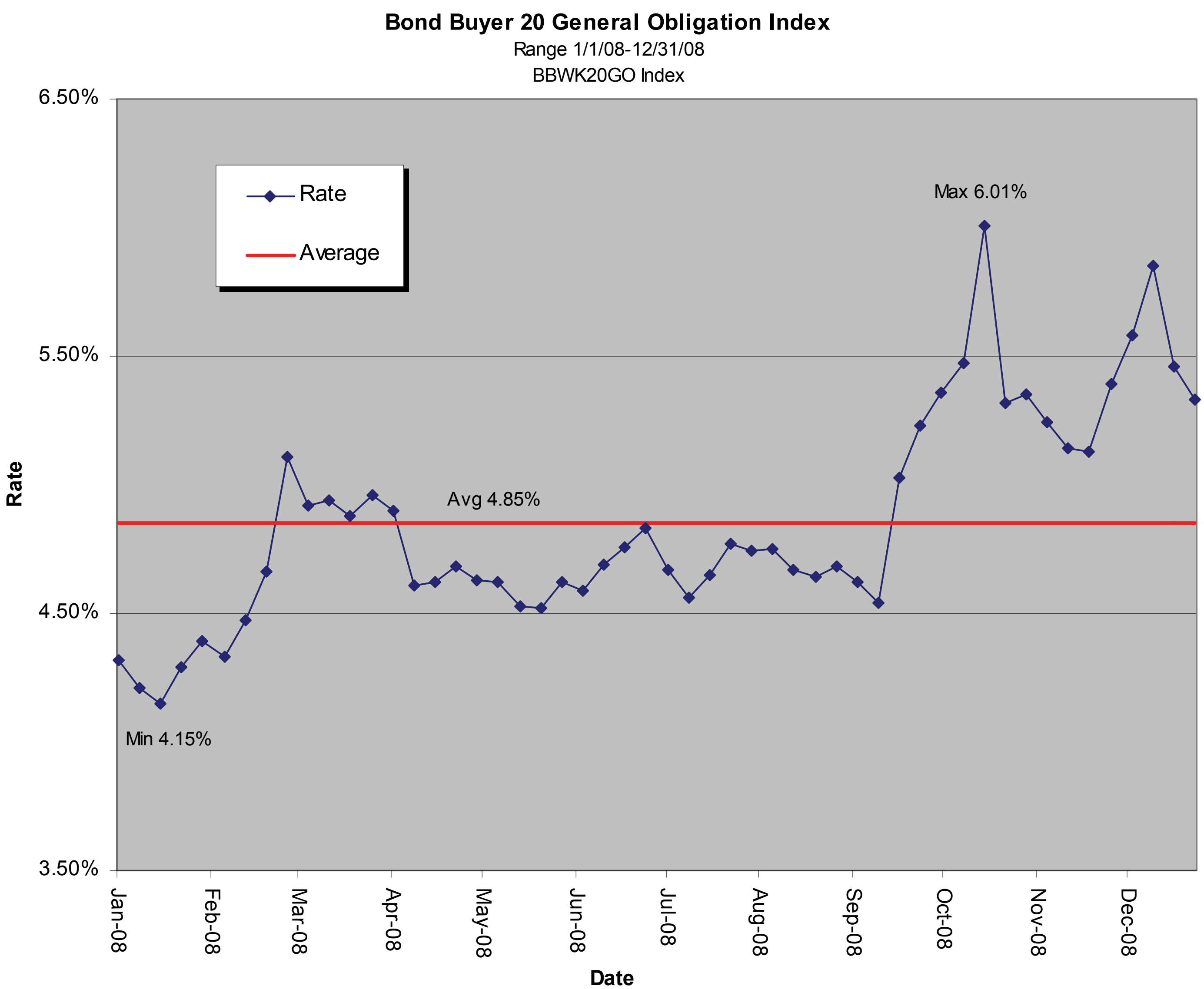
Tax-Exempt Interest Rates and Relationships

The Bond Buyer 20 year General Obligation Index averaged 4.85 percent for calendar year 2008. The high was 6.01 percent in October 2008 and the low was 4.15 percent in January 2008 with the year end at 5.33 percent.

The Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index averaged 2.24 percent for calendar year 2008. The high was 7.96 percent in September 2008 and the low was 0.85 percent in December 2008 and ended the year at 0.90 percent. The 30-day USD London Interbank Offered Rate (LIBOR) averaged 2.67 percent for calendar year 2008. The high was 4.6 percent in January 2008 and the low was 0.44 percent in December 2008 and ended the year at 0.44 percent. During the fiscal year, SIFMA traded as high as 279 percent of 30-day LIBOR in December 2008 and as low as 40 percent in February 2008 with an average of 87 percent for the year. The year ended with SIFMA at 206 percent of 30-day LIBOR.



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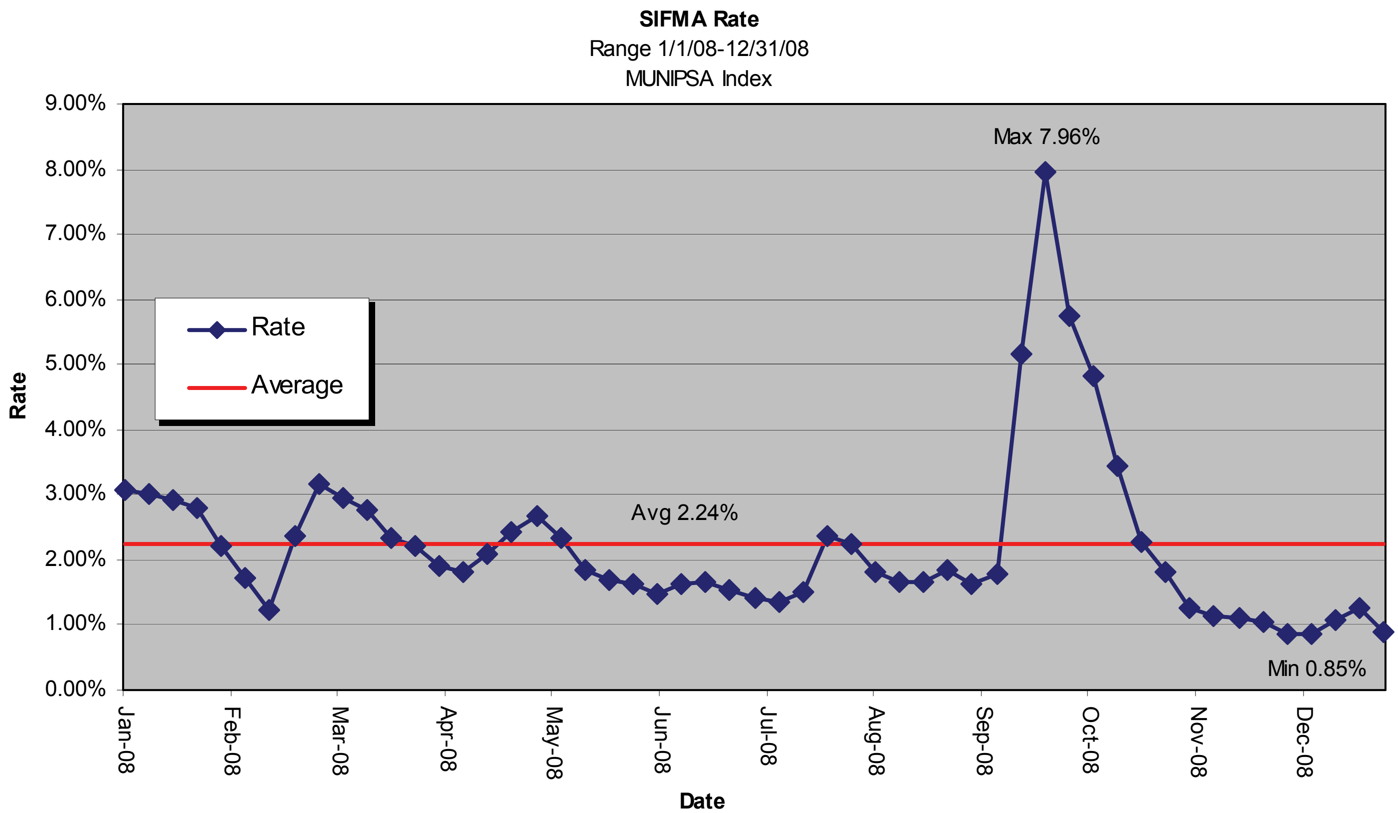
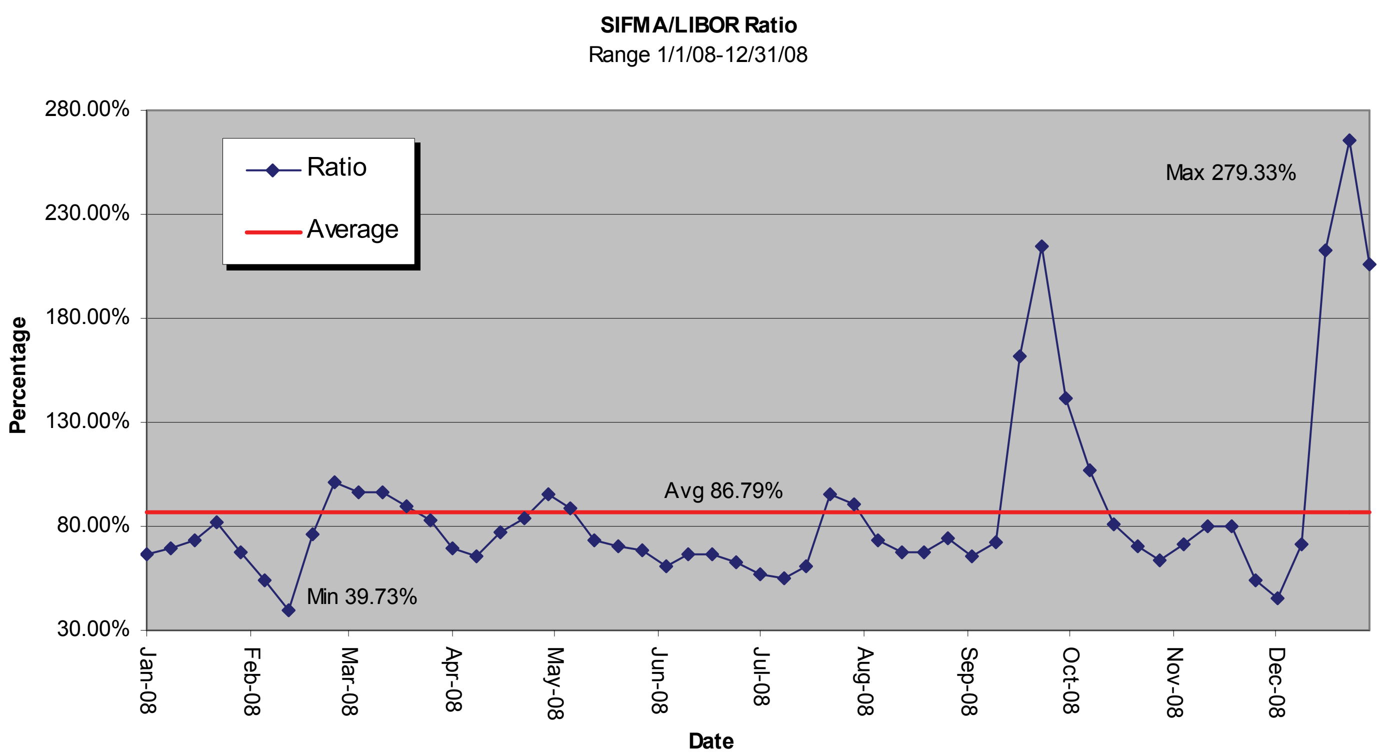
SIFMA and SIFMA/LIBOR Ratio





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The 2005 Kentucky General Assembly enacted a State Budget for the biennium ending June 30, 2006, which authorized $2.056 billion of bond funded capital projects. The General Fund authorization was $1,204 million; the Road Fund authorization was $450 million; Agency Funds were authorized at $251.7 million; and $150 million was authorized to be supported by Federal Highway Trust Funds (FHTF). Bonds have been issued to permanently finance the Road Fund, Agency Fund and FHTF authorizations.

The 2006 Kentucky General Assembly adopted a State Budget for the biennium ending June 30, 2008, which authorized an additional $2.3 billion of bond funded capital projects. The General Fund authorization was $1,392.9 million; the Road Fund authorization was $350 million; Agency Funds were authorized at $267.5 million; and the FHTF authorization was $290 million. Bonds have been issued to permanently finance the Agency Fund authorization and a portion of the Road Fund authorization, while ALCo issued project notes in September 2007 to permanently finance the FHTF authorization and provide interim financing for a portion of the Road Fund authorization.

In the 2007 2nd Special Session, the Kentucky General Assembly authorized $100 million of General Fund supported Energy Bonds.

To date, a significant portion of the General Fund and Road Fund bond projects from the above authorizations have been permanently financed. Interim note financing remains available through ALCo for the remaining General Fund and Road Fund projects if necessary. However, this option is currently being used on a limited basis due to increased rate volatility and funding costs in these programs attributable to the disruption in the credit markets.

The 2008 Kentucky General Assembly enacted a State Budget for the biennium ending June 30, 2010, which authorized an additional $1.739 billion of bond funded capital projects. The General Fund authorization was $650.3 million; the Road Fund authorization was $135 million; Agency Funds were authorized at $643.2 million; the FHTF authorization was $231 million; and there were $80 million of other authorizations. A portion of the General Fund and Agency Fund authorizations were permanently financed during the reporting period.

Ratings Update

The rating agencies continually monitor the Commonwealth's performance in areas such as revenue, the economy and debt management. The recent softening in the economy has put pressure on the Commonwealth's credit ratings.

In April 2008, Moody's Investors Service revised from "stable" to "negative" , the outlook on the Commonwealth's "Aa2" issuer credit rating and State Property and Buildings Commission (SPBC) rating of "Aa3", citing ongoing economic and financial weakening, leading to revenue underperformance and sizable budget deficits. Moody's also cited a draw-down of ending and reserve balances, and a strong reliance on one-time resources to balance the biennial budget for FY 2009-10. Based on a history of active financial management, Moody's expects that the Commonwealth will work towards stabilizing its fiscal condition and return to structural budget balance in the near-term.

Also in April 2008, FitchRatings, for similar reasons, revised its outlook from "stable" to "negative" on its "AA-" rating for SPBC.

In January 2007, S&P revised its outlook from "stable" to "positive", for Kentucky's "AA-" issuer credit rating and its "A+" rating for SPBC, based on the Commonwealth's positive economic and revenue growth, steadily replenishing reserves, and the expectation that the Commonwealth will devise a long-term plan addressing rising pension and healthcare liabilities. S&P has maintained these ratings and outlook through 2008.

In the Summer of 2008, and after coming under pressure from both municipal issuers and Congress, both Moody's and Fitch announced plans to overhaul their decades-old rating scales and begin upgrading municipal bonds to make them more comparable with corporate debt. S&P also announced

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intentions to accelerate an upgrade of municipal bonds as part of a broader review. However, as economic conditions have deteriorated in the United States and globally, plans for broad upgrades of municipal credits have been put on hold by the rating agencies and now seem unlikely given the large revenue shortfalls now projected by many states and local governments over the next few years.

Tax and Revenue Anticipation Notes (TRAN)

2008 TRAN - Originally, TRANs were issued at tremendous rate advantages to taxable reinvestment rates, often producing 2 percent excess returns when the General Fund had excess cash and significantly lowering the borrowing cost when the balances were negative. ALCo authorized the 2008 (FY 2009) TRAN program in an amount not to exceed $600 million. On July 1, 2008, $400 million was delivered to mature on June 25, 2009. The 2008 Series A TRANs were sold by Citigroup Global Markets, Inc. on June 16, 2008. The fixed rate notes carry a coupon of 3.00 percent to yield 1.78 percent. The net benefit to the General Fund for the fiscal year is expected to be approximately $5.9 million.

ALCo entered into an Interest Rate Swap with UBS to hedge the 2008 TRAN. The Commonwealth will receive a 3.387 percent fixed rate on $400 million notional amount (1.61 percent above cost of funds) while paying 1-Month LIBOR. The swap maturity date matches the life of the TRAN.

Fiscal Year	TRAN size	Economic Benefit
1998	200	3.2
1999	300	4.7
2000	400	7.3
2001	550	6.5
2002	650	4.3
2003	500	0.3
2004	NA	NA
2005	500	2.8
2006	600	6.0
2007	150	2.8
2008	350	5.9
2009	400	5.9 (Est.)

($ in millions)

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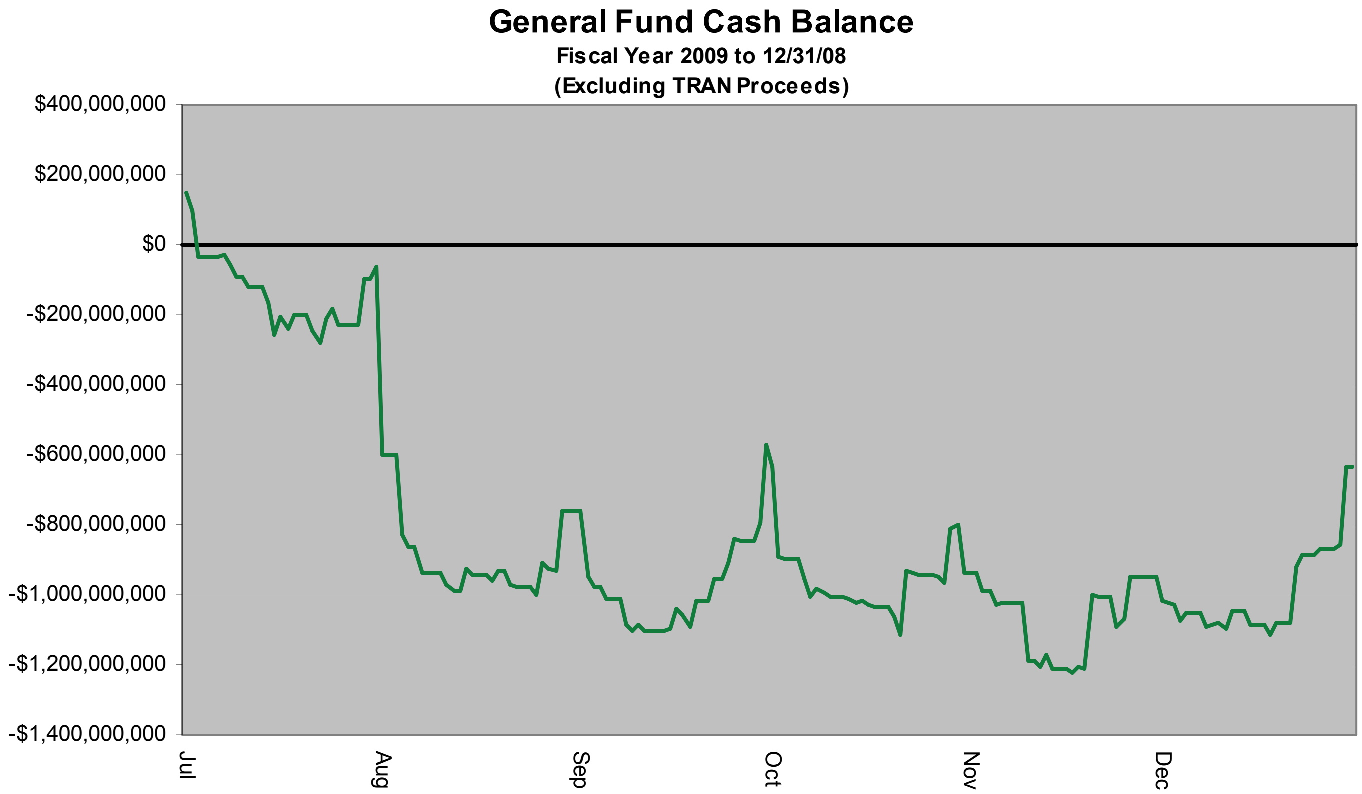

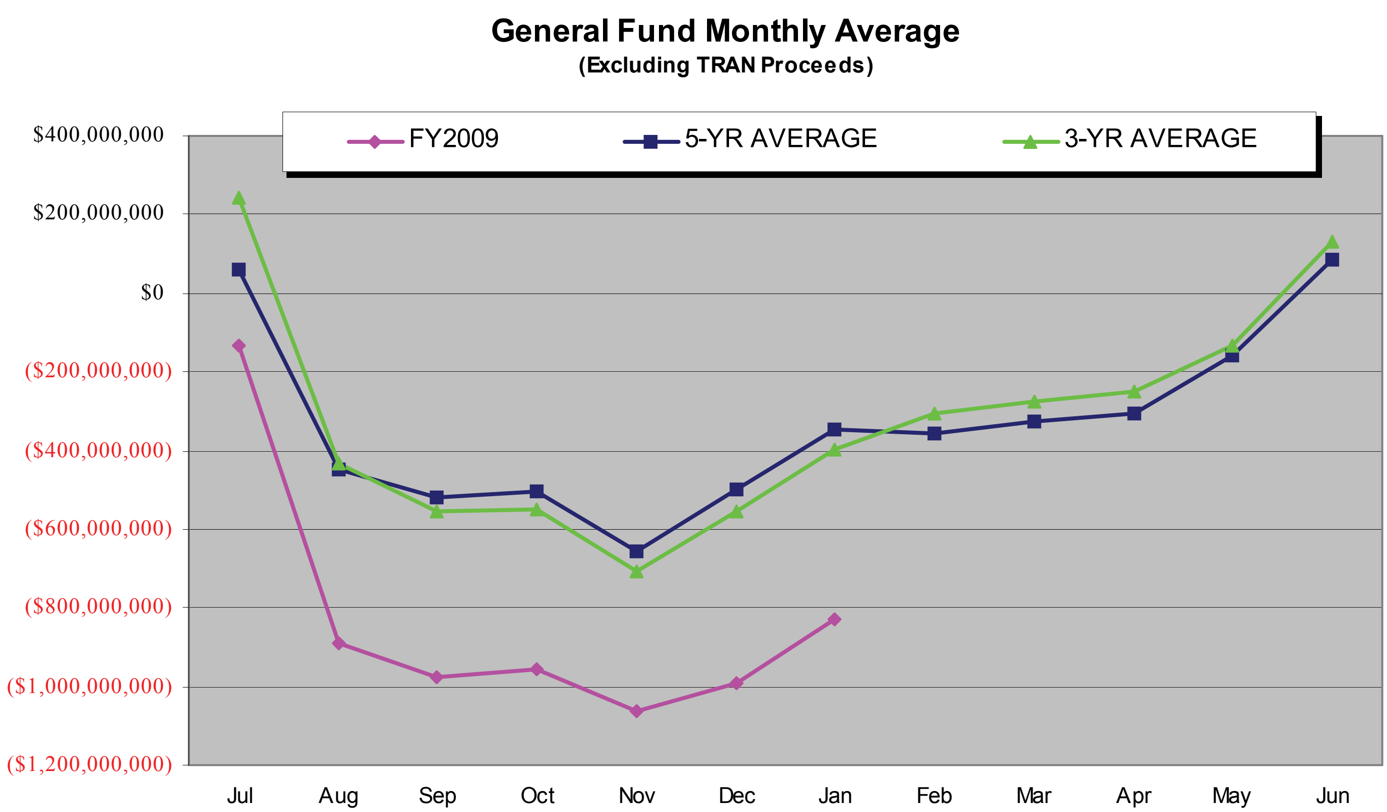

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FINANCIAL AGREEMENTS

As of December 31, 2008, ALCo had six financial agreements outstanding, with a net notional exposure amount of $782.6 million. Two swaps were terminated and no additional financial agreements were executed during the period. The terms of all outstanding transactions are detailed in Appendix A.

General Fund – Forward Hedge (1)

In August 2007, to protect against continued volatility in interest rates, ALCo competitively bid and subsequently entered into a $150 million notional interest rate swap transaction with a single counterparty (UBS) to hedge the future issuance of approximately $300 million of permanent tax-exempt bonds for General Fund authorized but unissued projects. The 2009 forward-starting swap agreement features a mandatory early termination date of November 2, 2009. The hedge allowed for a portion of the fiscal year 2009 and fiscal year 2010 debt service to be appropriated at a lower rate than the budgeted template rate of 5.85 percent. This resulted in annual savings (reduction in appropriation) to the General Fund.

The ALCo forward-starting swap hedged roughly one fourth of the then currently authorized but unissued General Fund supported debt. ALCo may hedge additional portions of the Commonwealth's remaining authorized but unissued General Fund supported debt should market conditions improve.

Subsequent to the reporting period, the 2009 forward-starting swap was terminated as part of SPBC Project No. 93 issued in February 2009.

General Fund – 2008 TRAN Hedge (1)

On June 16, 2008, ALCo competitively bid and subsequently entered into a $400 million notional interest rate swap transaction with a single counterparty (UBS) to partially hedge the newly issued 2008 TRAN. The Commonwealth will receive a fixed rate of 3.387 percent on a notional amount of $400 million (1.61 percent above cost of funds) while paying 1-Month LIBOR. ALCo's variable rate exposure from the swap is offset by certain investments in the Commonwealth's investment pool which are indexed to 1-Month LIBOR. The swap maturity date matches the life of the 2008 TRAN.

General Fund – Floating Rate Note Hedges (4)

In May, 2007, ALCo issued $243.08 million of Floating Rate Notes (FRNs) to permanently finance $100 million of General Fund projects and to advance refund certain outstanding SPBC bonds for present value savings. The transaction entailed ALCo issuing four FRNs, each paying a rate of interest indexed to 3-Month LIBOR plus a fixed spread. Integrated into the transaction were four separate interest rate swaps which perfectly hedge the floating rates on the FRNs and lock in a fixed rate payable by ALCo on the transaction. The terms of the four interest rate swaps exactly match the notional amount, interest rate, and amortization schedule of the four FRNs and allowed ALCo to elect "super-integrated" tax status on the transaction, whereby it receives similar tax treatment as a fixed rate bond issue under IRS rules.

Terminated Financial Agreements - Road Fund (2)

The two previously outstanding Road Fund financial agreements were both terminated during the period.

Of the two Road Fund financial agreements, the first item was a Total Return swap related to the $56,485,000 July 1, 2009 maturity of the Turnpike Authority of Kentucky (TAK) Resource Recovery 1985 Series A Bonds, which bears interest at 6 percent. Staff worked for approximately 18 months to develop this transaction with Morgan Stanley (MS) and finally executed the trade in April 2001.

The 1985A Bonds could not be economically refunded at the time, despite a very low interest rate environment, due to the enormous transferred

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proceeds penalty associated with the Debt Service Reserve Fund (DSRF) earning approximately 10 percent. MS, bond counsel and the Commonwealth developed a structure whereby the bonds would be called, but not redeemed. Once called, the bonds were sold to MS. ALCo then entered into a total rate of return swap, whereby MS paid ALCo 6 percent (the coupon on the bonds) and ALCo paid to MS, SIFMA plus a spread (originally 58 basis points) to cover expenses. This transaction provided the synthetic variable rate exposure to offset the asset sensitivity in the balance sheet, i.e. sensitivity to declining interest rates. Rates continued to steadily decline, putting the trade in a very favorable position. Shortly after the events of September 11, 2001, interest rates tumbled dramatically and on September 27, 2001, staff entered into an offsetting trade, locking in a guaranteed spread of 213 basis points. The reversal rate (rate ALCo agreed to pay MS) was 3.87 percent versus the original fixed receiver rate of 6 percent from MS.

For tax purposes, the Total Return swap was required to terminate prior to the final maturity of the bonds. The original end date for the Total Return Swap was July 1, 2007. In late June 2007, ALCo renewed the Total Return swap with MS through January 1, 2009 at a reduced spread to SIFMA of 37 basis points.

Since the two transactions offset each other for a net notional amount of zero, ALCo collected the difference between the two payments and deposited the proceeds into a swap account held for the benefit of the Road Fund. This account also secured future payments to MS under the agreement, if necessary. ALCo was obligated under the agreement to accumulate a minimum balance of $3 million in the swap account. Once cumulative deposits achieved that level, excess funds were available to offset debt service payments. In June 2007, approximately $2.6 million in excess funds were transferred from the swap account to the Road Fund and subsequently used to pay debt service.

In late December 2008, ALCo terminated both the Total Return swap and the offsetting Fixed Rate swap, receiving a final payment on the Total Return transaction of $832,591 and paying a termination fee of $1,222,000 on the Fixed Rate Swap, for a net payment of $389,409. Over the total life of the transaction, ALCo received net payments of over $6.1 million under the terms of the agreements. At December 31, 2008, a balance of over $4.3 million was available in the swap account to be used for the benefit of the Road Fund.

ASSET/LIABILITY MODEL

General Fund

The total SPBC debt portfolio as of December 31, 2008 had $2,805 million of bonds outstanding with a weighted average coupon of 5.1 percent, modified duration of 4.65 years, and a yield at market of 2.83 percent. The market yield decreased 72 basis points from the prior reporting period while modified duration decreased by 0.72 years. The average coupon reflects investor preference for callable premium bonds in the current market at a yield lower than par or discount coupon bonds. The $1,040 million callable portion had a weighted average coupon of 5.01 percent. There are $46 million callable in calendar year 2009, consisting mainly of unrefunded SPBC Project 60 and Project 62 bonds.

The SPBC General Fund debt structure has 27 percent of principle maturing in 5 years and 60 percent of principle maturing in 10 years. These ratios are currently in line with the rating agencies' proposed targets of 27-30 percent due in 5 years and 55-60 percent maturing within 10 years.

The General Fund had a high balance of $146 million on July 1, 2008 and a low of negative $1,223 million on November 17, 2008. The average and median balances were a negative $833 million and a negative $948 million, respectfully. Since the General Fund continued to have a negative avail-

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able cash balance for most of the fiscal year, there is little, if anything, that can be done from an asset management point of view beyond current actions.

From a liability management perspective, total General Fund debt service, net of reserve fund credits is expected to be $407 million for fiscal year 2009. Net interest margin will continue to be negative due to low cash balances versus outstanding fixed rate debt, low level of interest rates, and the callability of the debt portfolio.

ALCo Project Notes, 2005 General Fund Second Series.

Late in 2005, the remaining $640 million General Fund supported bond projects authorized by the 2005 General Assembly, but not yet permanently financed, were placed under an ALCo interim plan of finance. The 2005 General Fund Second Series Note program was established to provide a funding mechanism that allows state agencies and universities to move forward with their capital projects prior to the need for permanent financing. In 2006, the Commission adopted resolutions to place the $1,243 million General Fund supported bond projects, authorized by the 2006 General Assembly, under the same ALCo interim financing plan. The maximum authorized amount of notes outstanding under the program was increased from $750 million to $950 million. The projects were placed under the program because they were not otherwise expected to meet the IRS spend-down requirements of a traditional bond issue.

An initial tax-exempt tranche of $100 million, in two Series, was delivered on November 2, 2005. JP Morgan and UBS each provided remarketing services for the two separate $50 million Note Series, both issued in the commercial paper rate mode. The Note Series are each supported by a standby note purchase agreement provided by Dexia Credit Local, a leading European bank based in France, acting through its New York branch as liquidity provider.

A second tax-exempt tranche of $100 million, in two Series, was delivered on January 25, 2007. The two separate $50 million Note Series again were issued in the commercial paper rate mode and were serviced by JP Morgan, UBS and Dexia.

In February 2007, SPBC issued its Revenue and Revenue Refunding Bonds, Project 87, which currently refunded the first $100 million tranche of ALCo 2005 General Fund Second Series Notes, a $5 million project previously funded with ALCo Agency Fund Notes and select maturities of SPBC 57. SPBC 87 permanently financed a total of $278,441,000 of General Fund supported bond projects authorized by the 2005 and 2006 Sessions of the General Assembly.

A third tranche of $100 million was issued, in two Series, and delivered on June 26, 2007. This tranche of tax-exempt notes, similar to the first two, was issued in commercial paper rate mode, remarketed by JP Morgan and UBS and supported by Dexia.

In October 2007, the Commission adopted a resolution to place the $100 million of General Fund supported Energy Bonds, authorized by the 2007 2nd Special Session of the Kentucky General Assembly, under the same ALCo interim financing plan. At that time, the Commission also increased the maximum authorized amount of notes outstanding under the program from $950 million to $1,400 million in order to assure coverage of all remaining authorized but unissued General Fund supported debt.

In November 2007, SPBC issued its Revenue Bonds, Project 88, which currently refunded the second $100 million tranche of ALCo 2005 General Fund Second Series Notes. SPBC 88 permanently financed a total of $277,821,000 of General Fund supported bond projects authorized by the 2005 and 2006 General Assemblies.

A fourth tranche of $100 million was issued, in two Series, and delivered on March 5, 2008. This tranche of tax-exempt notes, similar to the first three, was issued in commercial paper rate mode, remarketed by JP Morgan and UBS and supported by Dexia.

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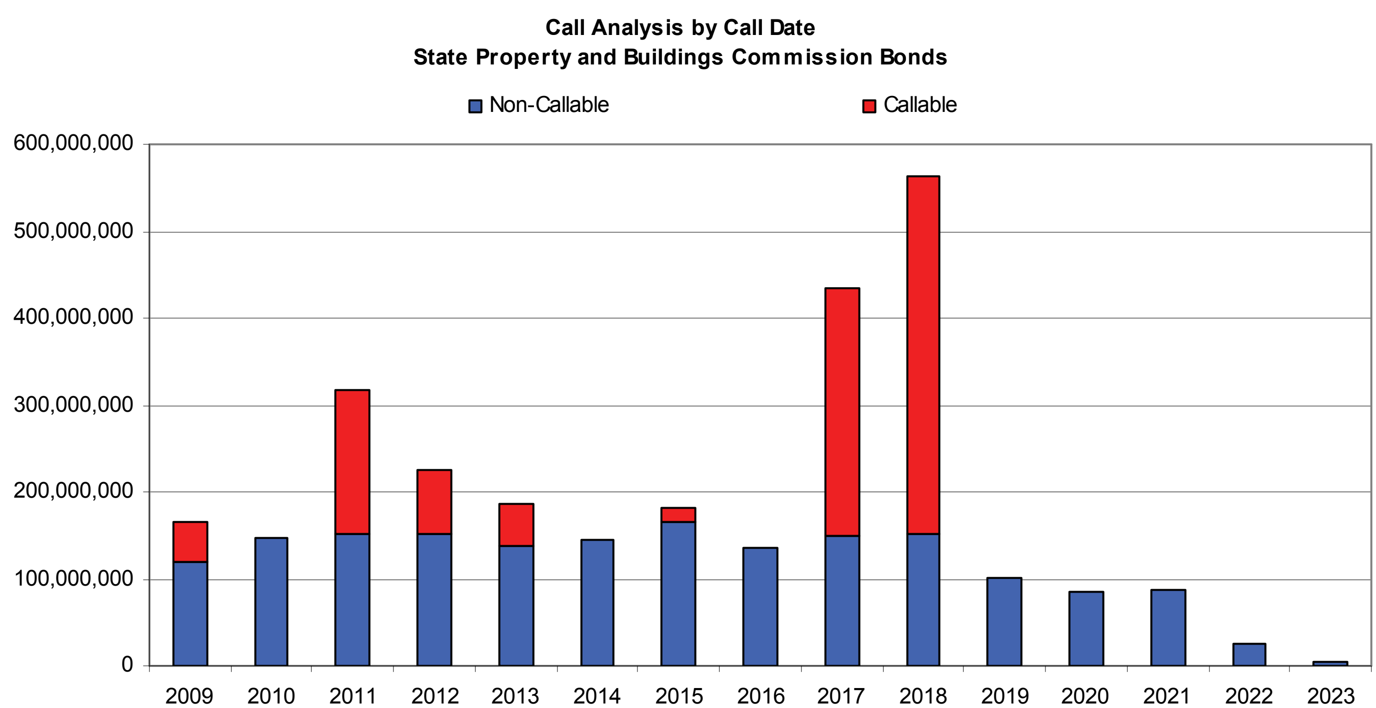
In May 2008, UBS announced their intention to exit the municipal finance business. In order to prevent any disruptions in the program and to assure the continued successful remarketing of the ALCo 2005 General Fund Second Series notes, the Commission, with the consent of the liquidity provider (Dexia) and the trustee (Bank of New York Mellon), quickly acted to transfer remarketing agent services on the series A-2 notes from UBS to JP Morgan. The transfer of duties became effective on June 15, 2008.

In the fall of 2008, commercial paper and other short-term markets worldwide encountered severe disruptions stemming from the difficulties of several large financial institutions and the ensuing credit crisis. Interest rate resets on the ALCo 2005 General Fund Second Series Notes experienced extreme volatility during September and October 2008. Also, in October 2008, ALCo encountered its first ever failed commercial paper remarketing on $3.3 million of 2005 General Fund Second Series Notes. This required ALCo to put these notes to Dexia as "Bank Notes" paying interest at a rate indexed to Prime until they could be remarketed or refunded. These factors, among others, led OFM to believe it was in the Commonwealth's best interest to refund all outstanding notes and temporarily suspend the ALCo 2005 General Fund Second Series program.

In October 2008, SPBC issued its Revenue and Revenue Refunding Bonds, Project 90, which currently refunded the entire $200 million of ALCo 2005 General Fund Second Series Notes then outstanding. SPBC 90 permanently financed a total of $321,434,039.01 of General Fund supported bond projects authorized by the 2005, 2006 and 2008 General Assemblies.

In November 2008, ALCo extended its standby note purchase agreement with Dexia for an additional three years at terms better than currently available in the market. The new liquidity facility fee under the extension is .375 percent, and all other terms remained essentially unchanged.

By the end of 2008, commercial paper and other short-term markets had begun trading again but with considerable volatility. Investors, seeking shelter in high-quality liquid investments (as alternatives to U.S. Treasuries), poured money into high-grade tax-exempt variable rate securities, driv-



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ing rates to all-time lows. However, trading spreads remain wide for tax-exempt short-term paper based on both underlying ratings and credit/liquidity quality. OFM will continue to monitor the markets for opportunities to again utilize the ALCo 2005 General Fund Second Series Note program, but in the interim will be providing project financing to meet expenditure needs through SPBC bonds.

Remarketing information and the cost of capital to date for the ALCo 2005 General Fund Second Series Note program is provided in Appendix C.

SPBC 90

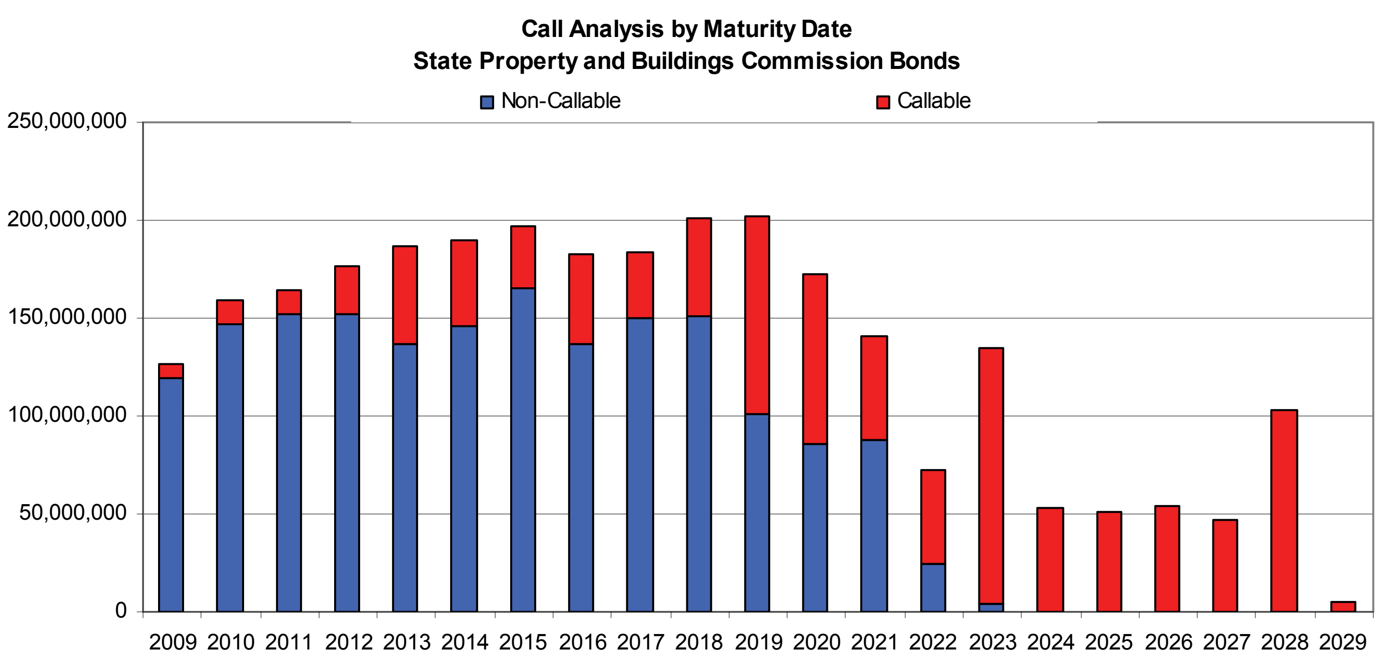
In October of 2008, SPBC issued $375 million Revenue and Revenue Refunding Bonds, Project 90. The proceeds of the bonds were used to (1) redeem $195 million of outstanding ALCo 2005 General Fund Second Series Notes, (2) provide $121,434,039 of additional permanent financing to partially fund ongoing General Fund bond-supported capital projects authorized in the 2005, 2006 and 2008 sessions of the General Assembly, (3) refund $42,245,000 of prior SPBC bonds (plus interest) maturing in Fiscal Year 2009 in order to provide budgetary relief, as instructed by the General Assembly, (4) pay capitalized interest on the new money bonds through Fiscal Year 2009, and (5) pay for costs of issuance.

Initially, OFM planned to redeem $100 million of 2005 General Fund Second Series notes with SPBC 90. However, after the failure of Lehman Brothers and difficulties at a number of other large financial institutions in the fall of 2008, the financial markets experienced a near lockdown. Based on the extreme volatility and uncertainty, OFM determined it was in the Commonwealth's best interest to redeem all of the then outstanding $200 million 2005 General Fund Second Series Notes, and the transaction was restructured to do so using bond proceeds and $5 million of cash on deposit with the trustee.

The bonds were sold via negotiated sale with Morgan Stanley serving as managing underwriter and Chapman & Cutler as bond counsel. The transaction was sold on schedule during a very difficult stretch for the municipal markets and, aided by very strong retail demand of over $129 million, achieved very reasonable rates with an All-In TIC of 5.49% with an average life on the bonds of 12.4 years.

ALCo Project Notes, 2005 General Fund First Series.

Project proceeds of $81,850,000 ALCo 2005 Gen-



DEBT MANAGEMENT

eral Fund First Series delivered on June 8, 2005 to provide for the financing of the Phase II Tobacco Settlement Payments were returned to the state in late 2005. The proceeds have been yield restricted and applied to General Fund supported bond projects, specifically the infrastructure for economic development fund for tobacco counties. As of December 31, 2008, $68.1 million of the proceeds had been expended on projects.

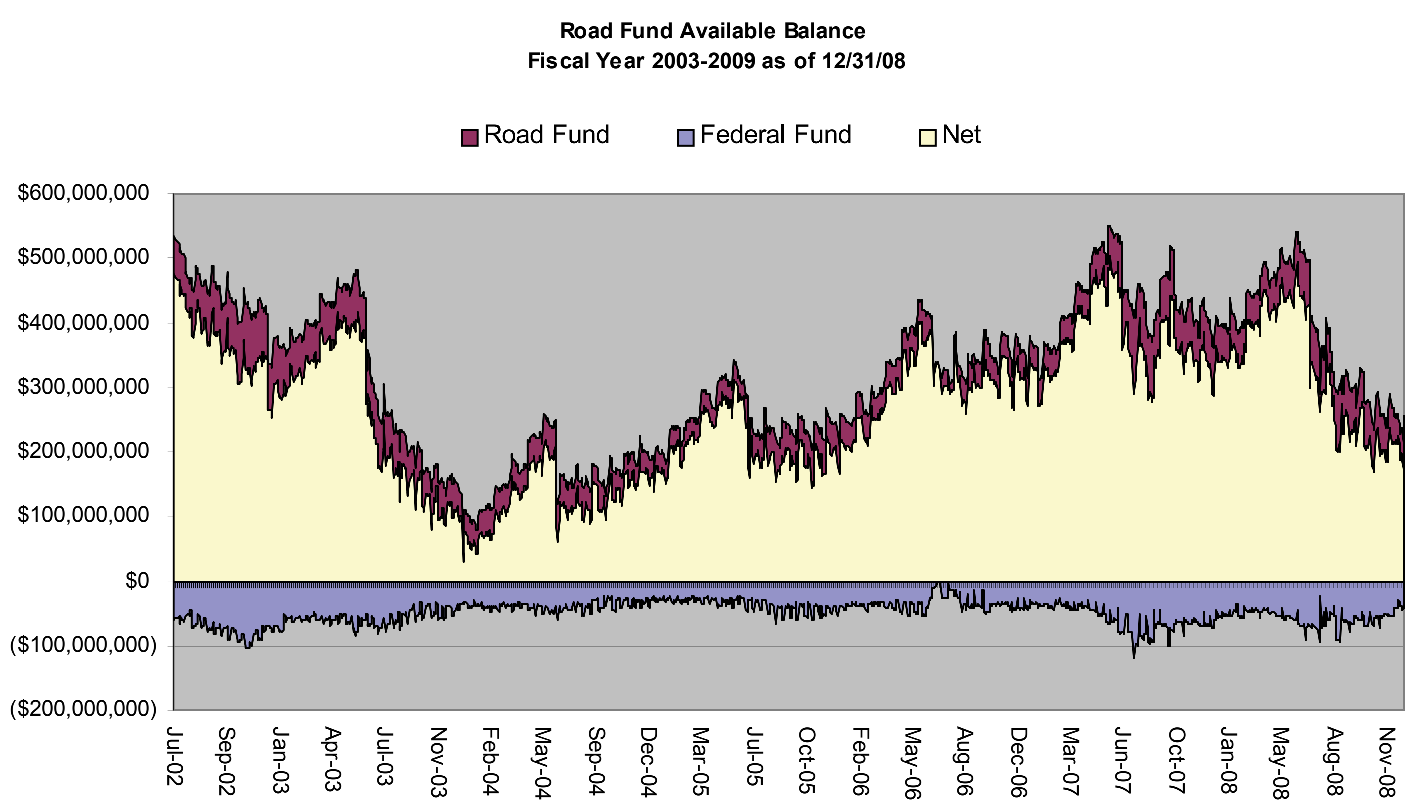
Road Fund

In September 2007, ALCo implemented the 2007 Road Fund First Series Project Note Program and issued $150 million of the $350 million of Road Fund Supported Economic Development Bonds authorized by the 2006 General Assembly. The interim financing program provides for notes not to exceed $350 million to be issued in anticipation of permanent financing by TAK. The notes, which are in commercial paper mode, are secured by a standby note purchase agreement provided by Dexia and remarketed by JP Morgan.

In March 2008, an additional $50 million in notes were issued bringing the total amount of notes outstanding under the program at the time to $200 million.

In August 2008, TAK issued its $195,665,000 Economic Development Road Revenue Bonds (Revitalization Projects), 2008 Series A. The proceeds of the issue were used to redeem $100 million of outstanding ALCo 2007 Road Fund First Series notes and to provide an additional $100 million of new money permanent financing for projects under the 2006 authorization of the General Assembly. Currently, $100 million of ALCo Road Fund First Series notes remain outstanding and the $50 million balance of the 2006 authorization is yet to be financed. OFM and the Kentucky Transportation Cabinet will continue to monitor expenditure needs to determine the timing of future financings.

Appendix C provides cost of capital on the ALCo



DEBT MANAGEMENT

2007 Road Fund First Series Note program to date.

The Road Fund average daily cash balance for the first half of fiscal year 2009 was $301 million compared to $426 million for the first half of fiscal year 2008. The Road Fund cash was invested in the Intermediate Term Investment Pool which had a duration of 1.09 years as of December 31, 2008. The Road Fund earned $4.95 million on a cash basis for the first half of fiscal year 2009 versus $7.9 million for the first half of fiscal year 2008. The continued relatively low level of investable balances and the large debt authorization limits the opportunity to implement new asset liability management strategies at this time.

As of December 31, 2008, TAK had $912 million of bonds outstanding with a weighted average coupon of 4.65 percent, modified duration of 4.14 years, and yield at market of 2.92 percent.

Road Fund debt service paid, net of reserve fund credits for fiscal year 2009 is expected to be $131 million, resulting in a net interest margin (investment income earned less debt service paid) of negative $120 million. The negative amount stems from the declining level of investable balances and a general low level of interest rates on the investment side in addition to the limited callability of fixed rate obligation on the liability side.

Agency Fund

SPBC 91

In October of 2008, SPBC issued $15,720,000 Agency Fund Revenue Bonds, Project 91 on behalf of the Kentucky River Authority (KRA) for the purpose of redeeming the outstanding $14.025 million ALCo 2005 Agency Fund 2nd Series A-5 note and providing permanent financing for the Kentucky River Authority's Dam 9 project near Lexington. The construction project consisted of $14 million in debt financing, authorized by the 2006 General Assembly and originally issued by ALCo in November 2007, for the construction of a new concrete cellular dam adjacent to the existing dam near Lexington on the Kentucky River. This financing is the first permanent financing secured by the Tier II Agency Fund revenues of the KRA. Though KRA has the statutory authority to issue debt under its own name, OFM and KRA agreed that issuing the financing under the State Property and Buildings Commission name was the appropriate strategy as SPBC is an established issuer, including previous Agency Fund issues, and would also allow KRA to take advantage of certain economies by issuing concurrently with the planned SPBC Project 90 and 92 transactions.

In April 2008, the KRA board adopted a Tier II fee increase from $0.016 to $0.06 per 1,000 gallons withdrawn. The increased fees began being collected in July 2008 and were estimated by OFM as sufficient to cover the permanent financing on the Dam 9 project, including the full funding of a Debt Service Reserve Fund (DSR). Though initial conversations in September 2008 between KRA, OFM, and GOPM also contemplated increasing the size of the Project 91 borrowing slightly to provide additional funding for other projects, it was decided that the $17.5 million of General Fund bonds authorized for the KRA in the 2008 session of the General Assembly would be included in the SPBC 90 transaction, being issued concurrently with SPBC 91, and those monies would be sufficient to allow KRA to begin work on other projects as needed. The SPBC 91 transaction would be sized to just redeem the outstanding ALCo note and fund the DSR.

Morgan Stanley, serving as senior managing underwriter, recommended structuring the transaction to look similar to a traditional water revenue bond in the hope that the rating agencies would review it similar to a revenue bond credit than an appropriation credit. Included in the structure was a fully funded DSR and an unrestricted "Rate Stabilization Fund" which would be funded directly by KRA and could be used to offset any temporary fluctuations in revenue collections. A 1.15X rate covenant was included (including stabilization funds) and 1.00X

DEBT MANAGEMENT

rate covenant without stabilization funds. Despite a relatively strong history of collections on a pro-forma basis (1.24X or better in 9 of the previous 10 years), Morgan Stanley and OFM believed that because KRA revenues are subject to legislative appropriations it would ultimately be necessary to also pledge the Moral Obligation of the Commonwealth to replenish the DSR fund if at any time it had to be tapped to pay debt service. The thought was that this would allow the rating agencies to provide a rating based on the higher of the creditworthiness of the pledged revenues or the Commonwealth's lease appropriation credit.

Morgan Stanley, OFM and KRA worked to develop a rating agency presentation to introduce the rating agencies to KRA and educate each of them on the planned structure of the transaction and the history of the Tier II fees. In September 2008, conference calls were conducted with each of the three rating agencies to walk through the presentations and allow KRA staff to answer any questions the ratings agencies had. Despite the strong history of revenue collections, ultimately, due to the appropriation risk, all three rating agencies leaned on the Moral Obligation pledge. The bonds were assigned ratings of A1/A+/A+ from Moody's, S&P and Fitch respectively.

The bonds were sold in October 2008 via negotiated sale, simultaneously with the SPBC Project 90 and 92 transactions. The sale was completed on schedule during a very difficult stretch for the municipal markets and, aided by retail demand of approximately $9 million, achieved very reasonable rates for the KRA with an All-In TIC of 5.82% with an average life on the bonds of 12.6 years.

SPBC 92

In October of 2008, SPBC issued $4,975,000 Taxable Agency Fund Revenue Bonds, Project 92 on behalf of the Kentucky Department of Military Affairs (DMA) for the purpose of upgrading electrical and water lines and making other infrastructure improvements at Bluegrass Station in Lexington. The project, which was authorized by the 2008 General Assembly, is the second financing secured by agency revenues generated by Bluegrass Station. Similar to the original transaction, issued by ALCo in 2005, the financing was required to be sold on a taxable basis due to the primarily Federal and private sector tenants at Bluegrass Station both working at the facility and paying the majority of the lease revenue generated there (private use and private payment).

In 2005, ALCo issued $11.275 million of taxable notes for Bluegrass Station to build a new hangar and warehouse. However, issuing this transaction under the State Property and Buildings Commission name allowed the DMA to take advantage of certain economies by issuing concurrently with the planned SPBC Project 90 and 91 transactions. Originally, bond counsel had some questions whether parity bonds could be issued for Bluegrass Station based on the original ALCo indenture. After careful consideration though, it was determined that parity bonds could be issued by SPBC with the exception that any SPBC 92 bondholder rights to remedies under an event of default would be subordinate to the original ALCo noteholder rights.

Citi, which served as senior managing underwriter on the original 2005 ALCo transaction was selected to serve in the same capacity on the SPBC 92 transaction. Similar to the 2005 ALCo transaction, OFM and Citi believed that the pledged revenues from Bluegrass Station alone, and being subject to legislative appropriation, would likely not be enough to achieve an A level rating from any of the rating agencies. It would again be necessary to have a Moral Obligation pledge of the Commonwealth to pay debt service on the SPBC 92 bonds if revenues from the DMA were insufficient to meet debt service requirements. However, in an effort to mitigate the credit risks to the Commonwealth's General Fund, OFM determined that a 1.2X additional bonds test was an appropriate policy to apply to Bluegrass Station (though not included in the bond documents) and looked to DMA to provide reasonable future expenditure and revenue estimates achieving this level, including reasonable estimates for ongoing capital maintenance. DMA was able to

DEBT MANAGEMENT

provide final estimates sufficient to meet this policy.

In September 2008, conference calls were conducted with each of the three rating agencies to walk through the specifics of the SPBC 92 transaction and to answer any questions the rating agencies had. Ultimately, due to the limited revenue history, required rent revenue increases, and the associated appropriation risk, all three rating agencies based their ratings primarily on the Moral Obligation pledge. The bonds were assigned ratings of A1/A+/A+ from Moody's, S&P and Fitch respectively.

The bonds were sold in October 2008, simultaneously with the SPBC Project 90 and 91 transactions, and were placed with a buyer by the co-manager on the transaction, Hilliard Lyons. The sale was completed on schedule during a very difficult stretch for the municipal markets and, considering the extreme volatility in the taxable markets at the time, achieved reasonable rates for the DMA with an All-In TIC of 8.23% with an average life on the bonds of 12.5 years.

SUMMARY

ALCo's approach to managing the Commonwealth's interest-sensitive assets and interest-sensitive liabilities continues to produce excellent results.

Since its inception, ALCo has been instrumental in adding incremental returns on investment income to the Commonwealth's investment portfolio. ALCo has continued to manage General Fund intra-year cash flow deficits through its TRAN program. ALCo has issued a General Fund TRAN each fiscal year since 1998 (with the exception of FY04), providing millions of dollars of incremental gains for the General Fund over this time (see Debt Management TRAN section for details). In addition, ALCo's management approach to project funding has allowed the Commonwealth to take advantage of short-term yields and achieve millions of dollars each year in budgetary savings through debt service lapses. At the end of fiscal year 2008, the Commonwealth was able to lapse $93 million of budgeted General Fund debt service and $27 million of budgeted Road Fund debt service.

ALCo continues to analyze potential opportunities for savings and to evaluate new financing structures which offer the Commonwealth the ability to diversify risk within its portfolio while taking advantage of market demand for various new or unique products.

Appendix

APPENDIX A

ALCo Financial Agreements	SPBC Nov. 2009 Hedge	ALCo 2008 TRAN Hedge
Fund Source	General Fund	General Fund
Hedge	Net Interest Margin	2008 TRAN Notes
Counter-Party	UBS	UBS
Counter-Party Ratings *(Moody's/S&P/Fitch)*	Aa2/A+/A+	Aa2/A+/A+
Termination Trigger	A3/A-	A3/A-
Swap Type	Fixed Pay	Variable Pay
Benchmark	SIFMA	1M LIBOR
Reset	Weekly	Monthly
Notional Amount	150,000,000	400,000,000
Amortize (yes/no)	yes	no
Execution Date	8/2/2007	6/16/2008
Start Date	11/2/2009	7/1/2008
Mandatory Early Termination	11/2/2009	
Cash Settlement Payment Date	11/16/2009	6/25/2009
End Date	11/1/2029	6/25/2009
Fixed Rate pay-(rec)	4.276%	(3.387%)
Day Count	30/360	30/360
Payment Dates	May 1 & Nov 1	25th of each Month
Security Provisions	General Fund Bonds	General Fund Revenues
Current Market Valuation December 31, 2008 (negative indicated payment by ALCo)	(18,837,857)	5,536,519
Interest Earnings Cumulative Prior Periods Current Period - 12/31/2008		
TOTAL	not applicable	1,533,758

Swap Summary
As of December 31,2008

	Total Notional Amount Executed		Net Exposure Notional Amount	
	General Fund	Road Fund	General Fund	Road Fund
	793,080,000	0	782,575,000	0

Total Notional Amount Executed by Counter Party

Citibank	UBS
243,080,000	550,000,000

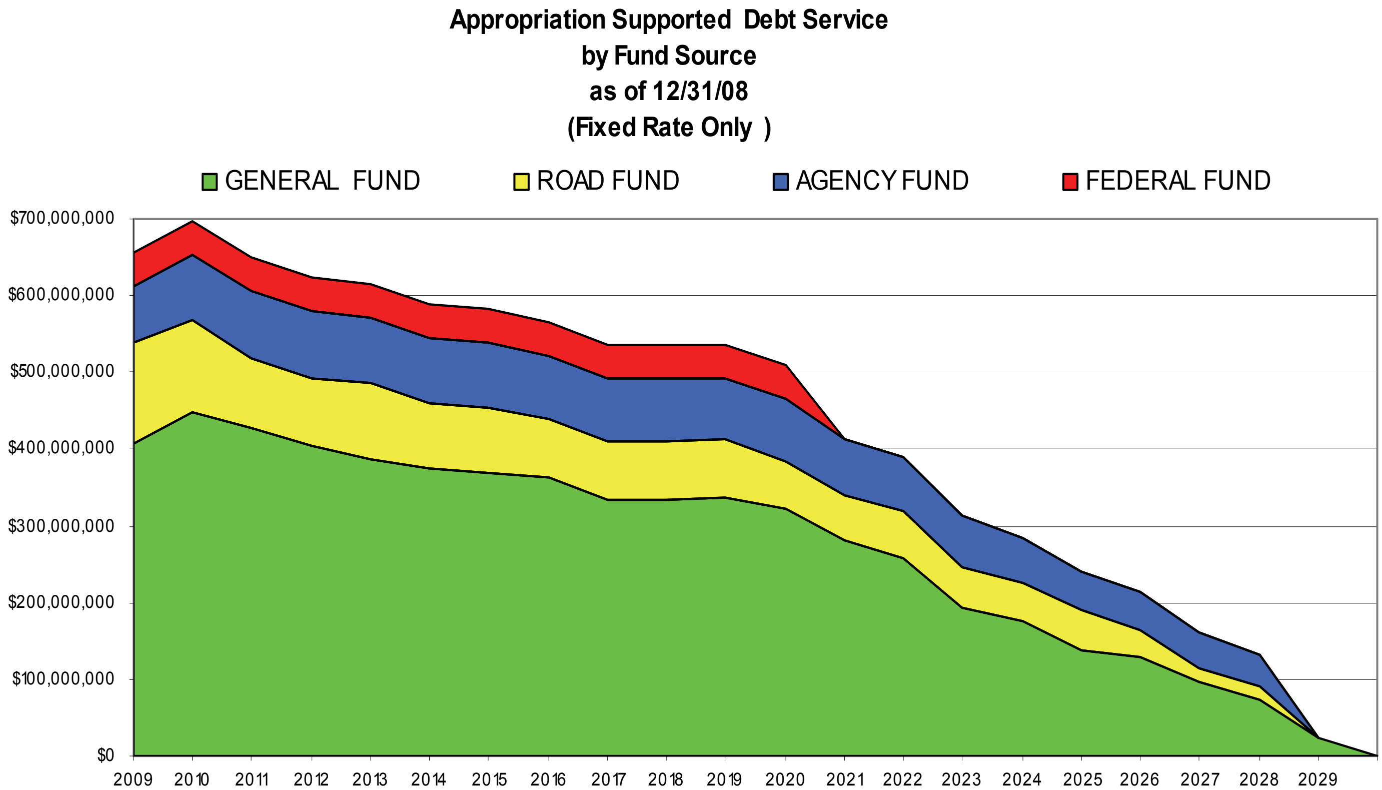
	Debt (Excludes TRAN)		10 Percent Net Exposures	
	General Fund	Road Fund	General Fund	Road Fund
Bonds Outstanding	2,974,565,000	997,336,344	297,456,500	99,733,634
Authorized but Unissued	1,354,967,961	285,000,000	135,496,796	28,500,000
Total	4,329,532,961	1,282,336,344	432,953,296	128,233,634

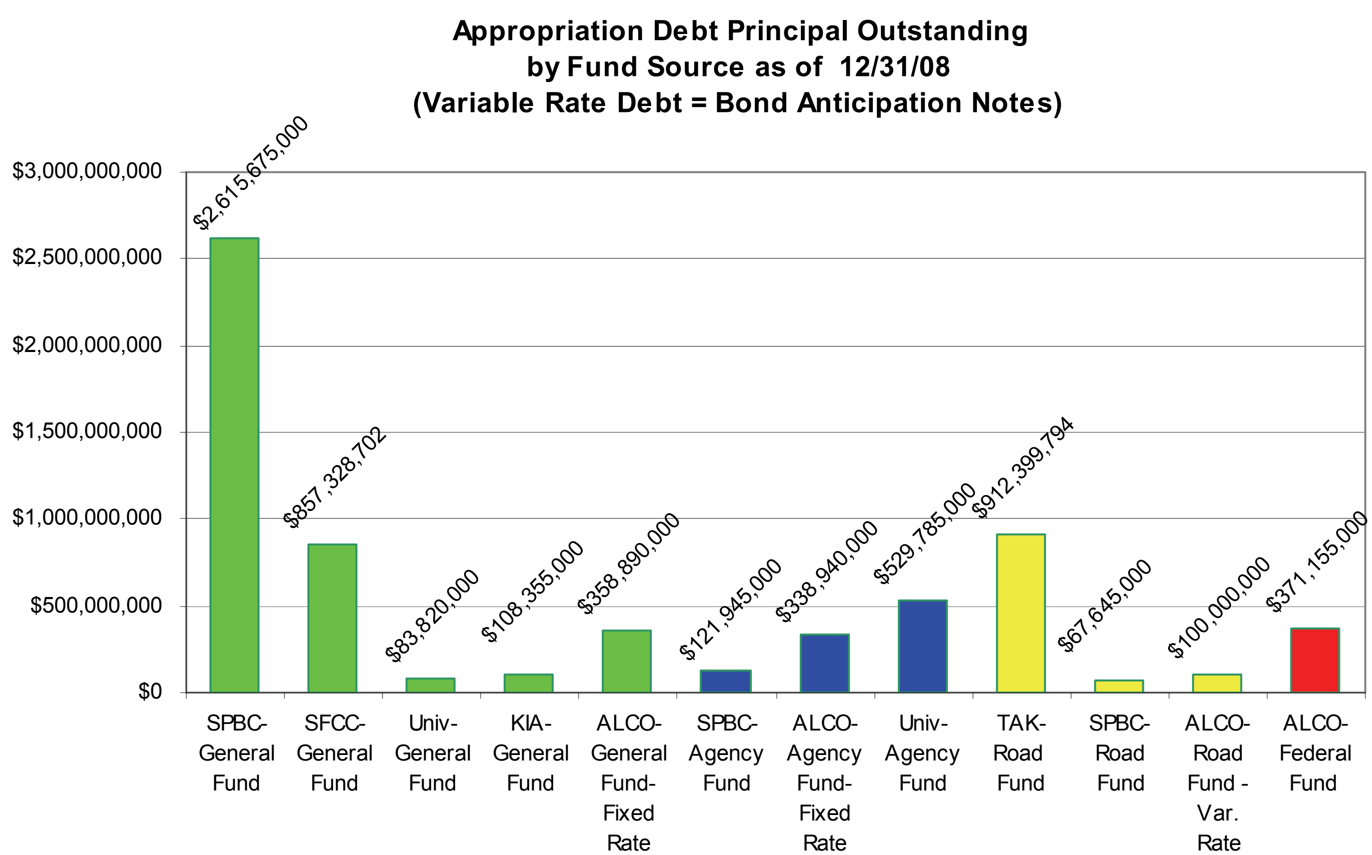
Investment Pool Balances		10 Percent Investment Portfolio	
Other Funds	Net Road Fund	Other Funds	Net Road Fund
2,908,709,392	225,797,303	290,870,939	22,579,730

APPENDIX A

ALCo Financial Agreements	ALCo FRN Series A Hedge	ALCo FRN Series A Hedge	ALCo FRN Series B Hedge	ALCo FRN Series B Hedge
Fund Source	General Fund	General Fund	General Fund	General Fund
Hedge	2017 FRN	2027 FRN	2021 FRN	2025 FRN
Counter-Party	Citibank	Citibank	Citibank	Citibank
Counter-Party Ratings *(Moody's / S&P / Fitch)*	Aa3/A+/A+	Aa3/A+/A+	Aa3/A+/A+	Aa3/A+/A+
Termination Trigger	A3/A-	A3/A-	A3/A-	A3/A-
Swap Type	Fixed Pay	Fixed Pay	Fixed Pay	Fixed Pay
Benchmark	67% 3M LIBOR + 40	67% 3M LIBOR + 53	67% 3M LIBOR + 52	67% 3M LIBOR + 55
Reset	Quarterly	Quarterly	Quarterly	Quarterly
Notional Amount	21,315,000	70,650,000	69,675,000	70,935,000
Amortize (yes/no)	yes	yes	yes	yes
Execution Date	5/16/2007	5/16/2007	5/16/2007	5/16/2007
Start Date	5/31/2007	5/31/2007	5/31/2007	5/31/2007
Mandatory Early Termination				
Cash Settlement Payment Date				
End Date	11/1/2017	11/1/2027	11/1/2021	11/1/2025
Fixed Rate pay-(rec)	3.839%	4.066%	4.042%	4.125%
Day Count	30/360	30/360	30/360	30/360
Payment Dates	February 1, May 1, August 1, November 1			
Security Provisions	General Fund Debt Service Appropriations			
Current Market Valuation December 31, 2008 (negative indicates payment owed by ALCo if terminated)	(2,022,497)	(11,824,971)	(11,588,973)	(15,464,721)
Interest Earnings (not applicable)				
Total	not applicable	not applicable	not applicable	not applicable

APPENDIX B


Appropriation Supported Debt Service
by Fund Source
as of 12/31/08
(Fixed Rate Only)
GENERAL FUND
ROAD FUND
AGENCY FUND
FEDERAL FUND
$700,000,000
$600,000,000
$500,000,000
$400,000,000
$300,000,000
$200,000,000
$100,000,000
$0
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029


Appropriation Debt Principal Outstanding
by Fund Source as of 12/31/08
(Variable Rate Debt = Bond Anticipation Notes)
$3,000,000,000
$2,500,000,000
$2,000,000,000
$1,500,000,000
$1,000,000,000
$500,000,000
$0
$2,615,675,000
$857,328,702
$83,820,000
$108,355,000
$358,890,000
$121,945,000
$338,940,000
$529,785,000
$912,399,794
$67,645,000
$100,000,000
$371,155,000
SPBC-General Fund
SFCC-General Fund
Univ-General Fund
KIA-General Fund
ALCO-General Fund-Fixed Rate
SPBC-Agency Fund
ALCO-Agency Fund-Fixed Rate
Univ-Agency Fund
TAK-Road Fund
SPBC-Road Fund
ALCO-Road Fund - Var. Rate
ALCO-Federal Fund

APPENDIX C

COMMONWEALTH OF KENTUCKY

ASSET/LIABILITY COMMISSION

SCHEDULE OF NOTES OUTSTANDING

AS OF 12/31/2008

FUND TYPE SERIES TITLE	AMOUNT ISSUED	DATE OF ISSUE	MATURITY DATE	PRINCIPAL OUTSTANDING
General Fund Project Notes				
2003 Series A	$171,260,000	7/2003	7/2013	$52,985,000
2005 1st Series	$81,850,000	6/2005	5/2025	$73,330,000
2007 A, B Series	$243,080,000	5/2007	11/2027	$232,575,000
FUND TOTAL	**$496,190,000**			**$358,890,000**
Agency Fund Project Notes				
2005 1st Series	$11,275,000	6/2005	6/2025	$10,490,000
2005 Series A-UK Gen Recpts	$107,540,000	11/2005	11/2025	$107,540,000
2006 Series A-UK Gen Recpts	$66,305,000	10/2006	10/2022	$62,760,000
2007 Series A-UK Gen Recpts	$77,905,000	11/2007	10/2027	$77,905,000
2007 Series B-UK Gen Recpts	$80,245,000	11/2007	10/2027	$80,245,000
FUND TOTAL	**$343,270,000**			**$338,940,000**
Road Fund Project Notes				
2007 First Series	$200,000,000	9/2007	6/2028	$100,000,000
Federal Hwy Trust Fund Project Notes				
2005 1st Series	$139,635,000	6/2005	9/2017	$109,280,000
2007 1st Series	$277,910,000	9/2007	9/2019	$261,875,000
FUND TOTAL	**$417,545,000**			**$371,155,000**
PROJECT NOTES TOTAL	**$1,457,005,000**			**$1,168,985,000**
TRAN 2008	$400,000,000	6/2008	6/2009	$400,000,000
TRAN TOTAL	**$400,000,000**			**$400,000,000**

APPENDIX C

Kentucky Asset/Liability Commission
Variable Rate Debt

	2005 General Fund Second commercial paper (1)			2007 Road Fund First commercial paper (2)	2005 Agency Fund Second SIFMA + 0.45% weekly reset (3)
	Series A-1	**Series A-2**	**Total**	**Series A**	**Series A-5**
Program Size	*Not to exceed $1,400 million*			*Not to exceed $350 million*	*Not to exceed $250 million*
Amount Issued	$200,000,000	$200,000,000	**$400,000,000**	$200,000,000	$14,025,000
Amount Outstanding	$0	$0	**$0**	$100,000,000	$0
Initial Date of Issue	2-Nov-05	2-Nov-05		25-Sep-07	27-Nov-07
Agency	- - -	Various	- - -	Transportation	KRA
Project Amount Authorized	- - -	$810,386,961	- - -	$350,000,000	$33,200,000
December 31, 2008					
SIFMA	3.097%	3.097%		2.501%	2.33%
Average Notes Outstanding	$77,511,521	$75,778,433	**$153,289,954**	**$163,984,881**	**$14,025,000**
Inception Weighted Yields	2.928%	2.803%	**2.866%**	**2.270%**	**2.785%**
Cost of Issuance					**0.109%**
Remarketing Fee	0.050%	0.050%	**0.050%**	**0.050%**	-
Liquidity Facility Fee (4)	0.075%	0.075%	**0.075%**	**0.075%**	-
Average Cost of Funds	**3.053%**	**2.928%**	**2.991%**	**2.395%**	**2.894%**

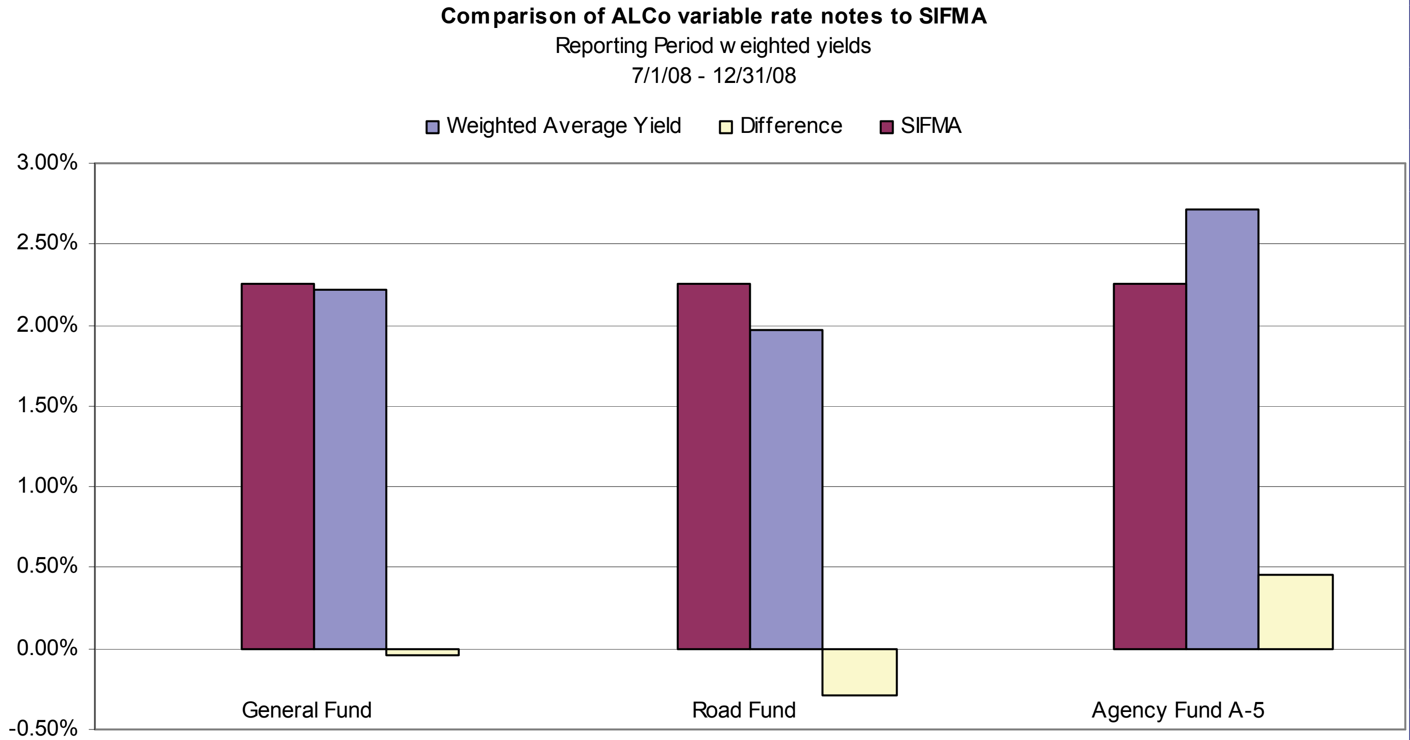
(1) 2005 General Fund Second Series
As of 6/17/2008 JP Morgan Securities Inc. became remarketing agent for both the series A-1 and A-2 replacing UBS as the previous remarketing agent for the Series A-2 notes.

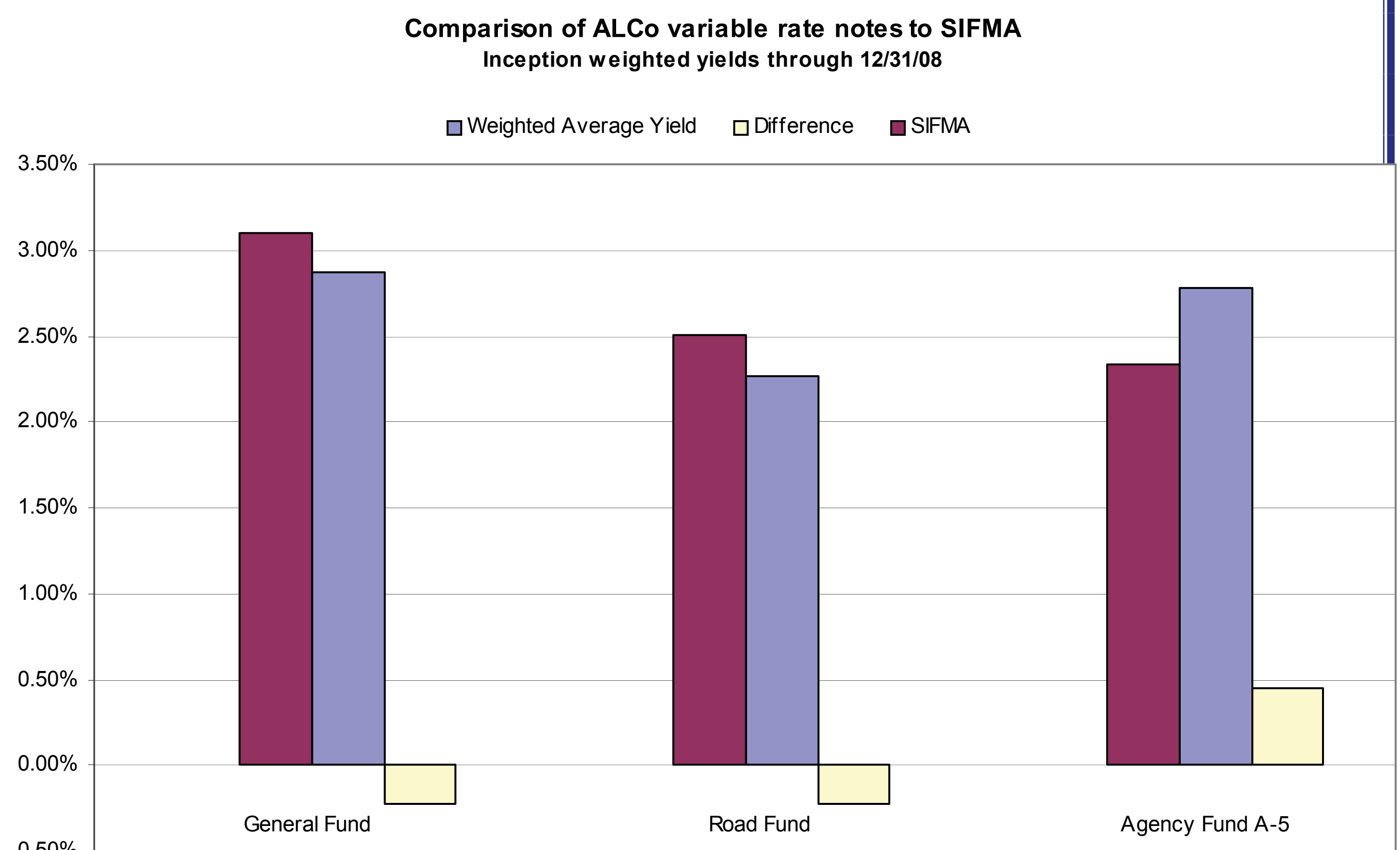
(2) 2007 Road Fund First Series is remarketed by JP Morgan Securities.

(3) 2005 Agency Fund Second Series Program has been terminated with the redemption of the Series A-5.

(4) As of November 2008, the Liquidity fee for the 2005 General Fund Second Series Program increased from 0.075% to 0.375%.

APPENDIX C


Comparison of ALCo variable rate notes to SIFMA
Reporting Period w eighted yields
7/1/08 - 12/31/08
Weighted Average Yield
Difference
SIFMA
3.00%
2.50%
2.00%
1.50%
1.00%
0.50%
0.00%
-0.50%
General Fund
Road Fund
Agency Fund A-5


Comparison of ALCo variable rate notes to SIFMA
Inception weighted yields through 12/31/08
Weighted Average Yield
Difference
SIFMA
3.50%
3.00%
2.50%
2.00%
1.50%
1.00%
0.50%
0.00%
-0.50%
General Fund
Road Fund
Agency Fund A-5

General Fund Supported Bonds Authorized By The General Assembly Financed Within The Reporting Period

State Property and Buildings Commission Revenue and Revenue Refunding Bonds, Project No. 90

PROJECT DESCRIPTION - Fully Financed Projects	AGENCY	Authorization Balance	(1)	Amount Funded
Cabinet for Economic Development				
Economic Development Bond Pool - Sekisui S-LEC America, LLC	Economic Development	200,000		200,000
Economic Development Bond Pool - Webasto Roof Systems, Inc	Economic Development	500,000		500,000
Economic Development Bond Pool - NPR Manufacturing Kentucky, LLC	Economic Development	300,000		300,000
Economic Development Bond Pool - ABC Automotive Systems, Inc	Economic Development	200,000		200,000
Economic Development Bond Pool - Sister Schubert's Homemade Rolls, Inc.	Economic Development	100,000		100,000
TOTAL - Fully Financed Projects		**1,300,000**		**1,300,000**

PROJECT DESCRIPTION - Partially Financed Projects	AGENCY	Authorization Balance	(1)	Amount Funded
Business Refund Off-Set System	Revenue	1,750,000		68,509
Construct Business Technology Center - Phase II	EKU	32,850,000		2,417,191
Expand & Upgrade Livestock Disease Diagnostic Center	UK	8,500,000		3,434,797
Renovate Science Campus, Phase II	WKU	33,000,000		18,365,160
LCC Classroom/Lab Building	KCTCS	31,741,000		1,581,104
Replace Records and Secure Evidence Facility	State Police	6,075,000		360,132
Child Support Enforcement (KASES II)	CHFS	2,040,000		225,389
Upgrade KASPER System DPH	Public Health	5,000,000		2,932,498
Upgrade HVAC Pipes & Electric - Glasgow	MHMR	2,200,000		117,790
KHRIS	Personnel	25,000,000		14,816,309
Subtotal - 2005 General Assembly		**148,156,000**		**44,318,878**
Infrastructure for Economic Development Fund for Non-Coal Producing Counties	KIA	112,500,000	(2)	46,736,387
Infrastructure for Economic Development Fund for Coal Producing Counties	KIA	75,000,000	(2)	28,512,130
Community Development Fund Projects	Local Development	28,958,000	(2)	8,341,063
Warren County Fiscal Court Transpark Rail Spur	Local Development	4,500,000		3,877,299
Construct Science Building	EKU	54,108,000	(2)	1,900,714
Construct Manchester Postsecondary Education Center	EKU	3,500,000	(2)	1,087,037
Renovate Hathaway Hall Phase II	KSU	4,920,000	(2)	4,181,393
Space Science Center - Completion	Morehead State	3,400,000	(2)	993,467
Construct Center for Health Education and Research	Morehead State	23,000,000	(2)	4,238,848
Construct Center for Informatics	NKU	35,500,000		66,625
Construct Biological/Pharmaceutical Complex Phase II	UK	79,892,000	(2)	28,218,634
Construct HSC Research Facility IV	UL	69,680,000	(2)	57,767,730
Construct Advanced Manufacturing Tech Center – Gateway CTC	KCTCS	28,000,000		9,179,491
Construct Emerging Technology Center West Kentucky CTC	KCTCS	16,518,000		5,834,103
Construct Allied Health/Tech Ed Building – Laurel	KCTCS	14,015,000		5,973,734
Construct Administration Building Phase I Maysville CC	KCTCS	5,008,000		1,069,520
Construct Science/Allied Health Building – Jefferson CTC	KCTCS	25,557,000		6,293,126
Construct Central Reg. PSE Center Phase II Elizabethtown CTC	KCTCS	20,000,000		4,272,080
Advanced Manufacturing Center – Design – Bluegrass CTC	KCTCS	1,500,000		1,169,591
Springfield Community and Technical College	KCTCS	14,500,000		4,121,943
McCreary Center – Somerset CC	KCTCS	6,500,000		996,544
Construct Tech Dr Campus Ashland CTC – Phase III	KCTCS	17,600,000	(2)	624,786
Letcher County Central Vocational Center	Education	2,000,000		194,803
Replace Master Control & Production Infrastructure	KET	15,707,000		6,815,596
Construct New Indoor Arena	Horse Park	36,500,000		26,420,652
Oakwood – Replace Chillers Heating & Cooling Lines	MHMR	2,131,000		141,709
Home of the Innocents – Phase II Children's Village	Comm. Based Services	8,250,000	(2)	8,250,000
Capital Plaza Complex – Renovation – Design	Facilities Management	4,942,000		435,900
Replace College of Education Building – Tate Page Hall	WKU	35,000,000		3,702,627
Subtotal – 2006 General Assembly		**748,686,000**		**271,417,530**
Replace Power Plant Pollution Control System	Morehead State	5,700,000		4,247,631
Subtotal – 2008 General Assembly		**5,700,000**		**4,247,631**
TOTAL – Partially Financed Projects		**903,842,000**		**319,984,039**
TOTAL – All Financed Projects		**905,142,000**		**321,284,039**

(1) Excludes allocable costs of issuance

(2) Less than full Authorization

REPORT PREPARED BY:

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Creating Financial Value for the Commonwealth