Semi-Annual Report of the Kentucky Asset/Liability Commission

25TH EDITION

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Commonwealth of Kentucky

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For the period ending June 30, 2009

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") twenty fifth semi-annual report pursuant to KRS 56.863 (11) for the period beginning January 1, 2009, through June 30, 2009. 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 deepest recession since the Great Depression has continued although signs are pointing to a rebound in the second half of the calendar year.
- U.S. home prices decline further due to additional market deterioration.
- War in the Middle East continues.
- The S&P 500 was largely unchanged at 919 on June 30, 2009 after starting the year at 903, however it rebounded sharply from a low of 677 on March 9, 2009.
- The Federal Reserve maintained the Federal Funds target at a range of 0.00 to 0.25 percent.
- Chrysler filed Chapter 11 bankruptcy and emerged as a restructured company under the control of Fiat.
- General Motors filed Chapter 11 bankruptcy planning to emerge as a restructured company largely controlled by the U.S. Government.
- Numerous governmental programs continue to provide capital and liquidity to various financial companies to protect the financial markets from further meltdowns.

On the state level

- In May 2009, the Consensus Forecasting Group (CFG) revised the fiscal year 2010 official revenue estimate for the General Fund to $8.3 billion, which was a $996 million reduction from the original CFG estimate.
- In June 2009, the General Assembly met in Special Session and adopted House Bill 4 which provided the necessary measures to close a projected fiscal year 2010 budget deficit of over $1 billion for the General Fund. The measures taken to close the General Fund budget deficit were a combination of spending reductions, Federal Stimulus Funds, debt restructuring, and enhanced revenue collections. The fiscal year 2010 projected Road Fund budget deficit, estimated at $239 million, was also addressed during the session and similar measures were taken with it.
- During the 2009 Special Session, the Kentucky General Assembly also adopted House Bill 3, which among other things established the Kentucky Public Transportation Infrastructure Authority, whose primary function will be to provide for the construction, operation, financing, and oversight of significant transportation projects within the Commonwealth and between the Commonwealth and the state of Indiana.
- House Bill 3 also provided for a loan support program for Signature Tax Increment Financing projects approved prior to January 1, 2008 that carries a request for appropriation feature in the event of a shortfall in the loan supplemental account.

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MARKET OVERVIEW

The United States economy is suffering through the deepest recession since the Great Depression with the weakest growth during the 4th quarter of last year and the 1st quarter of this year. Real Gross Domestic Product (GDP) declined by 5.4% and 6.4% on an annualized basis during those quarters respectively. The recession actually started in December of 2007, as determined by the NBER (National Bureau of Economic Research).

Unemployment has risen from a low of 4.4% in March 2007, to a high of 9.5% in June 2009. Retail Sales less Auto and Gas has fallen in 8 of the last 12 months. (The 4 monthly increases were due to seasonal distortions related to the growth of gift cards, and not an increase in retail activity.) Auto sales have fallen from an average of about 16 million annually two years ago, to fewer than 10 million this year. While existing home sales have come off their lows, they have still fallen from a high of over 7 million per year to less than 5 million per year. Year over year, personal income has fallen 3.4%.

Each of the statistics in the previous paragraph focuses on the consumer segment of the economy for a reason. Consumer spending accounts for 71% of total GDP. Sustained growth of the U.S. economy requires growth in the consumer sector. However, private household balance sheets have been badly damaged by the credit crises. For most individuals, their single largest asset is their home. Home prices have dropped by over 30% since the end of 2006. Added to that are excessive levels of debt plus substantial tightening of credit underwriting standards which has largely dried up the availability of credit to all but the most credit worthy. Consumers are responding by cutting spending and increasing savings.

During the next six months, the combination of federal stimulus funds plus inventory rebuilding will offset the consumer retrenchment to some extent, possibly enough to lead to positive GDP growth. Basically, the rate of spending of federal stimulus money will increase during the fall. The state of Kentucky, for example, will receive over $350 million in Federal Stimulus during fiscal year 2010 (excluding Medicaid). Manufacturers substantially reduced production over the last six months. The best example is the auto industry in which Chrysler and GM largely shut down production for extended periods during their trip through bankruptcy. Manufacturers will be forced to step up production this fall to rebuild depleted inventories.

But, what happens next year? Unemployment is a lagging, not a leading indicator. Jobs will continue to be lost for several months following the onset of GDP growth. With a weak jobs market, employees have little power to negotiate salary increases. While home sales have picked up some, prices continue to drop as foreclosures flood the market. The only way for consumers to improve their balance sheets is to limit spending and increase savings. Again, consumer spending accounts for 71% of the U.S. economy. The federal government can temporarily offset reduced consumer spending through deficit spending, but there is a limit to how much can be borrowed.

Bill Gross at PIMCO, manager of the largest fixed income fund in the U.S., has coined the term "the new normal". He suggests that increased government involvement in the economy and the requirement to de-leverage balance sheets will result in an extended period of slower growth and low investment returns. The bottom line is that the economy is showing signs of improvement and may turn to positive growth this fall, but is still facing serious head winds.

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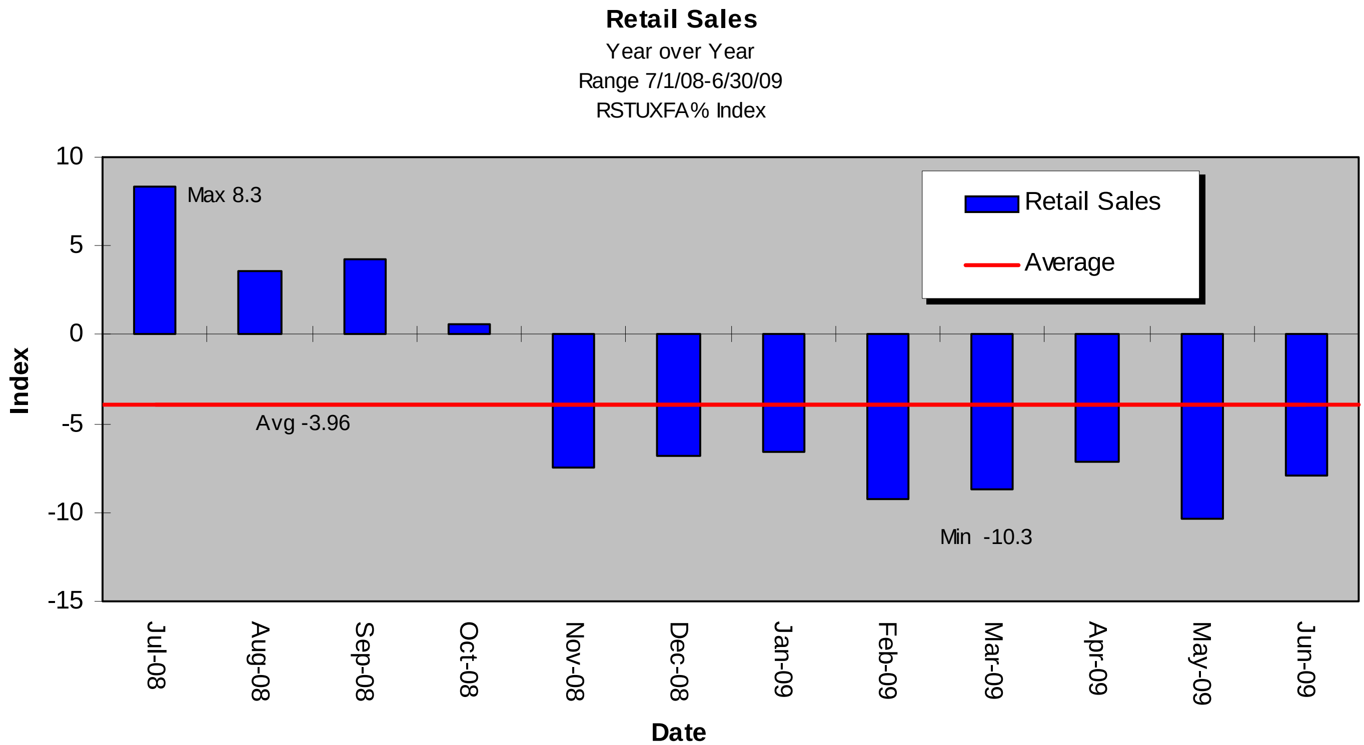
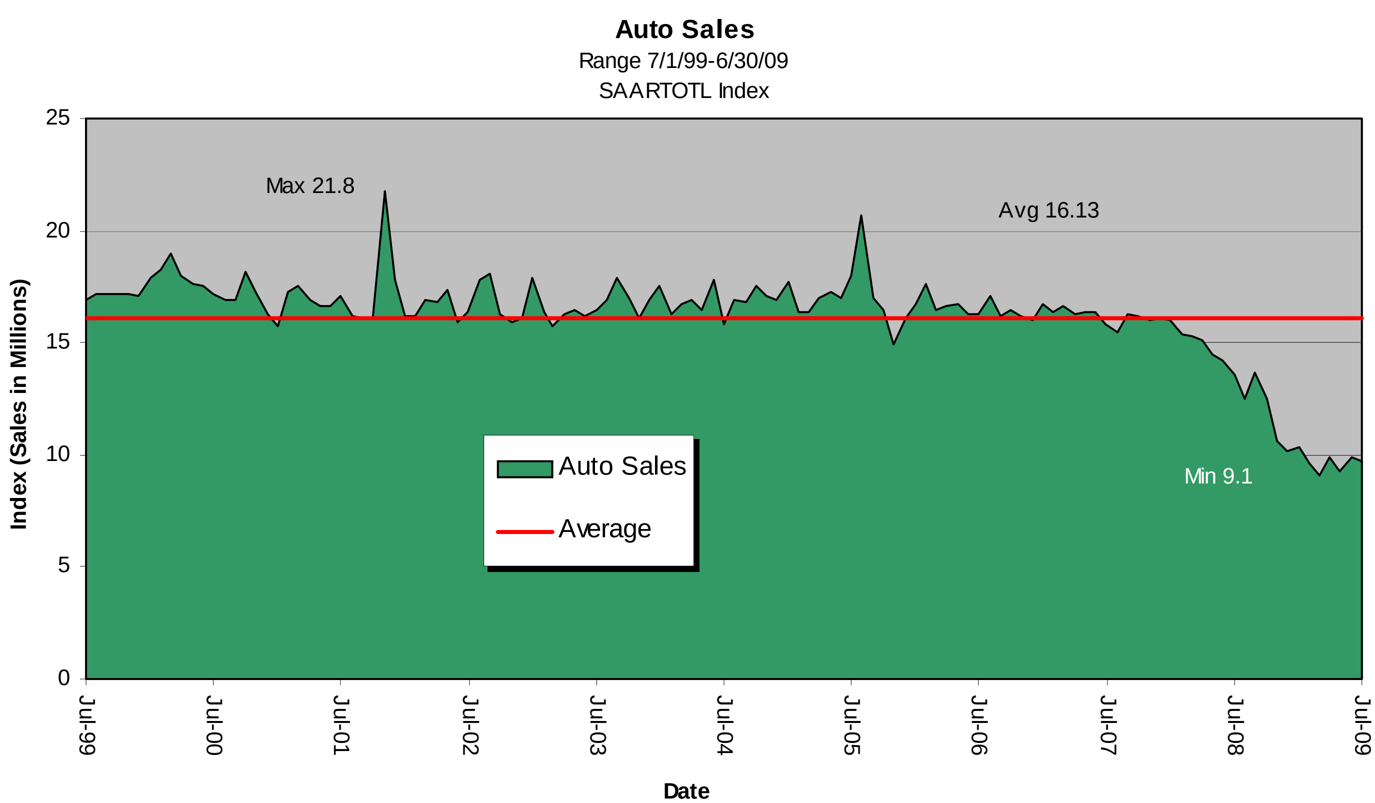
Retail Sales & Auto Sales





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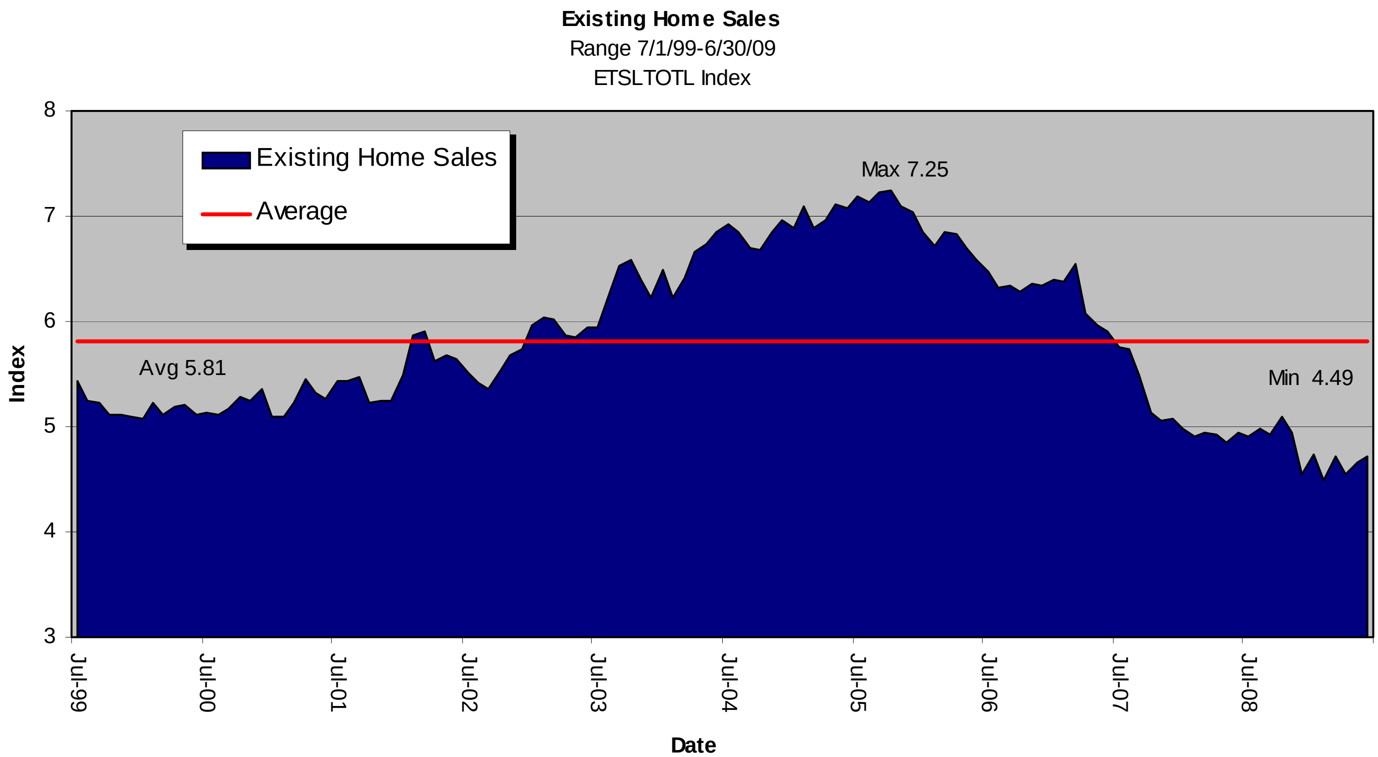
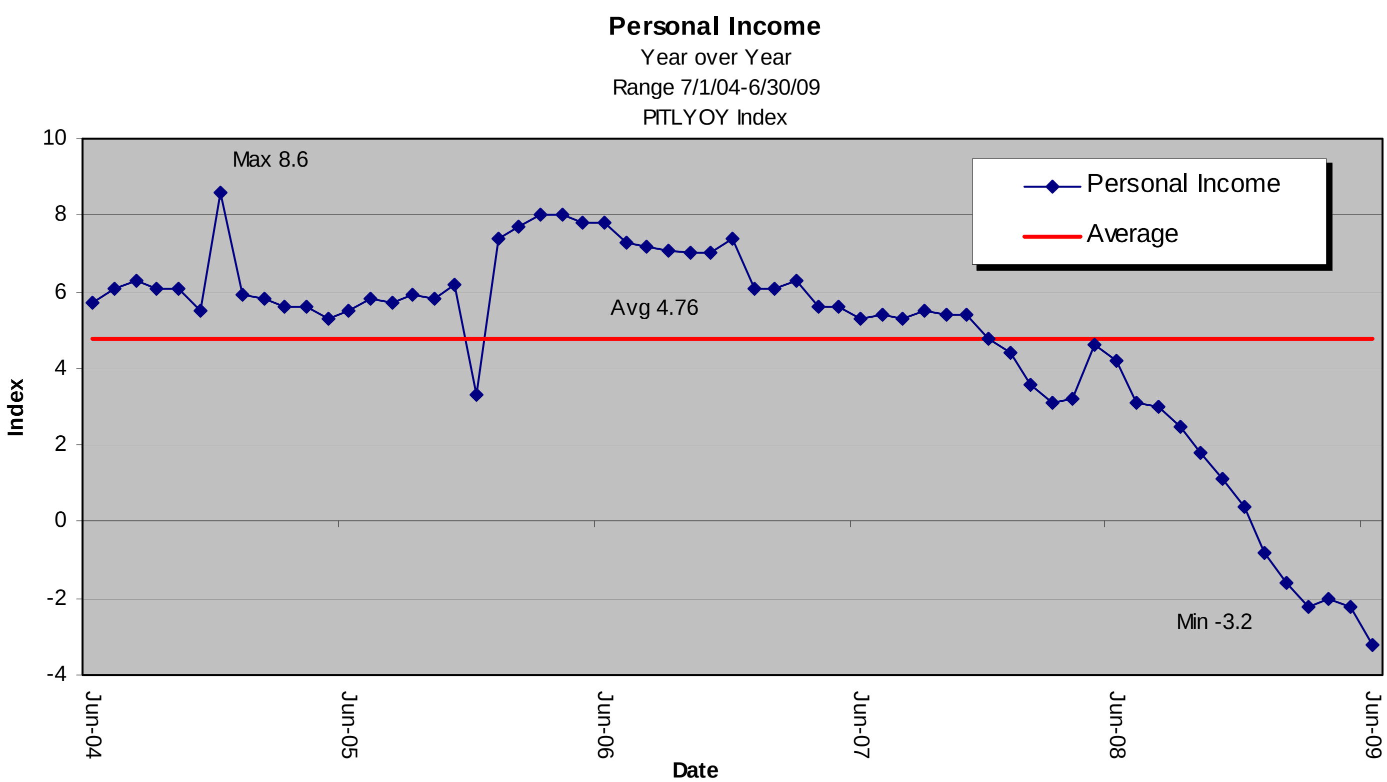
Existing Home Sales & Personal Income





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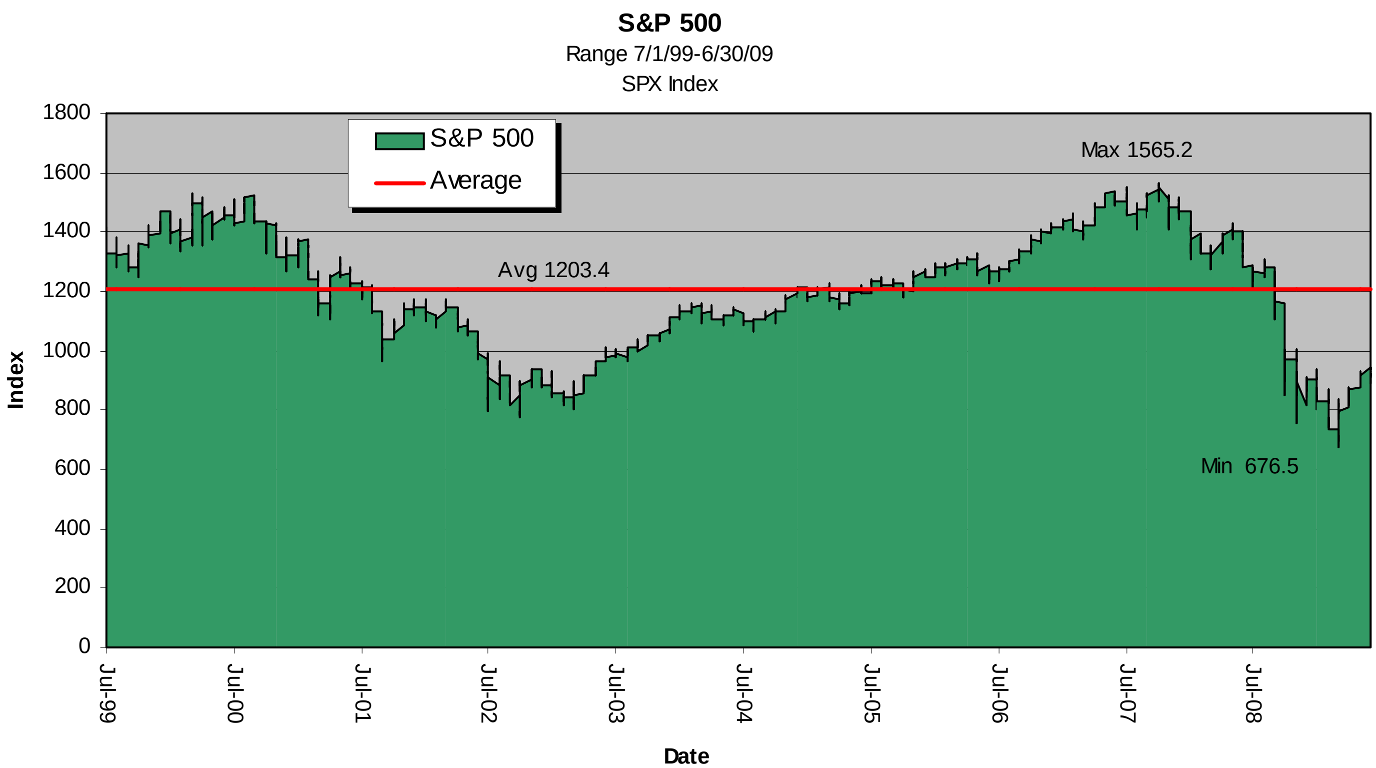
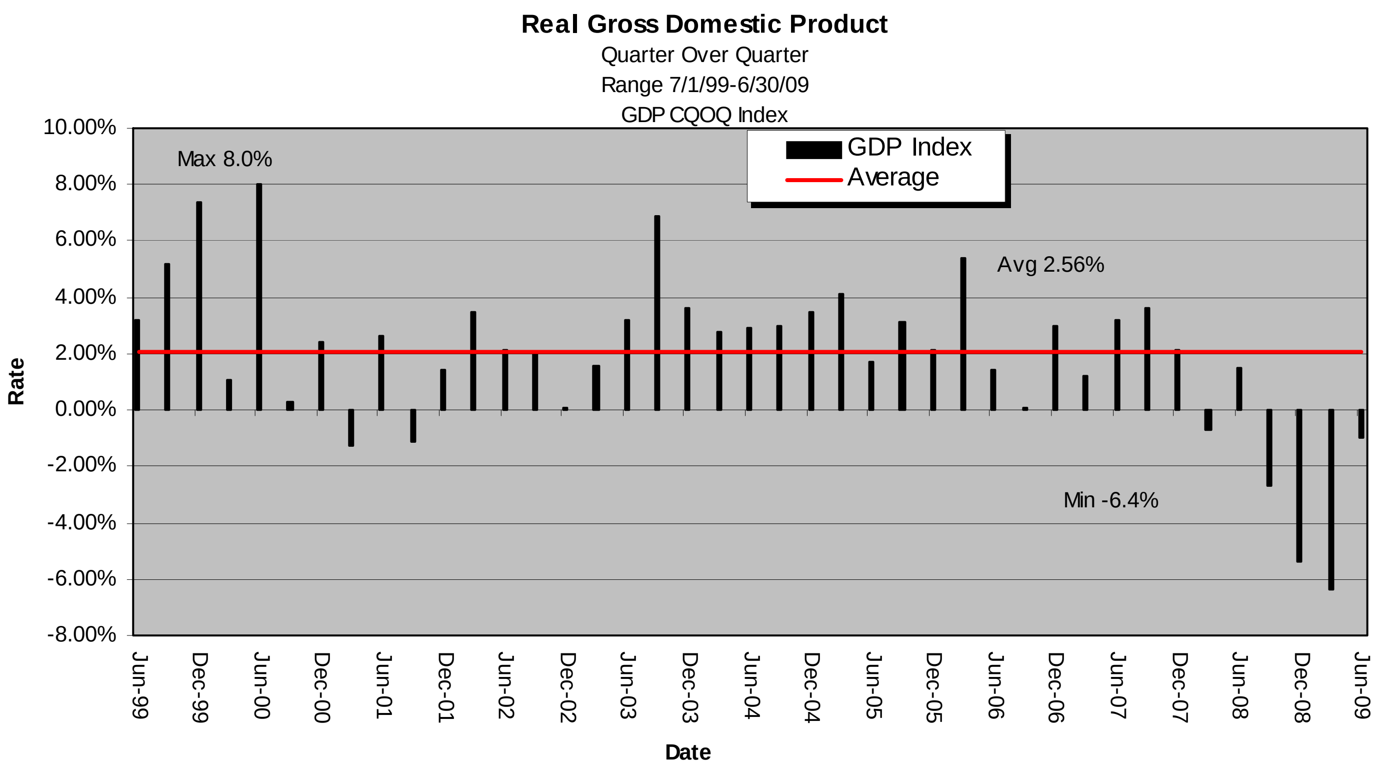
S&P 500 & Gross Domestic Product





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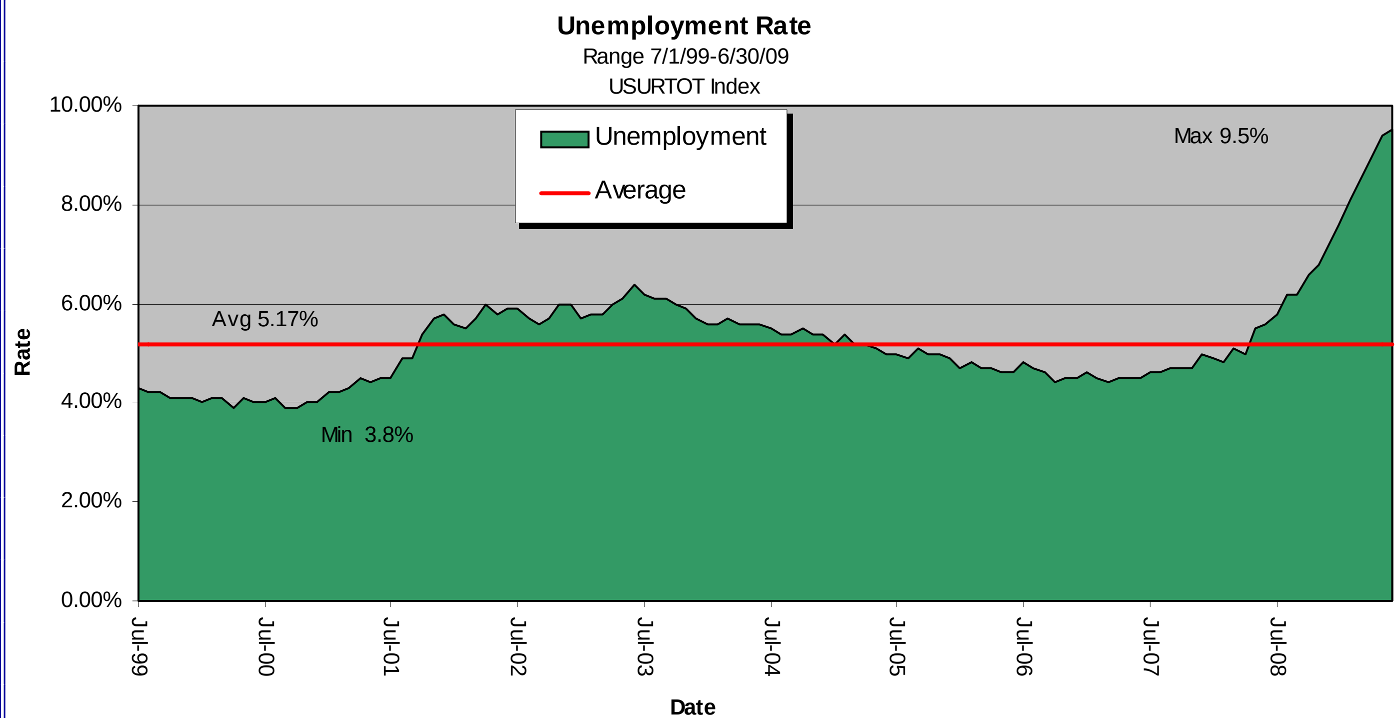
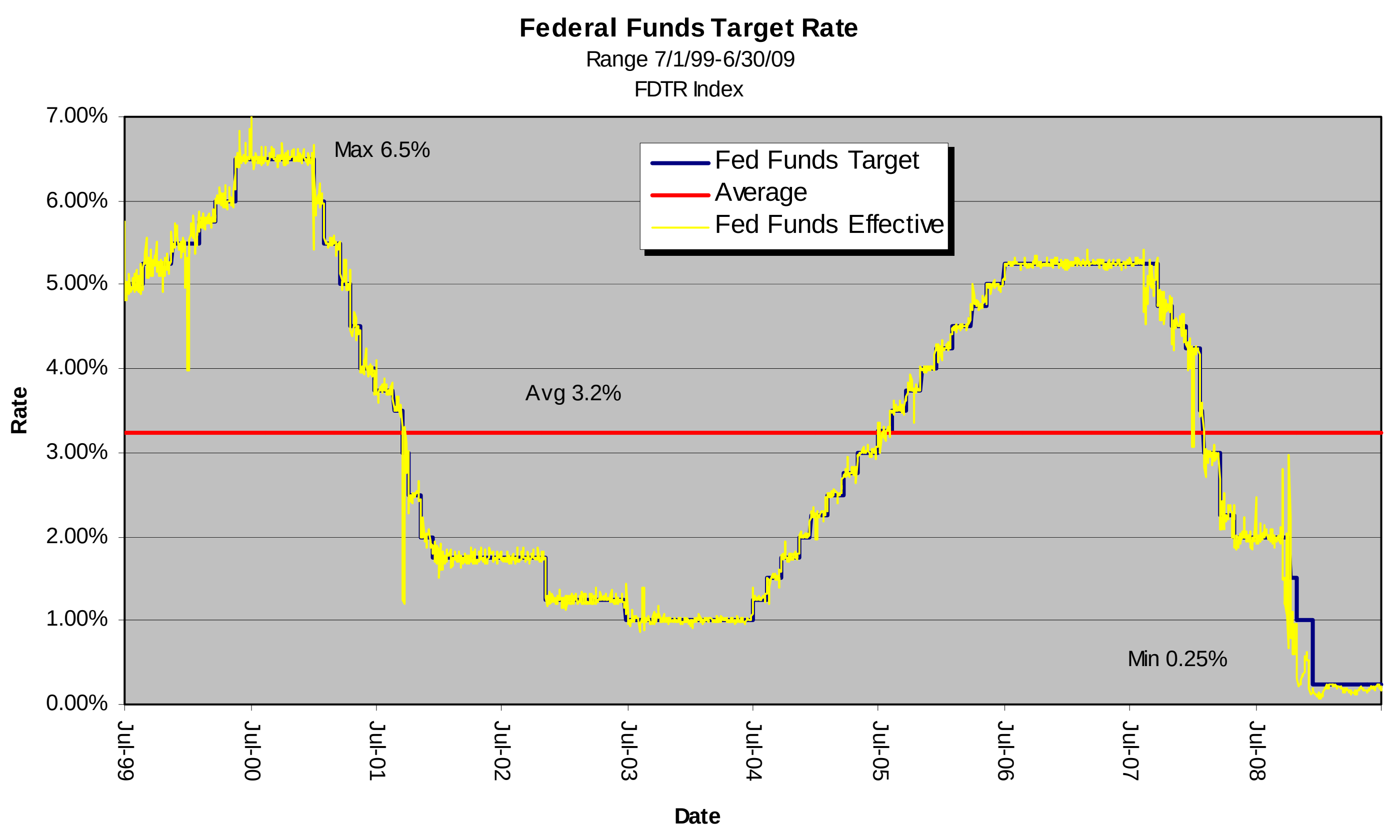
Unemployment & Federal Funds Target Rate





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PORTFOLIO MANAGEMENT

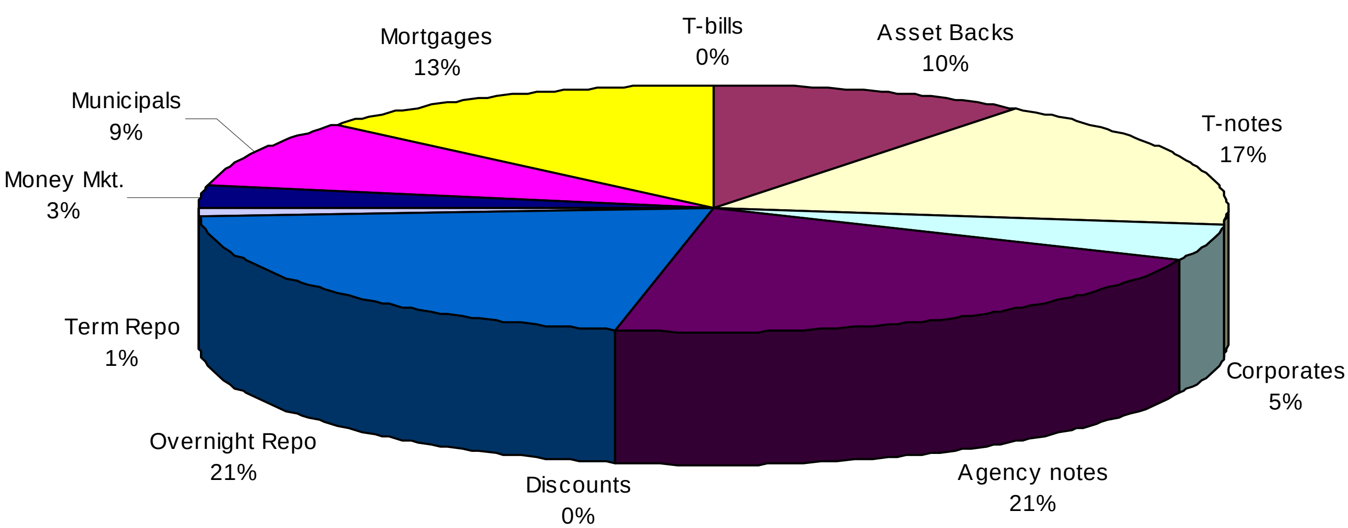
For the fiscal year ended June 30, 2009, the Commonwealth's investment portfolio averaged $3.3 billion. As of June 30, 2009, the portfolio was invested in U. S. Treasury Securities (17%), U. S. Agency Securities (21%), Mortgage Pass Through Securities (1%), Collateralized Mortgage Obligations (12%), Repurchase Agreements (22%), Municipal Securities (9%), Corporate Securities (5%), Asset-Backed Securities (10%), and Money Market Securities (3%). The portfolio had a market yield of 4.14% and an effective duration of 0.96 years.

The total portfolio is broken down into four investment pools. The pool balances as of June 30, 2009, were: Short Term Pool - $1,120 million, Intermediate Term Pool - $1,549 million, Bond Proceeds Pool - $341 million, and UK Hospital Pool - $11 million.

Total investment income from all investments, on a cash basis, for the fiscal year ended June 30, 2009, was $107.6 million versus $190.3 million for the fiscal year ended June 30, 2008. On a full mark-to-market basis, investment income was $106.2 million for the fiscal year ended June 30, 2009, versus $198.9 for the fiscal year ended June 30, 2008. The drop in income was caused partially by a reduction in investable balances (approximately 17%) and more so by a large reduction in interest rates. For example, the yield on 2 year Treasury notes averaged 3.08% in FY 2008 but only 1.37% in FY 2009.

Three other investment related events occurred during the fiscal year. When Lehman declared bankruptcy, the state realized a $4.5 million loss as a $5 million par Lehman note was sold. The securities lending portfolio was restructured in February. The portfolio held a $25 million par note from Lehman and a $25 million par note from Washington Mutual, both of which became impaired. These and other positions were exchanged for a subordinated note issued by Credit Suisse, currently one of the strongest banks in the world with credit ratings of Aa1/A+/AA-. Over the 10 year life of the new note, the losses on the Lehman and Washington Mutual notes will be recouped. Finally, a Commercial Mortgage Backed Security defaulted resulting in an approximate $4 million impairment; however the Commonwealth holds the senior position in the underlying loans and expects to recover a significant portion of this once foreclosure proceedings have concluded and the properties have been sold.

Distribution of Investments at June 30, 2009



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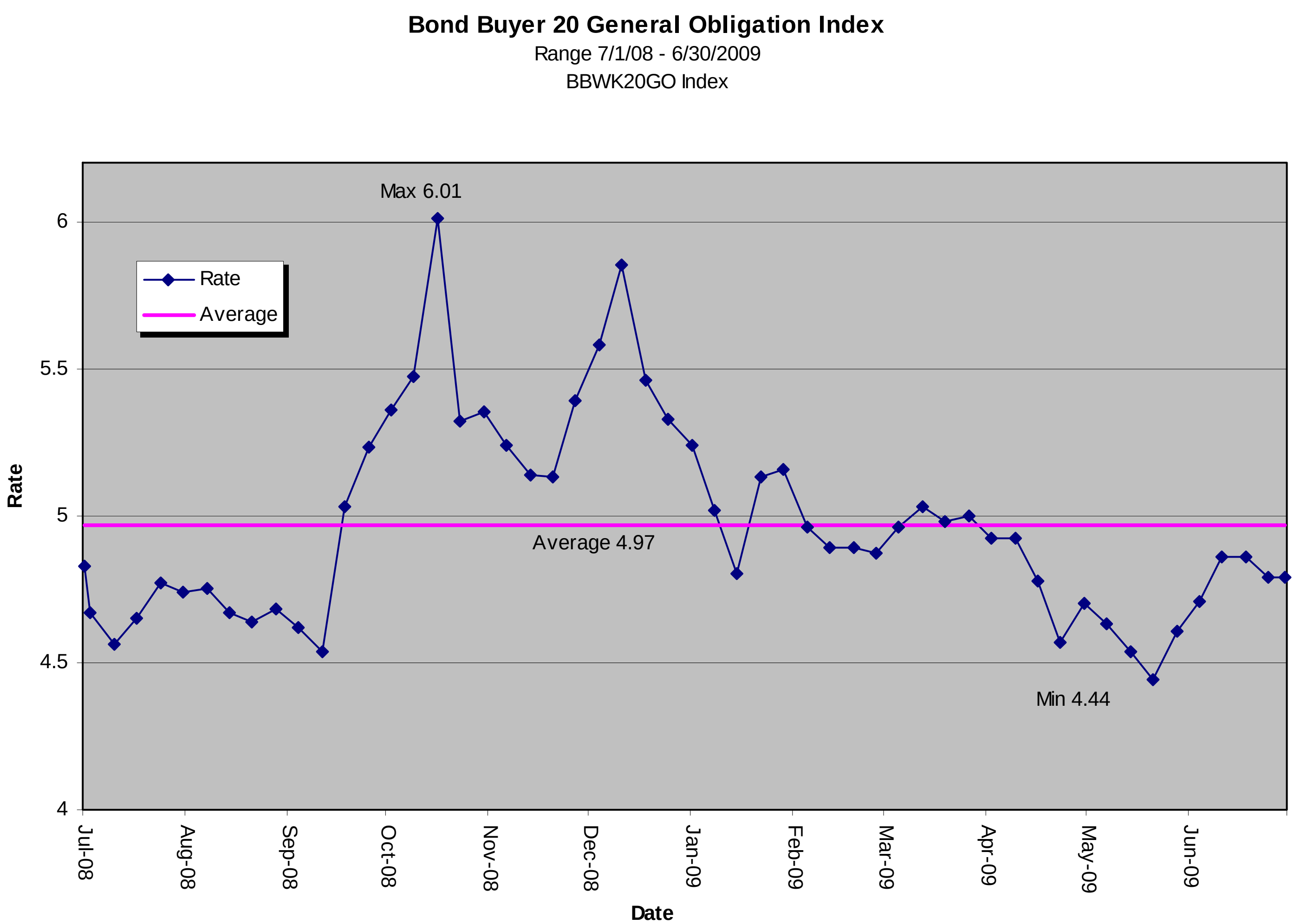
Tax-Exempt Interest Rates and Relationships

The Bond Buyer 20 year General Obligation Index averaged 4.85% for the reporting period and 4.97% for fiscal year 2009. The fiscal year high was 6.01% in October 2008 and the low was 4.44% in May 2009 with the fiscal year end at 4.69%.

The Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index averaged 0.52% for the reporting period and 1.37% for fiscal year 2009. The fiscal year high was 7.96% in September 2008 and the low was 0.34% in June 2009 and it ended the fiscal year at 0.35%. The 30-day USD London Interbank Offered Rate (LIBOR) averaged 0.42% for the reporting period and 1.42% for fiscal year 2009. The fiscal year high was 4.59% in October 2008 and the low was 0.31% in June 2009 and it ended the fiscal year at that level. During the fiscal year, SIFMA traded as high as 279 percent of 30-day LIBOR in December 2008 and as low as 45 percent also in December 2008 with an average of 111 percent for the fiscal year. The fiscal year ended with SIFMA at 113 percent of 30-day LIBOR.



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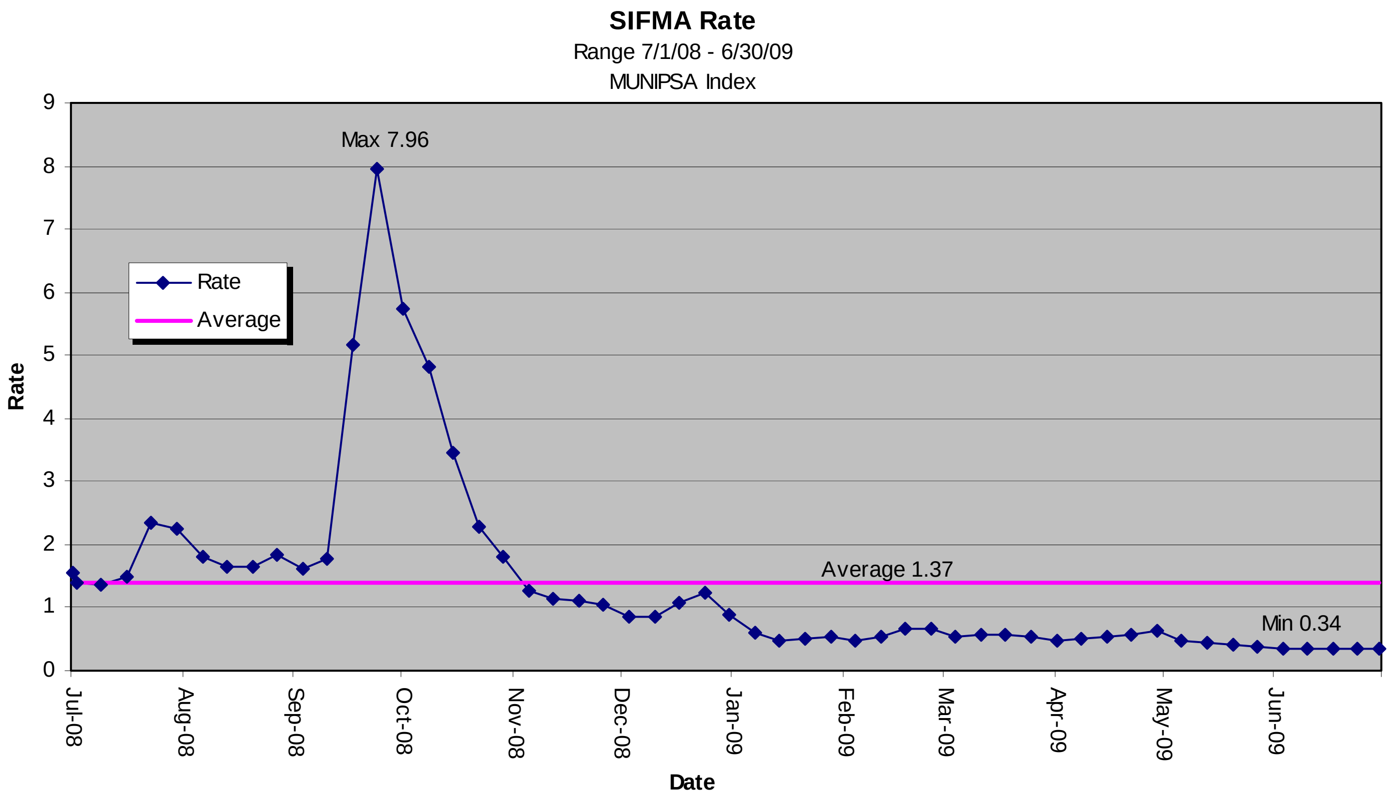
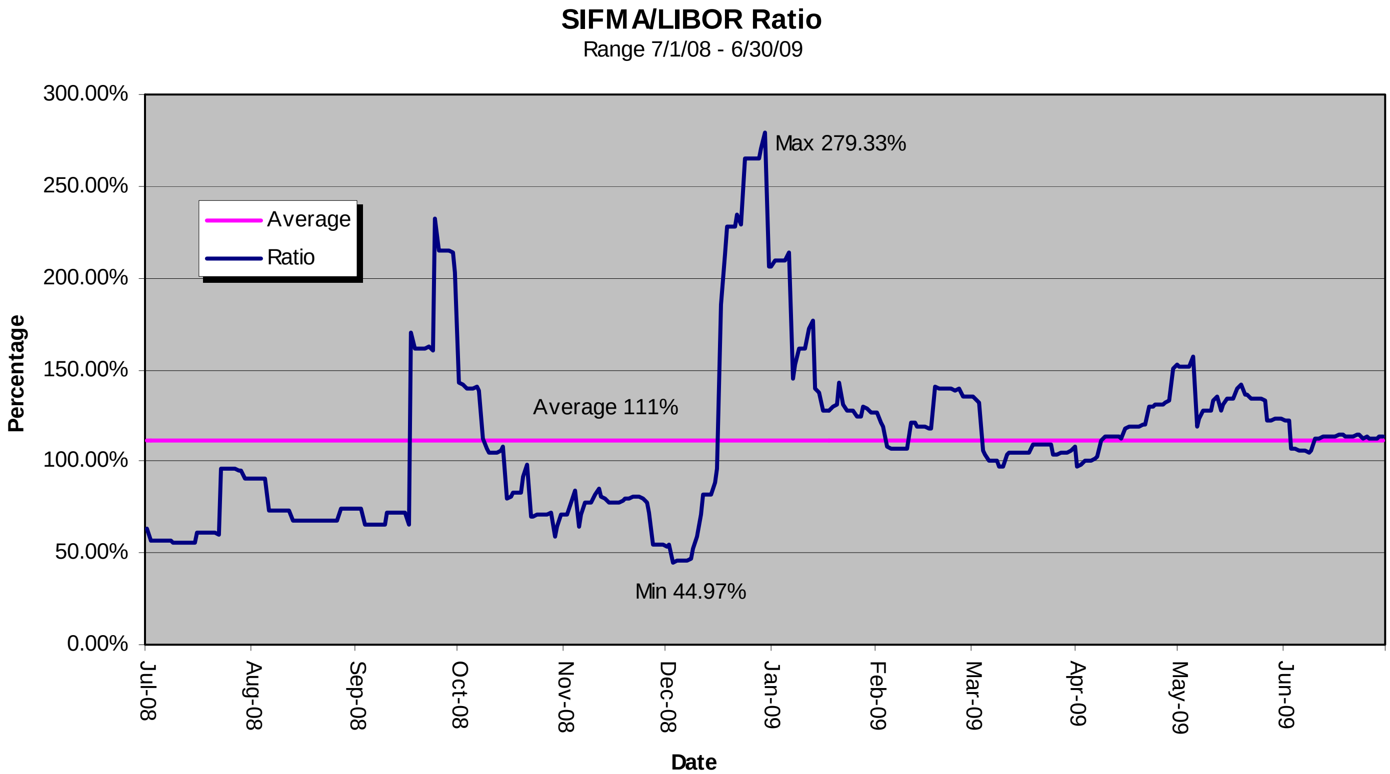
SIFMA and SIFMA/LIBOR Ratio





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The 2005 Kentucky General Assembly adopted 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 Road Fund, Agency Fund and FHTF authorizations.

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

The 2008 Kentucky General Assembly adopted 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. Bonds have been issued to permanently finance a portion of the Road Fund and Agency Fund authorizations.

The 2009 Kentucky General Assembly authorized $7 million of additional General Fund supported bonds and an additional $400 million of Economic Development Road Revenue Bonds to be supported from the Road Fund.

In the 2009 Special Session, the Kentucky General Assembly authorized $100 million of Agency Fund supported bonds to provide additional financing for the University of Kentucky hospital.

To date, a significant portion of the General Fund bond projects from the above authorizations have been permanently financed. Interim note financing through ALCo is not currently available due to increased funding costs related to credit facilities for this type of program. The Commonwealth plans to provide financing for the balance of the existing authorizations through permanent fixed rate bonds. However, ALCo will continue to analyze potential interim financing options to provide construction financing for future debt authorizations of the General Assembly.

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 continued to put pressure on the Commonwealth's credit ratings.

In June 2009, S&P revised its outlook from "positive" to "stable" for Kentucky's "AA-" issuer credit rating and its "A+" rating for the State Property and Buildings Commission (SPBC), based on the impact of a challenging revenue climate on the Commonwealth's budget and reserves. S&P also observed that the pressure on revenues is hindering meaningful progress in reducing the Commonwealth's unfunded liabilities for retiree pensions and health care. The stable outlook does however recognize the Commonwealth's demonstrated willingness to make budget cuts and enhance revenues in order to balance its budget.

In April 2008, Moody's Investors Service revised from "stable" to "negative" its outlook on the Commonwealth's "Aa2" issuer credit rating and 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. In June 2009, Moody's affirmed its ratings and outlook for the Commonwealth and SPBC and reiter-

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ated its view that 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, Fitch Ratings, for similar reasons, revised its outlook from "stable" to "negative" on its "AA-" rating for SPBC. In June 2009, Fitch Ratings affirmed its rating and outlook for SPBC and continued to express concerns over the Commonwealth's structural budget imbalance and depleted reserves.

Tax and Revenue Anticipation Notes (TRAN)

The fiscal year 2009 TRAN matured on June 25, 2009 and produced an economic benefit of $7.1 million for the Commonwealth.

No fiscal year 2010 TRAN was issued for a number of reasons: 1) After the Consensus Forecast Group revised the General Fund revenue estimate downward in May 2009, the Commonwealth was faced with an estimated $1 billion budget gap in FY 2010. This was addressed during a Special Session in late June 2009 (and formally remedied with the Governor's Budget Reduction Order in September 2009). Prior to this however, it was not feasible to accurately model General Fund cashflows for FY 2010 given the uncertainty of how the budget gap would be remedied; 2) Without an accurate General Fund cashflow model demonstrating the Commonwealth's ability to repay, it was unclear if the Commonwealth would achieve the highest short-term ratings on a FY 2010 TRAN; and 3) Current reinvestment yields on TRAN proceeds would not be significantly higher than the cost of funds for the TRAN, especially if the highest short-term ratings could not be achieved.

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	7.1
2010	NA	NA

($ in millions)

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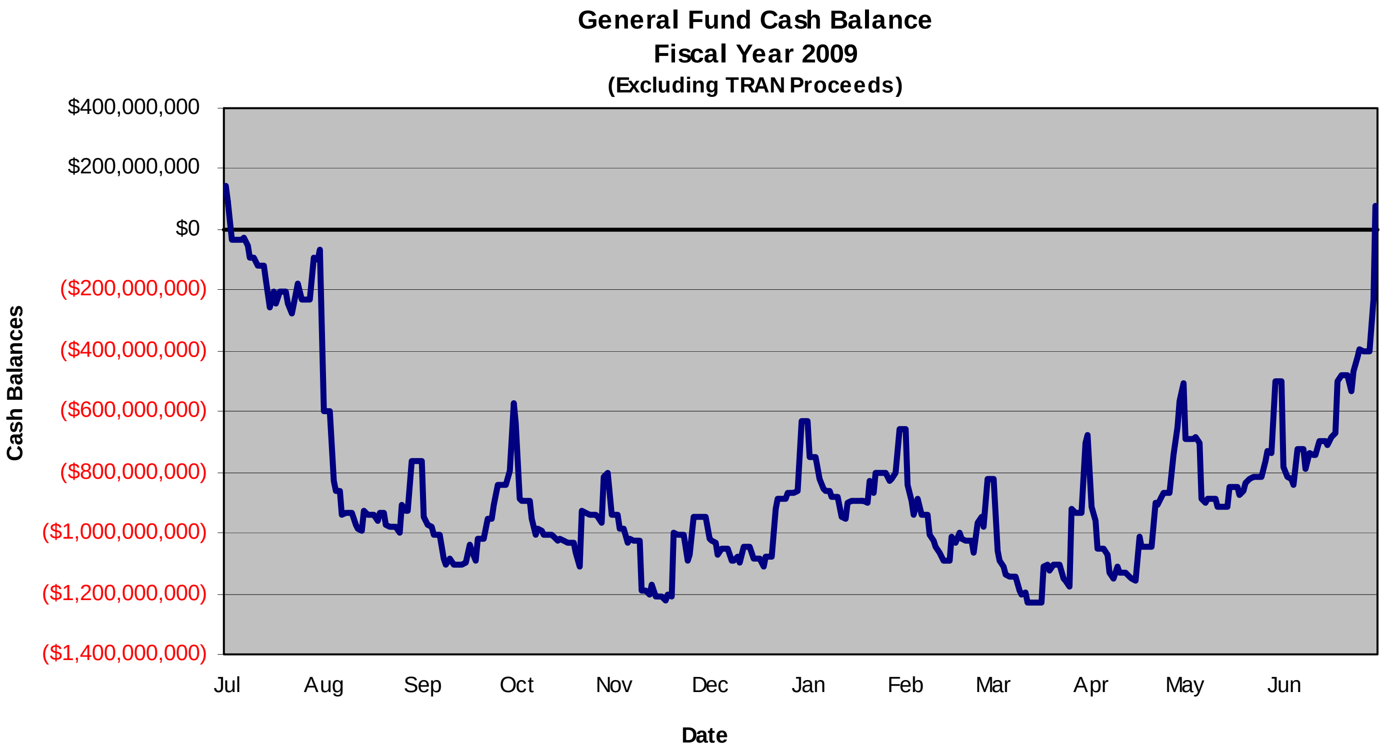

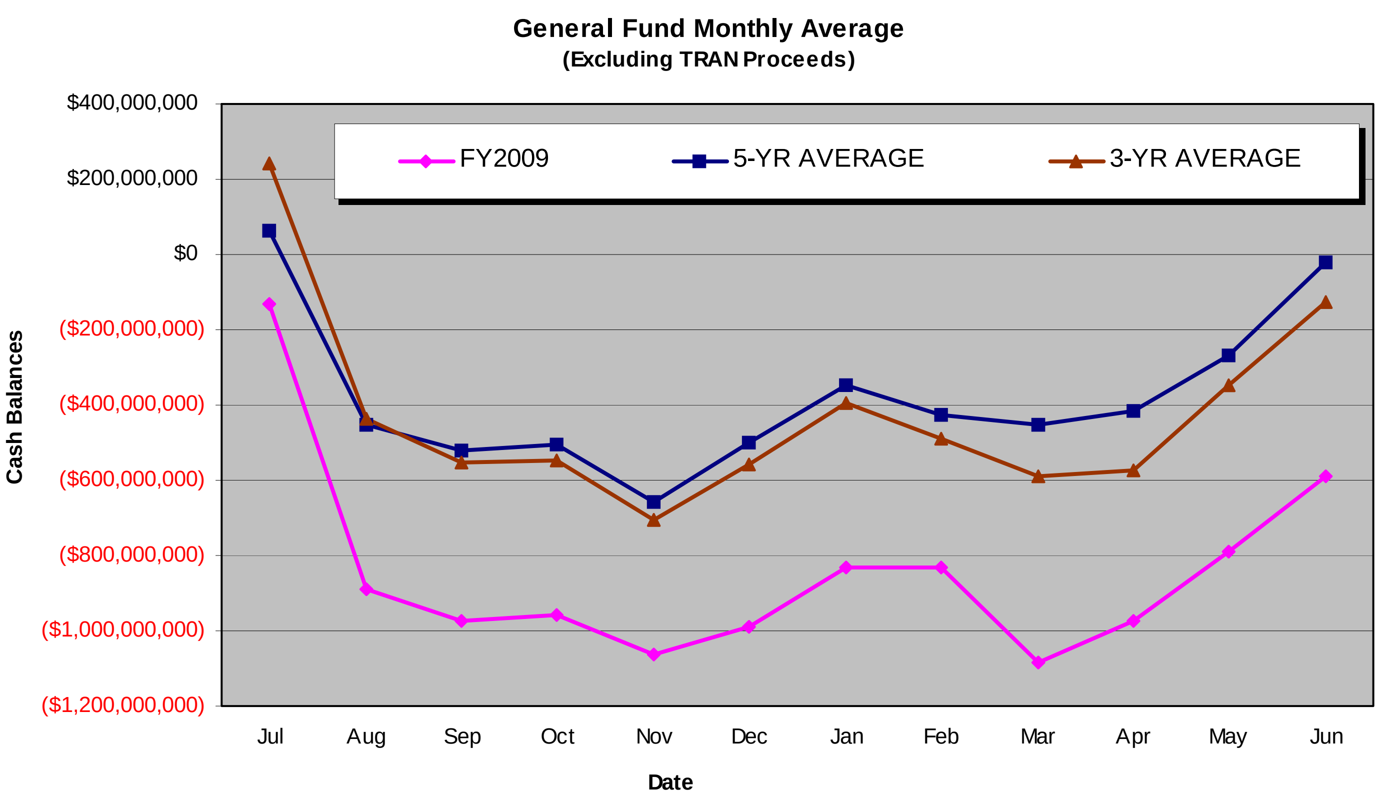

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FINANCIAL AGREEMENTS

As of June 30, 2009, ALCo had four financial agreements outstanding, with a net notional exposure amount of $232.6 million. These financial agreements are described in the section below and the terms of these transactions are detailed in Appendix A. The previously outstanding 2009 General Fund forward hedge was terminated during the reporting period as part of SPBC Project 93. The previously outstanding FY2009 TRAN hedge matured on June 25, 2009. No additional financial agreements were executed during the period.

General Fund – Forward Rate Note Hedges

In May, 2007, ALCo issued $243.08 million of Floating Rate Notes (FRNs) to permanently finance $100 million of General Fund bond supported 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.

Under the FRN transaction, both the Notes and interest rate swaps were insured by FGIC, which maintained an Aaa/AAA credit rating at the time from Moody's and S&P. Under the terms of the interest rate swaps, the counterparty (Citibank) may optionally terminate the agreements if the insurer's claims paying rating falls below an A3/A- level. Subsequent to the transaction, FGIC was downgraded multiple times by the credit rating agencies and are no longer rated. In December 2008, MBIA (rated A2 by Moody's at the time) reinsured FGIC's municipal insurance portfolio providing additional coverage on the transaction. However, MBIA Insurance Corporation's credit rating was also subsequently downgraded on multiple occasions and is currently rated Caa3/BB by Moody's and S&P. In February of 2009, MBIA established a new U.S. public finance financial guaranty insurance company known as National Guaranty Public Finance Corporation (National). National, at no additional charge, provided reinsurance on the FRNs and related swaps. As of the reporting date, National is rated Baa1/A, and so long as National maintains its "A" level rating from S&P no action will be required. ALCo has been in ongoing communications with the counterparty to stay apprised of any new developments and has been analyzing potential solutions in the event of a further downgrade and possible early termination on the swaps.

ASSET/LIABILITY MODEL

General Fund

The total SPBC debt portfolio as of June 30, 2009 had $3,171 million of bonds outstanding (excluding SPBC 95, which closed on July 9, 2009) with a weighted average coupon of 5.1 percent, modified duration of 4.34 years, and a yield at market of 2.29 percent. The market yield decreased 54 basis points from the prior reporting period while modified duration decreased by 0.31 years. The average coupon reflects investor preference for tax-exempt callable premium bonds in the current market at a yield lower than par or discount coupon bonds. The $1,295 million callable portion had a weighted average coupon of 5.14 percent.

The SPBC General Fund debt structure has 26 percent of principal maturing in 5 years and 60 percent of principal maturing in 10 years. These ratios are approximately in line with the rating agencies' proposed targets of 27-30 percent due in 5 years and 55-60 percent maturing within 10 years.

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The General Fund had a high balance of $146 million on July 1, 2008 and a low of negative $1,231 million on March 16, 2009. The average and median balances were a negative $853 million and a negative $931 million, respectively. Since the General Fund continued to have a negative available 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 was $399 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 First Series.

Project proceeds of $87,000,000 ALCo 2005 General 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 June 30, 2009, $76.8 million of the proceeds had been expended on projects.

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 were 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

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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.

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 was .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, driving rates to all-time lows. However, trading spreads remained wide for tax-exempt short-term paper based on both underlying ratings and credit/liquidity quality.

In early 2009, ALCo determined that additional borrowing through its commercial paper programs would be cost prohibitive in the near-term and decided it was in the Commonwealth's best interest to continue funding capital project expenditures with permanent fixed rate bonds issued by SPBC. In February 2009, SPBC 93 provided $308,838,076 of financing for General Fund supported bond projects, and in July 2009, SPBC 95 provided an additional $229,875,000 of financing for General Fund supported bond projects. ALCo expects that the balance of currently authorized but un-issued General Fund debt (see Appendix D) will be financed through SPBC bonds. In July 2009, upon the successful closing of SPBC 95, the Standby Note Purchase Agreement with Dexia was terminated due to tepid investor acceptance of Dexia credit and liquidity supported obligations.

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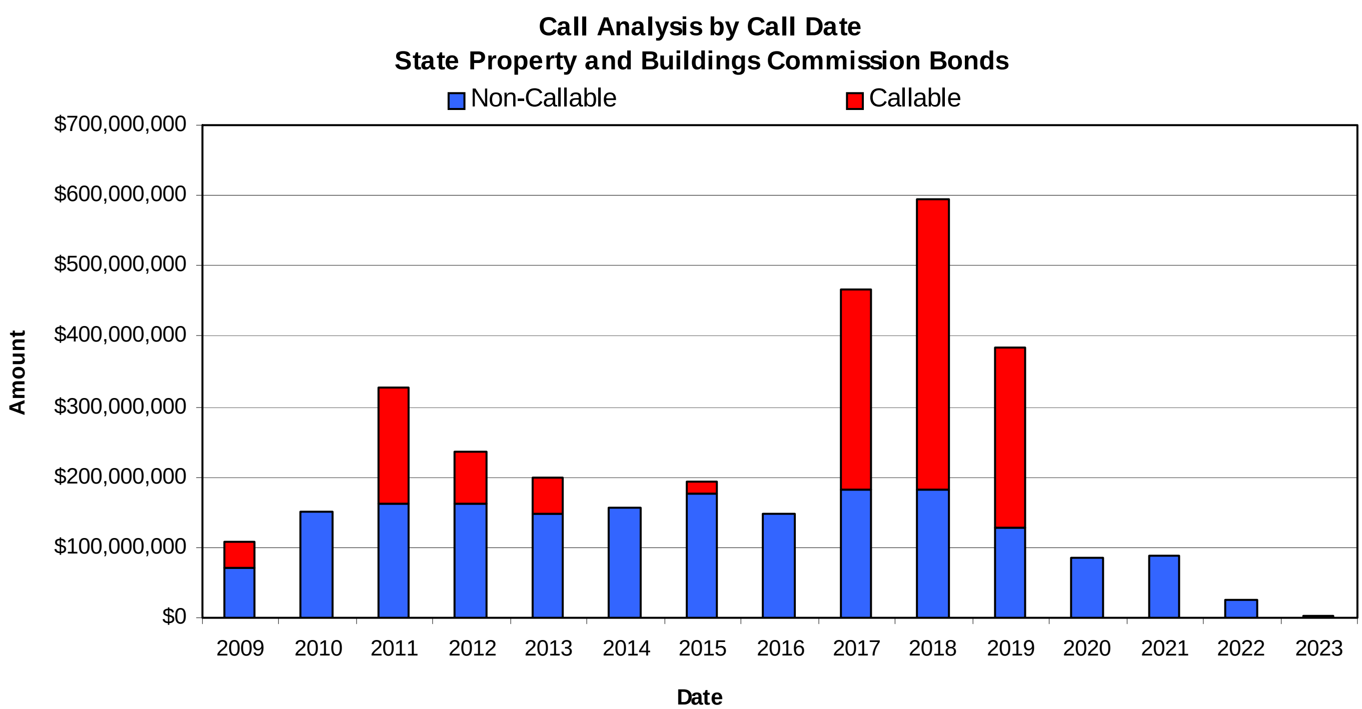
Remarketing information and the cost of capital for the ALCo 2005 General Fund Second Series Note program is provided in Appendix C.

SPBC 93

In February of 2009, SPBC issued $385,455,000 Revenue and Revenue Refunding Bonds, Project 93. The proceeds of the bonds were used to (1) provide $308,838,076 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, (2) refund $52,050,000 of prior SPBC Bonds and prior ALCo Notes maturing in Fiscal Year 2010 in order to provide budgetary relief, as instructed by the General Assembly, and (3) pay costs of issuing the Bonds.

Based on the extreme volatility and uncertainty surrounding the market, OFM was uncertain if the entire transaction could be sold and determined it was in the Commonwealth's best interest that the first $50 million of bond proceeds would be applied towards achieving the budgeted "fiscal relief" for Fiscal Year 2010. Next, OFM would terminate the ALCo forward starting swap, scheduled to mature on November 1, 2009, in the notional amount of $150 million relating to the future issuance of SPBC Revenue Bonds used as a hedge to reduce interest rate exposure for authorized but unissued debt. Finally, OFM would attempt to sell as many bonds as possible up to the $400 million authorization in order to provide as much financing as practical given market conditions and unknown ability to access the market in the near future. It was decided to insure the majority of the transaction with Assured Guaranty at a cost of 49 basis points.

The transaction was sold via negotiated sale with Citigroup serving as senior managing underwriter and Peck, Shaffer & Williams as bond counsel. The bonds received ratings of Aa3/A+/AA- from Moody's, S&P and Fitch, respectively. The transaction, aided by retail demand of $59.6 million in orders, was received well by the market and achieved very reasonable rates with an All-In TIC of 4.66% (excluding the cost of the interest rate hedge) with an average life on the bonds of 13.4 years.



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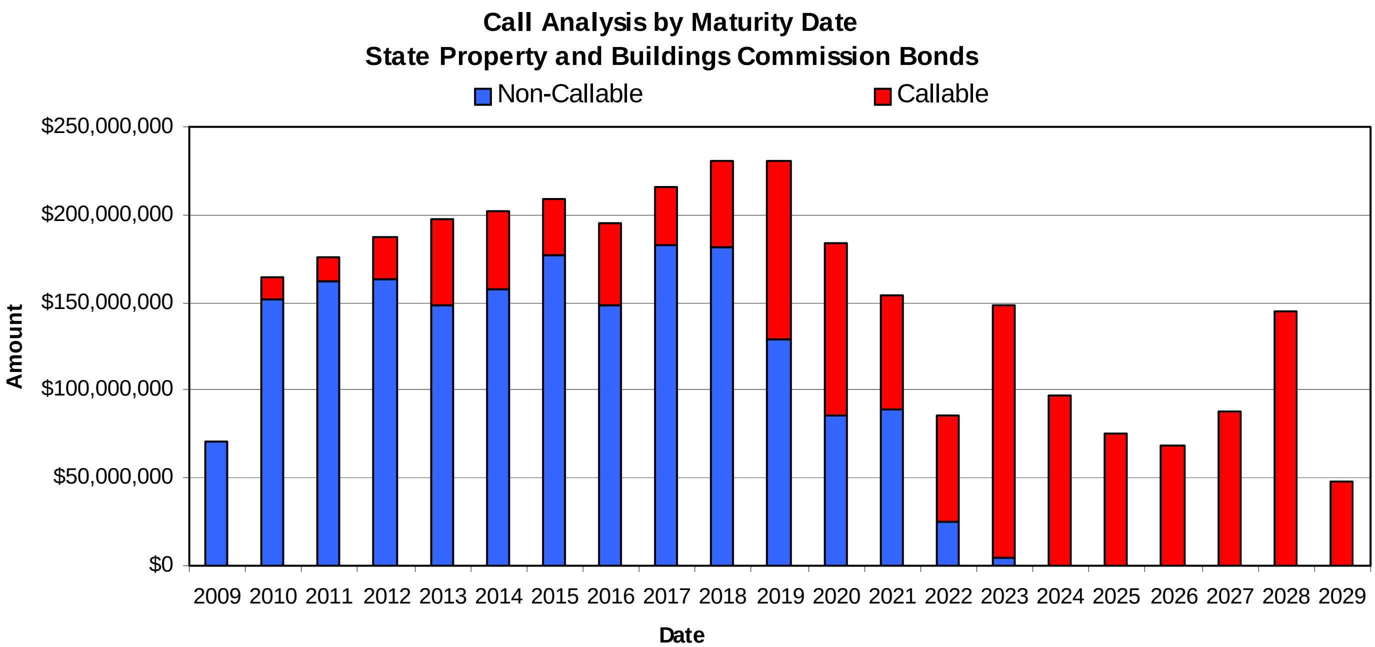
SPBC 95

In June of 2009, SPBC issued $392,465,000 Revenue and Revenue Refunding Bonds, Project 95 (which closed subsequent to the reporting period on July 9, 2009). The proceeds of the bonds were used to: (1) provide $229,875,000 of additional permanent financing (taxable and tax-exempt) to partially fund ongoing General Fund bond-supported capital projects authorized in the 2005, 2006 and 2008 Sessions of the General Assembly; (2) refund $153,450,000 of prior SPBC Bonds (taxable and tax-exempt), prior ALCo Notes, and prior Kentucky Infrastructure Authority (KIA) Bonds maturing in Fiscal Year 2010 in order to provide budgetary relief; and (3) pay costs of issuing the Bonds.

The structure consisted of three series of bonds, Series A (Revenue Refunding), Series B (Federally Taxable – Revenue and Revenue Refunding), and Series C (Federally Taxable – Build America Bonds – Direct Payment to the Commission). The Series A Bonds and a portion of the Series B Bonds consisted of refundings of prior Notes and Bonds for fiscal relief; however, three series of bonds being refunded were economic refundings which achieved present value savings. The Taxable Series B Revenue Bonds were to provide financing for a portion of the Research Challenge Trust Fund and Regional University Excellence Trust Fund projects, authorized in the 2008 Session of the General Assembly, for the Council on Postsecondary Education to match endowment monies from various universities (Bucks for Brains).

The Series C Bonds consisted of Build America Bonds (BABs). BABs were created under the American Recovery and Reinvestment Act of 2009. This transaction was structured to issue approximately $209 million in BABs, which are tax-exempt bond proceeds in nature to be sold on a taxable basis with a 35% federal subsidy to be reimbursed semi-annually to the issuer (SPBC) on the interest paid for debt service. The Finance & Administration Cabinet plans to request appropriation for the full amount of debt service due on the BABs (the taxable borrowing rate) and use the federal subsidy payment held at the trustee to net fund the next debt service payment. Finance will then lapse any excess unused debt service at the end of the fiscal year as is normal practice for Authorized but Unissued (ABUI) capital projects. This approach provides additional assurance to the rating agencies and investors that there is minimal risk of default on a debt service payment in the unlikely event that the federal government fails to make their reimburse-



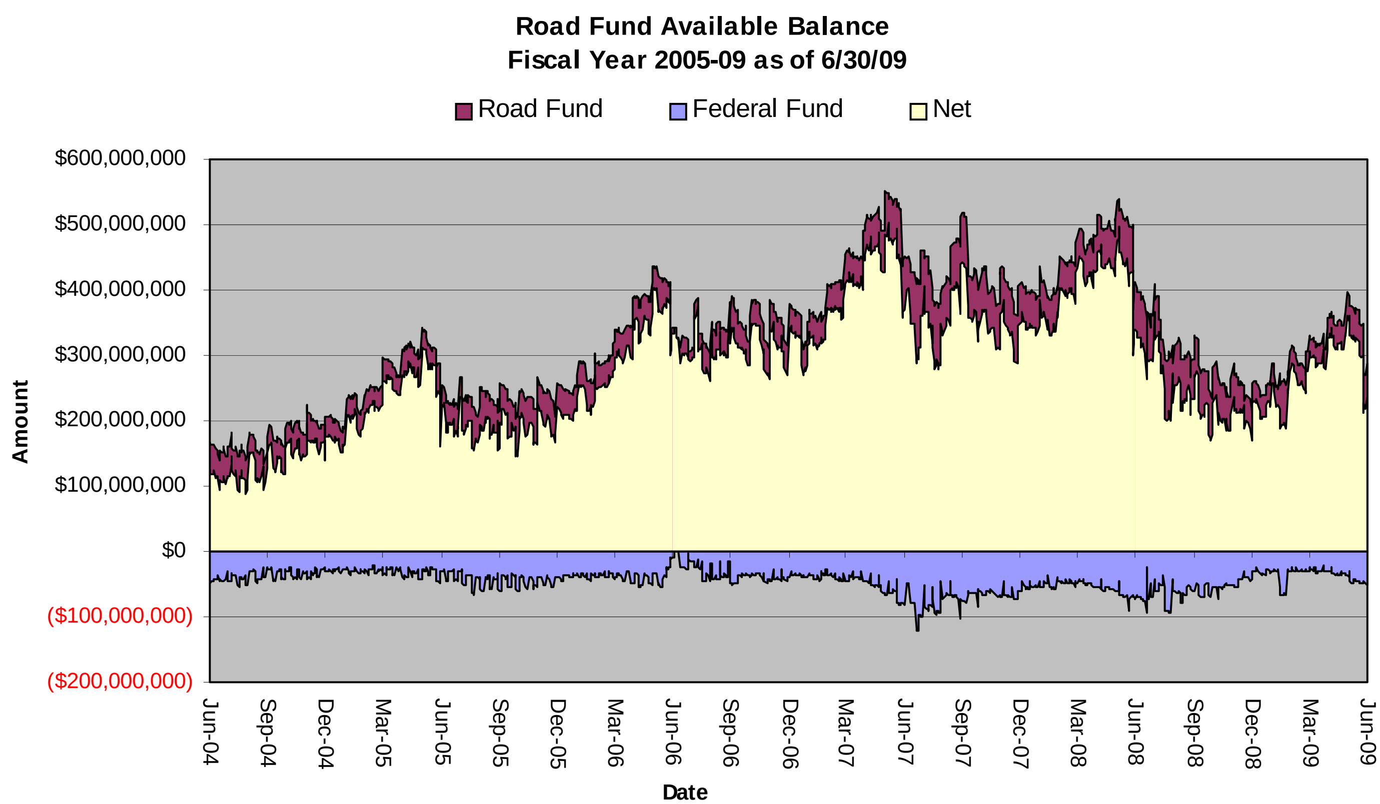
DEBT MANAGEMENT

ment in a timely manner or discontinues future reimbursements. Most of the projects being partially financed with SPBC 95 were also partially financed with SPBC 90 and SPBC 93 proceeds. In addition, all remaining 2008 General Fund authorized projects were added under the SPBC 95 plan of finance. With the completion of SPBC 95, all of the remaining ABUI General Fund bond supported projects are covered under a lease/sublease and a plan of finance to allow them to move forward with construction and expenditures.

The bonds received ratings of Aa3/A+/AA- from Moody's, S&P and Fitch, respectively. S&P, however, lowered their outlook from positive to stable, while Moody's and Fitch maintained negative outlooks for the Commonwealth. The bonds were sold via negotiated sale with Morgan Stanley serving as senior managing underwriter and Kutak Rock as bond counsel. The transaction was sold on schedule and, aided by hefty retail demand of $92.2 million in orders, achieved very attractive rates with an All-In TIC of 4.10% with an average life on the bonds of 10.9 years. Funds from the transaction were used to provide an additional $113.9 million of "budgetary fiscal relief" in FY 2010. The Commission saved an estimated 69 basis points in interest cost by issuing BABs as opposed to tax-exempt bonds in years 2020-2029, which equates to approximately $28.4 million in total net debt service savings over the life of the bonds, proving to be a very successful transaction for SPBC's first BAB issuance.

Road Fund

The Road Fund average daily cash balance for fiscal year 2009 was $371 million compared to $440 million for fiscal year 2008. The Road Fund cash was invested in the Intermediate Term Investment Pool which had a duration of 1.10 years as of June 30, 2009. The Road Fund earned $10.4 million on a cash basis for fiscal year 2009 versus $18.3 million for fiscal year 2008. The continued relatively low



DEBT MANAGEMENT

level of investable balances and the large debt authorization limits the opportunity to implement new asset liability management strategies at this time.

As of June 30, 2009, the Turnpike Authority of Kentucky (TAK) had $1,001 million of bonds outstanding with a weighted average coupon of 4.86 percent, modified duration of 3.71 years, and yield at market of 2.02 percent.

Road Fund debt service paid, net of reserve fund credits for fiscal year 2009 was $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 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.

ALCo Project Notes, 2007 Road Fund First Series

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 provided for notes not to exceed $350 million to be issued in anticipation of permanent financing by TAK. The notes, which were in commercial paper mode, were 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.

In April of 2009, TAK issued its $153,305,000 Economic Development Road Revenue Bonds (Revitalization Projects), 2009 Series A. The proceeds of the bonds were used to redeem the remaining $100,000,000 of outstanding ALCo 2007 Road Fund Notes and provide the remaining $50 million balance of Road Fund bonds authorized by the 2006 Session of the General Assembly. Following the closing of the TAK 2009 Series A transaction, the Standby Note Purchase Agreement with Dexia was cancelled and after successfully completing its intended purpose, the 2007 ALCo Road Fund commercial paper program was terminated in May 2009.

Appendix C provides cost of capital on the ALCo 2007 Road Fund First Series Note program.

SPBC 94

In February of 2009, SPBC issued $33,750,000 Road Fund Revenue Bonds, Project 94. The proceeds of the bonds were used to provide financing for the Transportation Cabinet's $25 million project for the Automated Vehicle Information System (AVIS) and $9 million for Aviation Bonds for the alignment and expansion of a runway at the Blue Grass Airport in Lexington as well as pay for the costs of issuing the bonds. Both of these Road Fund bond supported capital projects were authorized in the 2008 Session of the General Assembly but were issued by SPBC because the scope of the projects did not fall under the issuing purview of TAK under KRS 175 as they do not provide construction for roads.

The bonds received ratings of Aa3/A+/AA- from Moody's, S&P and Fitch, respectively. The transaction was sold via negotiated sale with Citigroup serving as senior managing underwriter and Peck, Shaffer & Williams as bond counsel. The SPBC 94 transaction was sold a week later than the SPBC 93

DEBT MANAGEMENT

transaction but closed at the same time to coincide with the SPBC 93 financing. The transaction received retail demand of $18 million in orders and achieved very reasonable rates with an All-In TIC of 3.55% with an average life on the bonds of 6.3 years.

TAK 2009 Series A

In April of 2009, TAK issued $153,305,000 Economic Development Road Revenue Bonds (Revitalization Projects), 2009 Series A. The proceeds of the bonds were used to: (1) redeem $100,000,000 of outstanding ALCo 2007 Road Fund Notes; (2) provide $50 million for certain projects from the Transportation Cabinet's six year highway plan, which is the remaining balance of Road Fund bond authorization from the 2006 Session of the General Assembly; and (3) pay for costs of issuance.

Initially, OFM contemplated issuing the new money portion of the transaction with BABs, but it was decided to be in the Commonwealth's best interest to wait until a later issuance when there would be a larger size of bonds to appeal to corporate investors, until more time had passed to see how the market would respond to BABs, and payment mechanisms/ procedures had been established for reimbursement of the 35% federal subsidy. As result, the entire transaction was sold on a tax-exempt basis.

The bonds received ratings of Aa3/AA+/AA- from Moody's, S&P and Fitch, respectively. The transaction was sold via negotiated sale with Goldman Sachs serving as senior managing underwriter and Peck, Shaffer & Williams as bond counsel. The transaction was sold on schedule and, aided by very strong retail demand of over $90.3 million, achieved very reasonable rates with an All-In TIC of 4.40% 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 has provided tremendous flexibility and savings in financing the Commonwealth's capital construction program.

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 when cost effective. ALCo has issued a General Fund TRAN each fiscal year since 1998 (with the exception of FY04 and FY10), 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 in budgetary savings through debt service lapses. At the end of fiscal year 2009, the Commonwealth was able to cut (budget reduction) or lapse $190 million of budgeted General Fund debt service and $30 million of budgeted Road Fund debt service. Approximately $50 million of the General Fund debt service lapse resulted from debt restructuring completed through the SPBC 90 transaction.

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	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)*	A1/A+/A+	A1/A+/A+	A1/A+/A+	A1/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	11/2/2025
Fixed Rate pay-(rec)	3.839%	4.066%	Fixed Rate pay-(rec)	Fixed Rate pay-(rec)
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 June 30, 2009 (negative indicates payment owed by ALCo if terminated)	(1,385,663)	(6,445,983)	(6,416,299)	(7,807,731)
Interest Earnings (not applicable)				
Total	not applicable	not applicable	not applicable	not applicable

Swap Summary
As of June 30, 2009

	Total Notional Amount Executed		Net Exposure Notional Amount	
	General Fund	Road Fund	General Fund	Road Fund
	243,080,000	0	232,575,000	0

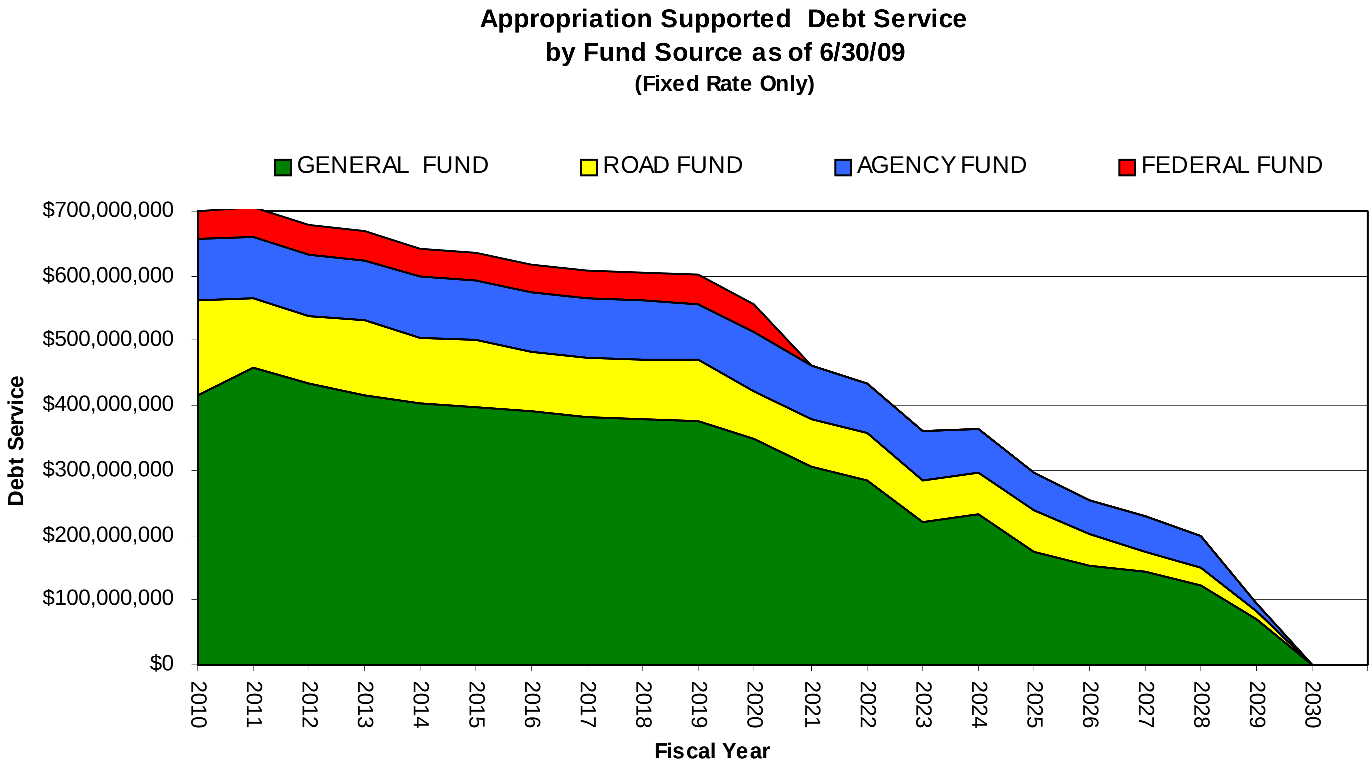
Total Notional Amount Executed by Counter Party

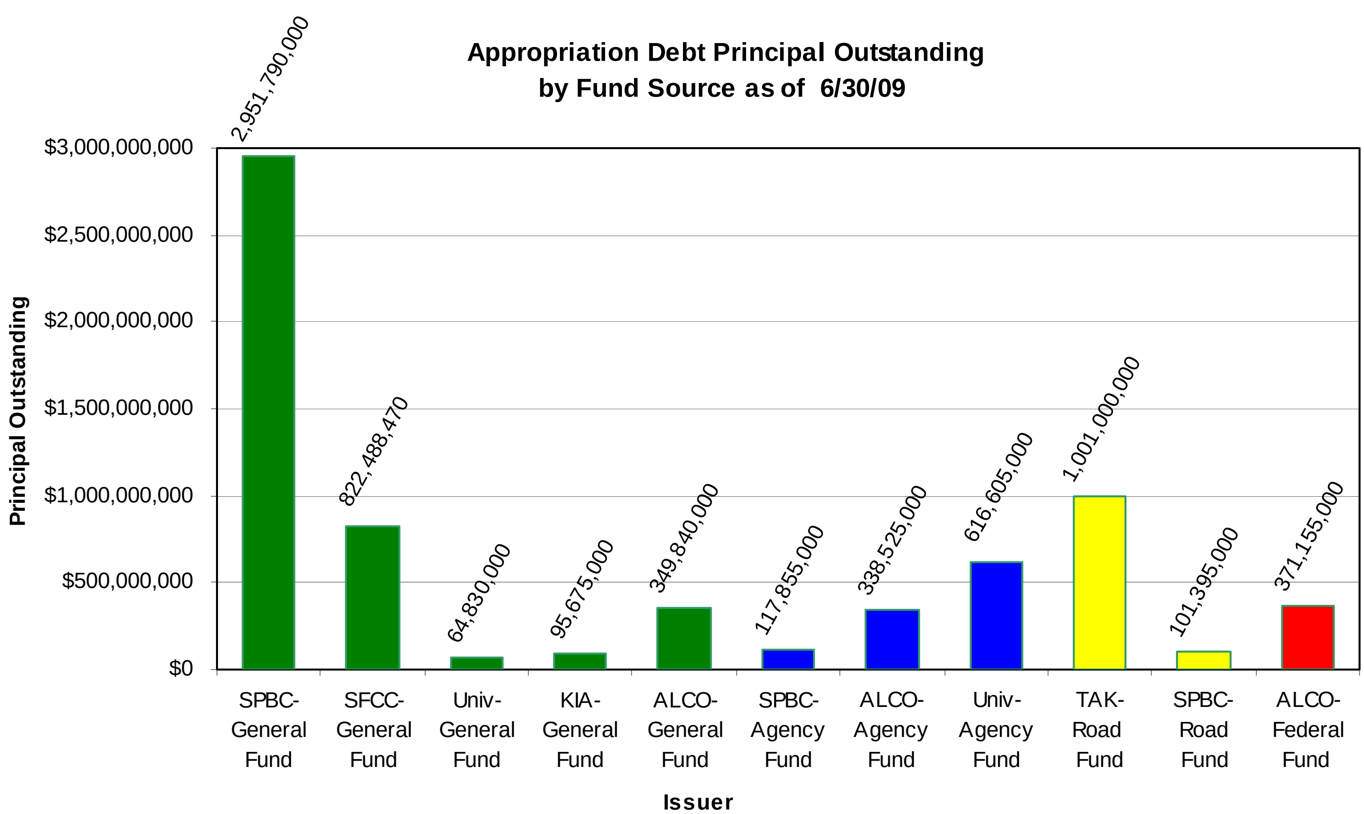
Citibank
243,080,000

	Debt		10 Percent Net Exposures	
	General Fund	Road Fund	General Fund	Road Fund
Bonds Outstanding	3,547,430,000	1,102,395,000	354,743,000	110,239,500
Authorized but Unissued	823,172,675	501,000,000	82,317,268	50,100,000
Total	4,370,602,675	1,603,395,000	437,060,268	160,339,500

Investment Pool Balances		10 Percent Investment Portfolio	
Other Funds	Net Road Fund	Other Funds	Net Road Fund
2,788,479,598	232,652,453	278,847,960	23,265,245

APPENDIX B


Appropriation Supported Debt Service
by Fund Source as of 6/30/09
(Fixed Rate Only)
GENERAL FUND
ROAD FUND
AGENCY FUND
FEDERAL FUND
Debt Service
$700,000,000
$600,000,000
$500,000,000
$400,000,000
$300,000,000
$200,000,000
$100,000,000
$0
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
Fiscal Year


Appropriation Debt Principal Outstanding
by Fund Source as of 6/30/09
Principal Outstanding
$3,000,000,000
$2,500,000,000
$2,000,000,000
$1,500,000,000
$1,000,000,000
$500,000,000
$0
2,951,790,000
822,488,470
64,830,000
95,675,000
349,840,000
117,855,000
338,525,000
616,605,000
1,001,000,000
101,395,000
371,155,000
SPBC-General Fund
SFCC-General Fund
Univ-General Fund
KIA-General Fund
ALCO-General Fund
SPBC-Agency Fund
ALCO-Agency Fund
Univ-Agency Fund
TAK-Road Fund
SPBC-Road Fund
ALCO-Federal Fund
Issuer

APPENDIX C

COMMONWEALTH OF KENTUCKY

ASSET/LIABILITY COMMISSION

SCHEDULE OF NOTES OUTSTANDING

AS OF 06/30/2009

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	$46,840,000
2005 1st Series	$81,850,000	6/2005	5/2025	$70,425,000
2007 A, B Series	$243,080,000	5/2007	11/2027	$232,575,000
FUND TOTAL	**$496,190,000**			**$349,840,000**
Agency Fund Project Notes				
2005 1st Series	$11,275,000	6/2005	6/2025	$10,075,000
2005 Series A-UK Gen Recpts	$107,540,000	11/2005	10/2025	$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**			**$338,525,000**
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	**$1,257,005,000**			**$1,059,520,000**

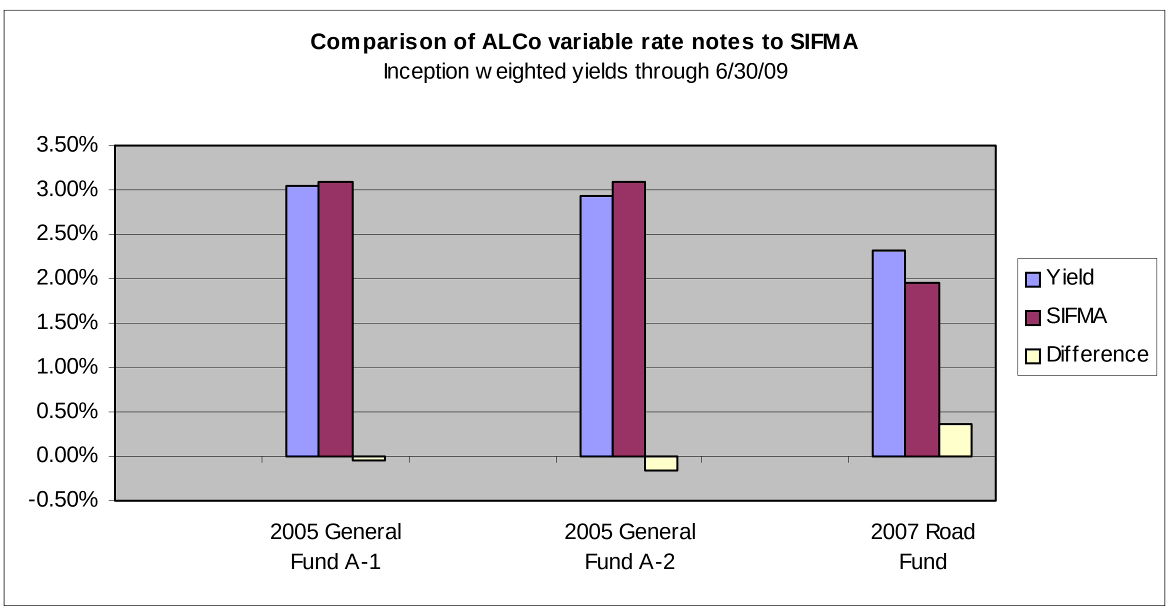
APPENDIX C

Kentucky Asset/Liability Commission
Variable Rate Debt
Weighted Average Yields - Cost of Capital Since Implementation

	2005 General Fund Second commercial paper (1)			2007 Road Fund First commercial paper (2)
	Series A-1	**Series A-2**	**Total**	**Series A**
Program Size	*Not to exceed $1,400 million*			*Not to exceed $350 million*
Amount Issued	$200,000,000	$200,000,000	**$400,000,000**	$200,000,000
Amount Outstanding	$0	$0	**$0**	$0
Initial Date of Issue	2-Nov-05	2-Nov-05		25-Sep-07
Agency	- - -	Various	- - -	Transportation
Project Amount Authorized	- - -	$810,386,961	- - -	$350,000,000
June 30, 2009				
SIFMA	3.097%	3.097%		1.946%
Average Notes Outstanding	$77,511,521	$75,778,433	**$153,289,954**	**$150,727,740**
Inception Weighted Yields	2.928%	2.803%	**2.866%**	**2.233%**
Cost of Issuance				
Remarketing Fee	0.050%	0.050%	**0.050%**	**0.050%**
Liquidity Facility Fee	0.075%	0.075%	**0.075%**	**0.075%**
Average Cost of Funds	**3.053%**	**2.928%**	**2.991%**	**2.358%**

(1) The Standby Note Purchase Agreement for the 2005 General Fund Second Series Program was terminated in July 2009.

(2) The Standby Note Purchase Agreement for the 2007 Road Fund First Series Program was terminated in May 2009.



General Fund Bond Supported Projects Fully or Partially Financed Within the Reporting Period

PROJECT DESCRIPTION	AGENCY	Authorization Balance		SPBC 90 Allocations	Remaining Balance
Infrastructure for Economic Development Fund for Coal-Producing Counties	KIA	13,000,000	(1)	0	13,000,000
Infrastructure for Economic Development Fund for Tobacco Counties	KIA	7,500,000	(1)	0	7,500,000
Business Refund Off-Set System	Revenue	1,750,000		68,509	1,681,491
Construct Business Technology Center - Phase II	EKU	32,850,000		2,417,191	30,432,809
Expand & Upgrade Livestock Disease Diagnostic Center	UK	8,500,000		3,434,797	5,065,203
Renovate Science Campus, Phase II	WKU	33,000,000	(1)	18,365,160	14,634,840
LCC Classroom/Lab Building	KCTCS	31,741,000		1,581,104	30,159,896
Replace Records and Secure Evidence Facility	State Police	6,075,000		360,132	5,714,868
Innovation and Commercialization for a Knowledge-Based Economy Bond Pool	Economic Development	4,500,000	(1)	0	4,500,000
Economic Development Bond Pool	Economic Development	8,488,000	(1)	1,300,000	7,188,000
Child Support Enforcement (KASES II)	CHFS	2,040,000		225,389	1,814,611
Upgrade KASPER System DPH	Public Health	5,000,000		2,932,498	2,067,502
Upgrade HVAC Pipes & Electric - Glasgow	MHMR	117,790		117,790	0
KHRIS	Personnel	25,000,000		14,816,309	10,183,691
Kentucky Agriculture Finance Corporation - Loan Pool	GOAP	2,000,000	(1)	0	2,000,000
Plan and Design Glasgow State Nursing Facility	MHMR	2,000,000		0	2,000,000 ***
Subtotal - 2005 General Assembly		**183,561,790**		**45,618,878**	**137,942,911**
Western Kentucky Veteran's Center-Alzheimer's/General Care Unit	Veteran's Affairs	1,757,000		0	1,757,000
Public Safety Commission - Infrastructure - KEWS	COT	13,000,000	(1)	0	13,000,000
Infrastructure for Economic Development Fund for Non-Coal Producing Counties	KIA	112,500,000	(1)	46,736,384	65,763,616
Infrastructure for Economic Development Fund for Coal Producing Counties	KIA	75,000,000	(1)	28,512,130	46,487,870
Community Development Fund Projects	Local Development	28,958,000	(1)	8,341,063	20,616,937
Warren County Fiscal Court Transpark Rail Spur	Local Development	4,500,000		3,877,299	622,701
Implement Comprehensive Tax System - Phase I	Revenue	23,250,000	(1)	0	23,250,000
Construct Science Building	EKU	54,108,000	(1)	1,900,714	52,207,287
Construct Manchester Postsecondary Education Center	EKU	3,500,000	(1)	1,087,037	2,412,963
Renovate Hathaway Hall Phase II	KSU	4,920,000	(1)	4,181,393	738,607
Space Science Center - Completion	Morehead State	3,400,000	(1)	993,467	2,406,533
Construct Center for Health Education and Research	Morehead State	23,000,000	(1)	4,238,848	18,761,152

(Continued next page)

General Fund Bond Supported Projects Fully or Partially Financed Within the Reporting Period

PROJECT DESCRIPTION	AGENCY	Authorization Balance		SPBC 90 Allocations	Remaining Balance
Construct New Science Complex - Phase III	Murray State	15,000,000	(1)	0	15,000,000
Construct Center for Informatics	NKU	35,500,000		66,625	35,433,375
Construct Biological/Pharmaceutical Complex Phase II	UK	79,892,000	(1)	28,218,634	51,673,366
Construct HSC Research Facility IV	UL	69,680,000	(1)	57,767,730	11,912,270
Replace College of Education Building – Tate Page Hall	WKU	35,000,000		3,702,627	31,297,373
Construct Advanced Manufacturing Tech Center – Gateway CTC	KCTCS	28,000,000		9,179,491	18,820,509
Construct Emerging Technology Center West Kentucky CTC	KCTCS	16,518,000		5,834,103	10,683,897
Construct Allied Health/Tech Ed Build-ing – Laurel	KCTCS	14,015,000		5,973,734	8,041,266
Construct Administration Building Phase I Maysville CC	KCTCS	5,008,000		1,069,520	3,938,480
Construct Science/Allied Health Building – Jefferson CTC	KCTCS	25,557,000		6,293,126	19,263,875
Construct Central Reg. PSE Center Phase II Elizabethtown CTC	KCTCS	20,000,000		4,272,080	15,727,920
Advanced Manufacturing Center – Design – Bluegrass CTC	KCTCS	1,500,000		1,169,591	330,410
Springfield Community and Technical College	KCTCS	14,500,000		4,121,943	10,378,057
McCreary Center – Somerset CC	KCTCS	6,500,000		996,544	5,503,456
Construct Tech Dr Campus Ashland CTC – Phase III	KCTCS	17,600,000	(1)	624,786	16,975,214
Letcher County Central Vocational Center	Education	2,000,000		194,803	1,805,197
Replace Master Control & Production Infrastructure	KET	15,707,000		6,815,596	8,891,404
New Economy High-Tech Construction/ Investment Pool	Economic Development	20,000,000		0	20,000,000
Economic Development Bond Pool	Economic Development	17,500,000		0	17,500,000
Construct New Indoor Arena	Horse Park	36,500,000		26,420,652	10,079,348
Safeguarding Children at Risk - TWIST Rewrite II	CHFS	3,134,000	(1)	0	3,134,000
Oakwood – Replace Chillers Heating & Cooling Lines	MHMR	2,131,000		141,709	1,989,291
Home of the Innocents – Phase II Children's Village	Comm. Based Services	8,250,000	(1)	8,250,000	0
Capital Plaza Complex – Renovation – Design	Facilities Management	4,942,000		435,900	4,506,100
Subtotal – 2006 General Assembly		**842,327,000**		**271,417,529**	**570,909,474**
Economic Development Bonds	Economic Development	50,000,000		0	50,000,000
Operations and Support Services-Student Data Management System-Phase II	Department of Education	4,000,000	(1)	0	4,000,000
FFA Leadership Training Center Renovation	Department of Education	2,000,000		0	2,000,000
Kentucky Heritage Land Conservation Fund - Additional	Natural Resources	17,000,000	(1)	0	17,000,000

(Continued next page)

General Fund Bond Supported Projects Fully or Partially Financed Within the Reporting Period

PROJECT DESCRIPTION	AGENCY	Authorization Balance		SPBC 90 Allocations	Remaining Balance
State-Owned Dam Repair	Natural Resources	2,000,000		0	2,000,000
Petroleum Storage Tank Environmental Assurance Fund	Environmental Protection	25,000,000		0	25,000,000
Maintenance Pool 2008-2010	Facilities and Support Services	6,000,000		0	6,000,000
Public Safety Communications Infrastructure - KEWS	COT	18,000,000	(1)	0	18,000,000
Fourth State Veterans Nursing Home	Department of Veteran's Affairs	10,500,000		0	10,500,000
Kentucky Agriculture Heritage Center	GOAP	10,000,000		0	10,000,000
Animal Shelters	Department of Agriculture	3,000,000		0	3,000,000
Infrastructure for Economic Development Fund for Coal Producing Counties	KIA	75,000,000		0	75,000,000
Infrastructure for Economic Development Fund for Non-Coal Producing Counties	KIA	150,000,000		0	150,000,000
Wastewater Projects - Fund A - State Match	KIA	4,000,000		0	4,000,000
Drinking Water Projects - Fund F - State Match	KIA	4,000,000		0	4,000,000
Flood Control Matching Funds	Department for Local Government	2,200,000	(1)	0	2,200,000
Maintenance Pool 2008-2010	CHFS-Gen Admin and Prog Supp	3,000,000		0	3,000,000
Brooklawn Child and Family Services	CHFS-Comm Based Services	2,000,000		0	2,000,000
Construct Hazelwood Intermediate Care Facility	CHFS-MHMR	10,000,000		0	10,000,000
Maintenance Pool 2008-2010	Justice-Adult Correc-tional Institutions	4,000,000		0	4,000,000
Kentucky River Locks and Dams Maintenance & Renovation Pool	KRA	17,500,000		0	17,500,000
Replace Power Plant Pollution Control System	Morehead State	5,700,000		4,247,631	1,452,369
Expand and Upgrade Livestock Disease Diagnostic Center - Phase II	UK	20,000,000	(1)	0	20,000,000
Renovate 4H Camps	UK	2,000,000		0	2,000,000
Capital Renewal and Maintenance Pool	Council on Postsecondary Ed	13,927,000		0	13,927,000
Research Challenge Trust Fund	Council on Postsecondary Ed	57,500,000		0	57,500,000
Regional University Excellence Trust Fund	Council on Postsecondary Ed	10,000,000		0	10,000,000
LCC Classroom/Lab Building - Additional for Eastern State Hospital Site	KCTCS	4,000,000	(1)	0	4,000,000
Wetland Restoration	Transportation	10,000,000		0	10,000,000

(Continued next page)

General Fund Bond Supported Projects Fully or Partially Financed Within the Reporting Period

PROJECT DESCRIPTION	AGENCY	Authorization Balance	SPBC 90 Allocations	Remaining Balance
Maintenance Pool 2008-2010	Tourism - Parks	4,000,000	0	4,000,000
Upgrade HVAC Systems	Tourism - State Fair Board	2,000,000	0	2,000,000
Major Maintenance Renovation Pool	Tourism- KY Center for the Arts	8,954,000	0	8,954,000
Subtotal – 2008 General Assembly		**557,281,000**	**4,247,631**	**553,033,369**
TOTAL – All Financed Projects		**1,583,169,790**	**321,284,038**	**1,261,885,754**

(1) Less than full Authorization

*** SPBC 93 closed on February 25, 2009 and bond proceeds of $308,838,076.44 are available for projects but have not been permanently allocated.**

**** SPBC 95 closed on July 9, 2009 and bond proceeds of $229,875,000 are available for projects but have not been permanently allocated.**

***** Reallocated in 2009 Special Session.**

General Fund Authorized But Unissued Bonds

SPBC Balance	1,261,885,754
Energy Bonds from 2007 SS	100,000,000
SPBC 93	(308,838,076)
SPBC 95	(229,875,000)
ABUI	**823,172,678**

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Creating Financial Value for the Commonwealth