

KENTUCKY ASSET/LIABILITY COMMISSION
Minutes
October 17, 2005

The Kentucky Asset/Liability Commission was called to order at 10:00 a.m. on Monday, October 17, 2005 by Chairman Tim LeDonne, proxy for Robbie Rudolph, Secretary, Finance and Administration Cabinet, in Room 76 of the Capitol Annex. Other members present were Allen Holt, proxy for Brad Cowgill, State Budget Director; Eugene Harrell, proxy for State Treasurer Jonathan Miller; and Bonnie Howell, proxy for Attorney General Gregory Stumbo.

Chairman LeDonne declared that a quorum was present and verified that the press had been notified of the meeting.

A motion was made by Mr. Harrell and seconded by Mr. Holt to accept the minutes of the August 18, 2005 meeting. Motion **CARRIED**.

F. Thomas Howard, Executive Director, Office of Financial Management, introduced Resolution 2005-06:

A RESOLUTION PROVIDING FOR THE AUTHORIZATION, ISSUANCE, SALE AND DELIVERY OF UNIVERSITY OF KENTUCKY GENERAL RECEIPTS PROJECT NOTES, 2005 SERIES A OF THE KENTUCKY ASSET/LIABILITY COMMISSION IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$120,000,000 FOR THE PURPOSE OF PROVIDING FINANCING FOR AN AUTHORIZED PROJECT; AND AUTHORIZING A TRUST INDENTURE, FINANCING AGREEMENT, NOTE PURCHASE AGREEMENT, PRELIMINARY OFFICIAL STATEMENT, OFFICIAL STATEMENT AND OTHER AGREEMENTS THAT MAY BE ENTERED INTO, ALL RELATED TO SUCH NOTES.

Mr. Howard indicated that these particular bonds would fund the initial phase of the UK Hospital expansion. Mr. Howard further indicated this transaction represents a departure from the University's traditional financing mechanisms. Mr. Howard stated in order to achieve the lowest financial cost for the greatest amount of borrowing, the University elected to combine all the university's credits into a single general receipts credit. Mr. Howard stated that the bond indenture will not require a debt service reserve fund. He further stated that once the old bonds (Con Ed and Housing and Dining) mature, the general receipts slowly take over until it becomes the majority of the debt outstanding. Mr. Howard continued that the University expects to borrow up to \$120 million; the initial phase of the project is \$100 million and up to \$19 million has been set aside for capitalized interest. Mr. Howard informed the members that the debt service schedule in the agenda indicates that payments would not begin until 2009 but that a decision was made to have only two years of capital interest with interest payments beginning in 2007 which is compliant with current tax codes and the expenditure requirements. Mr. Howard indicated that Standard and Poor's is expected to rate the bonds AA-. He stated that Moody's has not rated the bonds, but is expected to give a Aa3 rating. Mr. Howard stated that it has not been decided whether the bonds will be insured

given the high credit ratings for UK. He continued that the state intercept, while acknowledged by the rating agencies, had no effect on the rating. Mr. Howard indicated that Morgan Stanley will be the lead underwriter on the transaction; Peck, Shaffer and Williams will serve as bond counsel; and Thompson Hine will serve as underwriter's council.

Ms. Howell asked if there would be an additional bond issue for the remaining hospital costs. Mr. Howard indicated that would have to be authorized during the next budget cycle. He further stated that he expected that the University of Kentucky would request \$175 million for the second phase. Mr. Howard indicated that the University had a \$100 million cash funded portion in the current budget as well as authority to issue \$100 million of bonds exclusive of capitalized interest and expenses.

A motion was made by Mr. Holt and seconded by Mr. Harrell to adopt Resolution 2005-06 authorizing the issuance, sale and delivery of University of Kentucky General Receipts Project Notes, 2005 Series A of the Kentucky Asset/Liability Commission in an aggregate principal amount not to exceed \$120 million. Motion carried and Resolution 2005-06 was **ADOPTED**.

With no new business before the commission, a motion was made by Ms. Howell and seconded by Mr. Harrell to adjourn the meeting.

With no further business before the Commission, a motion was made by Ms. Howell to adjourn the meeting.

Secretary
Kentucky Asset/Liability Commission