

STATE PROPERTY AND BUILDINGS COMMISSION
January 14, 2008

MINUTES

The State Property and Buildings Commission was called to order by Lori Flanery, Deputy Secretary, Finance and Administration Cabinet and proxy for Jonathan Miller, Secretary, Finance and Administration Cabinet at 10:00 a.m. in Room 76 of the Capitol Annex on Monday, January 14, 2008, in Frankfort, Kentucky. Other members present were Mike Alexander, proxy for Governor Steve Beshear; Jeff Derouen; proxy for Lt. Governor Daniel Mongiardo; Katie Smith, proxy for John E. Hindman, Secretary, Cabinet for Economic Development; Mary Lassiter, State Budget Director; Bonnie Howell, proxy for Attorney General Jack Conway; and Edgar C. Ross, Executive Director, Office of the Controller.

Chairman Flanery verified that a quorum was present and that the press was notified of the meeting.

A motion was made by Ed Ross and seconded by Mike Alexander to approve the minutes of the December 17, 2007 meeting.

Chairman Flanery introduced Resolution 2008-01:

A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE BY THE KENTUCKY HIGHER EDUCATION STUDENT LOAN CORPORATION OF STUDENT LOAN REVENUE BONDS, SERIES 2008, PURSUANT TO A GENERAL BOND RESOLUTION OR TO AN INDENTURE OF TRUST, SUPPLEMENTS THERETO AND AN AUTHORIZING RESOLUTION OF THE CORPORATION IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$1,350,000,000 TO BE ISSUED AS A COMBINATION OF SENIOR AND SUBORDINATE BONDS AND TAX-EXEMPT AND TAXABLE BONDS.

F. Thomas Howard, Executive Director, Office of Financial Management, stated that Resolution 2008-01 approves the issuance of Student Loan Revenue Bonds, Series 2008 by the Kentucky Higher Education Student Loan Corporation, pursuant to a Trust Indenture which is not subject to the moral obligation of the Commonwealth. He further stated that the Resolution authorizes new money and refunding up to \$1,350,000,000. He added that it is expected that the Corporation will issue roughly \$150,000,000 of new money debt to be funded out of current volume cap allocation as well as a refinancing of up to approximately \$1,200,000,000 related to outstanding auction rate certificates. Mr. Howard noted that this transaction will be carried out in stages due to the time needed to implement the necessary liquidity facilities that accompany the seven day product. Mr. Howard stated that the financing team for the transaction consists of Hawkins, Delafield & Wood LLP, bond counsel; Banc of American Securities LLC, underwriter;

Krieg DeVault LLP, underwriter's counsel; and Morgan Stanley, Citi, and JP Morgan, remarketing agents.

Ms. Lassiter asked how long the funds for new loans would last. Mr. Howard stated that typically the Corporation issues approximately \$300-350,000,000 in taxable obligations. Ms. Lassiter stated for clarification that approval is for \$1,350,000,000 but what is actually happening is that the Resolution allows the Corporation to refinance up to \$1,350,000,000 which is expected to result in \$7,000,000 to \$9,000,000 in savings. Mr. Howard stated that was correct. He also pointed out that the Corporation receives a subsidy from the Federal government. The cost of financing is pegged to a federal formula based on the commercial paper rate plus a spread of approximately 15 basis points. Historically, the auction rate series has mimicked commercial paper fairly closely. Mr. Howard added that now there is a wide discrepancy between those rates which has caused the subsidy that the Corporation received to evaporate. Mr. Howard stated that with the conversion to the variable rate product, the discrepancy will be dramatically less.

A motion was made by Mary Lassiter and seconded by Bonnie Howell to adopt Resolution 2008-01 approving the issuance by the Kentucky Higher Education Student Loan Corporation Student Loan Revenue Bonds, Series 2008 in an aggregate principal amount not to exceed \$1,350,000,000 to be issued as a combination of senior and subordinate bonds and tax-exempt and taxable bonds. Motion carried and Resolution 2008-1 was adopted.

Chairman Flanery introduced Resolution 2008-02:

A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE BY THE KENTUCKY HOUSING CORPORATION OF ITS MULTIFAMILY HOUSING BONDS IN ONE OR MORE SERIES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$4,500,000.

Mr. Howard stated that Resolution 2008-02 approves the issuance of Multifamily Housing Bonds in an aggregate principal amount not to exceed \$4,500,000. Mr. Howard further stated that this particular series of bonds is known as Alco Properties (not to be confused with the Asset/Liability Commission) and includes the acquisition and renovation of three apartment communities in Georgetown, Stanford and Munfordville, Kentucky. Mr. Howard stated that the financing team consists of: Peck, Shaffer and Williams LLP as bond counsel; Wells Fargo Bank, NA as underwriter; Ballard Spahr Andrews & Ingersoll, LLP as underwriter's counsel; and Wells Fargo Bank, NA as trustee. Mr. Howard noted that the bonds are solely the obligation of the developer and is not incorporated into the moral obligation debt of the Commonwealth.

Ms. Lassiter asked if the project would receive any private activity bond cap. Mr. Howard stated that they would receive bond cap.

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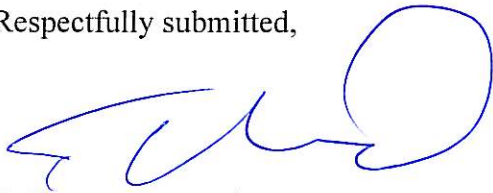
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A motion was made by Bonnie Howell and seconded by Mike Alexander to approve the issuance of Multifamily Housing Revenue Bonds, Series 2008, by the Kentucky Housing Corporation in an aggregate principal amount not to exceed \$4,500,000. Motion carried and Resolution 2008-02 was adopted.

With no further business before the Commission, a motion was made by Mary Lassiter and seconded by Katie Smith to adjourn. Motion carried and the meeting was adjourned.

Respectfully submitted,

A handwritten signature in blue ink, consisting of a series of loops and a large circular flourish at the end.

F. Thomas Howard
Secretary