

KENTUCKY ASSET/LIABILITY COMMISSION
MINUTES
MAY 11, 2012

The Kentucky Asset/Liability Commission (“ALCo” or the “Commission”) was called to order on Friday, May 11, 2012 at 1:00 p.m. in Room 182 of the Capitol Annex by Lori Flanery, Secretary, Finance and Administration Cabinet and Chairperson to the Commission. Other members present were Edgar C. Ross, Executive Director, Office of the Controller, Finance and Administration Cabinet, John Hicks, proxy for Mary Lassiter, State Budget Director, Todd Hollenbach, State Treasurer, and Mr. Larry Clarke, proxy for Attorney General, Jack Conway.

The Office of Financial Management (“OFM”) Staff Members Present: Mr. Tom Howard, Executive Director of OFM and Secretary to the Commission, Deputy Director Brett Antle, Rachael Dever, Jennifer Kantner, Tom Midkiff, and Marcia Adams.

Other Guests Present: Carla Wright from the Office of the State Budget Director (“OSBD”), Kelly Dudley and Joshua Nacey from the Legislative Research Commission (“LRC”), and Kevin Bradley from the Kentucky Housing Corporation (“KHC”).

Secretary Flanery verified with staff that a quorum was present and that the press had been notified of the meeting.

A motion was made by Mr. Todd Hollenbach and seconded by Mr. Ed Ross to approve the previous meeting minutes. Motion **CARRIED** and the minutes of the February 9, 2011 meeting were approved with noted changes.

Secretary Flanery introduced **Resolution 2012-01**:

A RESOLUTION AUTHORIZING THE EXECUTION OF A LOAN AGREEMENT TO OBTAIN A LOAN FROM A LENDING INSTITUTION IN AN AMOUNT NOT TO EXCEED \$100,000,000 FOR THE PURPOSE OF PROVIDING INTERIM FINANCING FOR AN AUTHORIZED PROJECT; AND AUTHORIZING A FINANCING/LEASE AGREEMENT, SUBLEASES, AND OTHER AGREEMENTS THAT MAY BE ENTERED INTO, ALL RELATED TO SUCH LOAN.

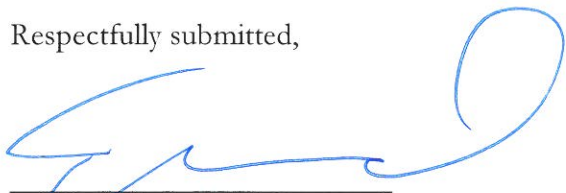
Mr. Brett Antle stated that Resolution 2012-01 is for authorizing the execution of a loan agreement to obtain a loan from a lending institution in an amount not-to-exceed \$100,000,000 for the purpose of providing interim financing for authorized projects and authorizing financing/lease agreements, subleases, and other related documents that may be entered into for such loan. Mr. Antle directed the members to a detailed project list of all the currently authorized but unissued General Fund bond projects, including those from the most recent 2012 Regular Session of the General Assembly. It is the intent for ALCo to establish an interim financing mechanism to provide construction financing for this list of projects through a direct bank loan. Mr. Antle directed the members to the Term Sheet that outlined the process. This action falls under the authority of ALCo under the Project Note statute.

ALCo will secure a direct bank loan or line of credit from a commercial lending institution to provide interim financing. The security for this loan would be General Fund debt service appropriations as authorized in House Bill 265 and will be a tax-exempt loan. Staff is working with the Office of State Budget Director (“OSBD”) on an exact amount to establish for the line of credit based on project funding needs but asks the Commission to set a not-to-exceed amount of \$100,000,000. Staff expects the term to be one-year or less and estimates an interest rate of three-fourths of one percent on amounts drawn and a capital charge of approximately one-half percent on undrawn amounts of credit. Competitive negotiations are ongoing with our three current managing underwriters for ALCo Project Notes, which are Citi, J.P. Morgan, and Morgan Stanley, and staff is working with Kutak Rock as bond counsel on the transaction. Secretary Flanery asked what the maximum term would be if not the one-year term as noted on the term sheet. Mr. Antle replied that one-year is the expected maximum term. The intent is to provide an interim line of credit, until early next year and then provide permanent financing through the State Property and Buildings Commission, (“SPBC”), if approved in its meeting later today. Mr. Tom Howard added that many of these loans carry CUSIP numbers making them a security and allowing them to be traded in a secondary market. The bank loan market and the Bond Anticipation Note (“BAN”) market have merged into a hybrid scenario. This gives ALCo flexibility without issuing a BAN as in the past and allows the Commission to borrow only what is needed.

A motion was made by Mr. John Hicks and seconded by Mr. Ed Ross to approve Resolution 2012-01. Motion **CARRIED** and Resolution **2012-01** was **ADOPTED**.

With no other business, the meeting stands adjourned.

Respectfully submitted,



F. Thomas Howard
Secretary