

**KENTUCKY ASSET/LIABILITY COMMISSION**  
**MAY 12, 2008**  
**AGENDA**

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| 1. Call to Order<br>A. Quorum<br>B. Notification of press   | Lori Flanery, Deputy Secretary<br>Finance and Administration Cabinet |
| 2. Approval of Minutes - October 15, 2007 meeting.  | Deputy Secretary Flanery   |
| 3. A Resolution providing for the authorization, issuance, sale and delivery of General Fund Tax and Revenue Anticipation Notes, of the Kentucky Asset/Liability Commission in an aggregate principal amount not to exceed \$600,000,000 for the purpose of funding expenditure demands on the General Fund of the Commonwealth of Kentucky; authorizing a pledge of and lien on revenues required to be deposited to the General Fund to secure such notes, authorizing a trust indenture securing such notes; and authorizing a financial (SWAP) agreement.<br>(Attachment A) | Brett Antle, Financial Analyst<br>Office of Financial Management     |
| 4. FY08 TRAN Update   | Rob Ramsey, Financial Analyst<br>Office of Financial Management      |
| 5. A Resolution authorizing the execution and delivery of a supplemental trust indenture relating to Project Notes, 2005 General Fund Second Series of the Kentucky Asset/Liability Commission; authorizing the execution of a supplemental trust indenture; and taking other related action.<br>(Attachment B)   | Mr. Antle  |
| 6. New Business   | Deputy Secretary Flanery   |
| 7. Adjournment  | Deputy Secretary Flanery   |

## KENTUCKY ASSET/LIABILITY COMMISSION

### MINUTES

October 15, 2007

The Kentucky Asset/Liability Commission ("ALCo") was called to order by Tom Ferree, Chief of Staff, Finance and Administration Cabinet and proxy for Mike Burnside, Secretary, Finance and Administration Cabinet at 10:00 a.m. on October 15, 2007 in Room 76 of the Capitol Annex in Frankfort, Kentucky. Other members present were: Bonnie Howell, proxy for Attorney General Greg Stumbo; Sari Kirschenbaum, proxy for Jonathan Miller, State Treasurer; Allen Holt, proxy for Stan Cave, acting State Budget Director; and Edgar C. Ross, Executive Director, Office of the Controller.

Chairman Ferree verified with staff that a quorum was present and the press was notified of the meeting.

A motion was made by Bonnie Howell and seconded by Allen Holt to approve the minutes of the August 20, 2007 meeting. The minutes of the August 20, 2007 meeting were **APPROVED**.

Chairman Ferree introduced Resolution 2007-05:

**A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A THIRD SUPPLEMENTAL TRUST INDENTURE RELATING TO PROJECT NOTES, 2005 GENERAL FUND SECOND SERIES OF THE KENTUCKY ASSET/LIABILITY COMMISSION; AUTHORIZING THE EXECUTION AND DELIVERY OF A THIRD SUPPLEMENTAL FINANCING/LEASE AGREEMENT; AND TAKING OTHER RELATED ACTION.**

Brett Antle, Financial Analyst, Office of Financial Management, stated that Resolution 2007-05 authorizes the addition of \$100,000,000 in Economic Development Bond Pool energy projects authorized by the 2007 Second Extraordinary Session of the General Assembly and increases the total size of the ALCo 2005 General Fund Second program authorization from \$950,000,000 to \$1,400,000,000. Mr. Antle stated that the Resolution will provide interim financing for all remaining authorized General Fund projects which have not yet been permanently financed. He stated that the Resolution also authorizes a Third Supplemental Trust Indenture and Third Supplemental Financing/Lease Agreement for the Notes. Ms. Antle noted that the project list is subject to change as the financing for State Property and Buildings Commission (SPBC) Project 88 has yet to be finalized.

Allen Holt asked if the Resolution included all of the remaining authorized projects. F. Thomas Howard, Executive Director, Office of Financial Management, indicated that was correct. Ms. Howell asked if the \$25,000,000 for the Personnel Cabinet was in addition to what was previously authorized for the payroll system. Terri Fugate, Deputy Executive Director, Office of Financial Management, indicated that was correct. Mr. Howard indicated that a portion of that project was permanently financed earlier.

A motion was made by Bonnie Howell and seconded by Ed Ross to adopt Resolution 2007-05 authorizing a Third Supplemental Trust Indenture relating to Project Notes, 2005 General Fund Second Series of the Kentucky Asset/Liability Commission; authorizing the execution and delivery of a Third Supplemental Financing/Lease Agreement; and taking other related action. Motion carried and Resolution 2007-05 was adopted.

Mr. Holt asked if there were any projects from prior authorizations that had not expended any of the authorization. He stated that reauthorization language would make it necessary to reauthorize any projects authorized by House Bill 267 that had not expended any funds. Ms. Fugate stated that the Kentucky Infrastructure Authority had projects that had not expended any funds but were expected to begin drawing on Fund A and Fund F within the next few months. Ms. Fugate stated that staff would inform Mr. Holt of the projects that would need to be reauthorized.

Chairman Ferree introduced Resolution 2007-06:

A RESOLUTION PROVIDING FOR THE AUTHORIZATION, ISSUANCE, SALE AND DELIVERY OF AN AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$85,000,000 OF UNIVERSITY OF KENTUCKY GENERAL RECEIPTS PROJECT NOTES, 2007 SERIES B, OF THE KENTUCKY ASSET/LIABILITY COMMISSION FOR THE PURPOSE OF PROVIDING FINANCING FOR AN AUTHORIZED PROJECT; AND AUTHORIZING A SUPPLEMENTAL TRUST INDENTURE, SUPPLEMENTAL FINANCING AGREEMENT, NOTE PURCHASE AGREEMENT, PRELIMINARY OFFICIAL STATEMENT, OFFICIAL STATEMENT AND OTHER AGREEMENTS THAT MAY BE ENTERED INTO, ALL RELATED TO SUCH NOTES.

Mr. Antle stated that Resolution 2007-06 authorizes the Commission to issue 2007 Series B Project Notes on behalf of the University of Kentucky ("UK") to expand and renovate the existing UK Hospital which is adjacent to the existing Hospital Critical Care Center and the Gill Heart Institute and to add a parking structure and overhead concourse connector to the parking structure. Mr. Antle noted that this issue completes the issuance of the Agency bond authorization for the UK Hospital project. He added that currently the total scope of the project is \$450,000,000, with \$250,000,000 through Agency bonds. Mr. Antle added that the 2005 General Assembly authorized the original \$100,000,000 of Agency bonds for Phase I of the Hospital project and those bonds were sold in 2005. Mr. Antle stated that subsequently, the 2006 General Assembly authorized \$150,000,000 of Agency bonds for Phase II of the Hospital project. Mr. Antle stated that the first \$75,000,000 was sold on a forward delivery basis in October 2006 to be delivered on November 1, 2007. The bonds, which will be issued in early November if the Resolution is approved, will cover the remaining \$75,000,000 of the total

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authorization. Mr. Antle stated that the financing team for the sale included Kutak Rock as Bond Counsel; Morgan Stanley as Underwriter; Thompson Hine as Underwriter's Counsel; and U. S. Bank as trustee.

A motion was made by Allen Holt and seconded by Ed Ross to adopt Resolution 2007-06 providing for the authorization, issuance, sale and delivery of an aggregate principal amount of not to exceed \$85,000,000 of University of Kentucky General Receipts Project Notes, 2007 Series B of the Kentucky Asset/Liability Commission for the purpose of providing financing for an authorized project. Motion carried and Resolution 2007-06 was adopted.

Ms. Fugate presented the TRAN update. Ms. Fugate stated that the TRAN has met its targeted expenditure amount and the General Fund continues to have a negative balance. Ms. Fugate noted that the TRAN met its target on August 15 when the General Fund balance fell to a negative \$317,353,050.

With no further business before the Commission, a motion was made by Allen Holt and seconded by Bonnie Howell to adjourn the meeting. There was no objection to the motion and the meeting was adjourned.

Respectfully submitted,

F. Thomas Howard  
Secretary

**A RESOLUTION PROVIDING FOR THE AUTHORIZATION, ISSUANCE, SALE AND DELIVERY OF GENERAL FUND TAX AND REVENUE ANTICIPATION NOTES, OF THE KENTUCKY ASSET/LIABILITY COMMISSION IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$600,000,000 FOR THE PURPOSE OF FUNDING EXPENDITURE DEMANDS ON THE GENERAL FUND OF THE COMMONWEALTH OF KENTUCKY; AUTHORIZING A PLEDGE OF AND LIEN ON REVENUES REQUIRED TO BE DEPOSITED TO THE GENERAL FUND TO SECURE SUCH NOTES; AUTHORIZING A TRUST INDENTURE SECURING SUCH NOTES; AND AUTHORIZING A FINANCIAL (SWAP) AGREEMENT.**

WHEREAS, pursuant to Section 56.860 et seq. of the Kentucky Revised Statutes (the "Act"), the Kentucky Asset/Liability Commission (the "Commission") was created and exists as an independent agency and constituted authority of the Commonwealth of Kentucky (the "State") and is authorized (a) to issue tax and revenue anticipation notes to discharge expenditure demands on a particular fund or account of the State in anticipation of estimated revenues which are required to be deposited in that fund or account during the fiscal year in which such tax and revenue anticipation notes are issued, and (b) to secure the payment of such tax and revenue anticipation notes by a pledge of all or a portion of the "Revenues," hereinafter defined, to be deposited in the fund or account for which such tax and revenue anticipation notes are issued; and (c) to provide for a trust and make further provisions for the payment of Note Service Charges, as defined herein, on such tax and revenue anticipation notes; and

WHEREAS, the Commission desires to authorize the issuance and delivery of Notes and the Indenture, each as defined herein, to provide the terms upon which the Notes may be issued, and to provide for the security of the Notes; and

WHEREAS, the Commission is authorized to enter into Financial Agreements, as defined in the Act, to stabilize the Commonwealth's Net Interest Margin, as defined in the Act and may, in order to stabilize the Commonwealth's Net Interest Margin related to the Notes, enter into one or more confirmations under an International Swaps and Derivatives Association, Inc. Master Agreement, in the usual and customary form that is appropriate for tax and revenue anticipation notes of the Commission, which Master Agreement and confirmations constitute a Financial Agreement;

NOW, THEREFORE, BE IT RESOLVED by the Kentucky Asset/Liability Commission that:

Section 1. Definitions. When used in this Resolution and the Indenture, the following words shall have the indicated meanings:

"Act" means Section 56.860 et seq. of the Kentucky Revised Statutes, as amended.

"Authorized Denominations" means, as to any series of Notes, the denominations provided for in the Certificate of Award relating to such Notes.

**“Authorized Officer”** means the Executive Director of the Office of Financial Management and any other officer, member or employee of the Office of Financial Management authorized by a certificate of the Executive Officer to perform the act or sign the document in question, and if there is no such authorization, means the Executive Officer.

**“Book-entry form”** or **“book-entry system”** means, with respect to any Notes issued in such form or pursuant to such a system, a form or system, as applicable, under which (i) the ownership of beneficial interests in Notes and Note Service Charges may be transferred only through a book-entry and (ii) physical Note certificates in fully registered form are registered only in the name of a Depository or its nominee as Noteholder, with the physical Note certificates **“immobilized”** in the custody of the Depository. The book-entry system maintained by and the responsibility of the Depository and not maintained by or the responsibility of the Commission or the Trustee is the record that identifies, and records the transfer of the interests of, the owners of beneficial (book-entry) interests in the Notes.

**“Business Day”** means any day other than a day on which the Trustee or the Paying Agent is required, or authorized or not prohibited, by law (including executive orders) to close and is closed.

**“Certificate of Award”** means the certificate of an Authorized Officer establishing certain terms of any Notes to be issued and delivered, as prescribed by the Indenture.

**“Certificate of Revenues and Expenditures”** means a certificate executed by an Authorized Officer not more than 30 days prior to the Certificate of Award authorizing the Notes setting forth the estimated Revenues and estimated Expenditure Demands for the General Fund for the Fiscal Year and setting forth the Cumulative Cash Flow Deficit.

**“Closing Date”** means the date on which Notes are delivered to the Original Purchaser for payment.

**“Code”** means the Internal Revenue Code of 1986, as amended. Any reference to the Code shall include any applicable temporary, proposed or final Treasury Regulations.

**“Confirmation”** means the document confirming an interest rate swap transaction or terminating an interest rate swap transaction delivered pursuant to the Exchange Agreement.

**“Cost of Issuance Fund”** means the fund by that name established under the Indenture.

**“Cumulative Cash Flow Deficit”** means the cumulative amount by which the estimated Expenditure Demands exceed the estimated Revenues.

**“Depository”** means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book-entry system to record ownership of beneficial interest in any series of Notes, and to effect transfers of book-entry interests in such Notes, and includes and means initially The Depository Trust Company (a limited purpose trust company), New York, New York.

**“Eligible Investments”** means any investment authorized by Section 42.500 of the Kentucky Revised Statutes, as the same may be amended from time to time.

**“Event of Default”** means any of the events set forth and defined as such in the Indenture.

**“Exchange Agreement”** means an International Swap Dealers Association, Inc. Master Agreement related to the Confirmation, if any, entered into with respect to the Notes.

**“Executive Officer”** means the Chairman of the Commission.

**“Expenditure Demands”** means amounts required to be paid from the General Fund during the Fiscal Year.

**“Fiscal Year”** means the twelve-month period from each July 1 to the next succeeding June 30, commencing July 1, 2008.

**“Fitch”** means Fitch Ratings.

**“Funds”** means, collectively, the Proceeds Fund, the Cost of Issuance Fund and the Note Fund.

**“General Fund”** means the General Fund of the State described in Section 47.010 of the Kentucky Revised Statutes.

**“Indenture”** means the Indenture dated as of July 1, 2008 by and between the Commission and the Trustee securing the Notes, as the same may be amended as provided therein.

**“Interest Payment Date”** or **“interest payment date”** means, as to any series of Notes, the dates established as such in the Certificate of Award related to such Notes.

**“Legal Officer”** means the attorney at law licensed to practice law in the State and serving as legal counsel to the Commission.

**“Maturity Date”** means the maturity date for Notes set forth in the Certificate of Award relating to such Notes.

**“Memorandum of Instructions”** means the Memorandum of Instructions Regarding Rebate delivered to the Commission and the Trustee at the time of the original issuance and delivery of any Notes, as the same may be amended or supplemented in accordance with its terms.

**“Moody’s”** means Moody’s Investors Service, Inc.

**“Note”** or **“Notes”** means the Kentucky Asset/Liability Commission General Fund Tax and Revenue Anticipation Notes authorized by this Resolution, having such additional series designation as prescribed hereunder.

**“Note Fund”** means the fund by that name established under the Indenture.

**“Note Purchase Agreement”** means the Note Purchase Agreement between the Commission and the Original Purchaser relating to any Notes.

**“Note Register”** means the records for the registration and transfer of Notes maintained by the Trustee as Note registrar pursuant to the Indenture.

“Note Service Charges” means the principal, interest and any premium required to be paid on any Notes, whether due to maturity, redemption or otherwise.

“Note Year” means the twelve-month period from each July 1 to the next succeeding June 30, commencing July 1, 2008.

“Noteholder”, “holder”, “holder of Notes”, “owner of Notes” or any similar term means any person in whose name a Note is registered on the Note Register.

“Original Purchaser” means Citigroup Global Markets Inc., as representative of the underwriters named in the applicable Note Purchase Agreement.

“Outstanding” as applied to Notes, means, as of the applicable date, all Notes which have been authenticated and delivered, or are then being delivered, by the Trustee under the Indenture except:

(a) Notes cancelled upon surrender, exchange or transfer or cancelled because of payment or redemption at or prior to such date;

(b) Notes for the payment, redemption or purchase for cancellation of which sufficient moneys have been deposited and credited for the purpose on or prior to that date in the Note Fund (whether upon or prior to the maturity or redemption date of those Notes); provided that if any of those Notes are to be redeemed prior to their maturity, notice of that redemption shall have been given or arrangements satisfactory to the Trustee shall have been made for giving notice of that redemption, or waiver by the affected Noteholders of that notice satisfactory in form to the Trustee shall have been filed with the Trustee, and provided further that if any of those Notes are to be purchased for cancellation a firm offer for sale stating the price shall have been received and accepted;

(c) Notes which are deemed to have been paid pursuant to the provisions of the Indenture; and

(d) Notes in lieu of which others have been authenticated under the Indenture.

“Paying Agent” means the Trustee or its lawful successor.

“Person” or words importing persons means firms, associations, partnerships (including, without limitation, general and limited partnerships), joint ventures, societies, estates, trusts, corporations, public or governmental bodies, other legal entities and natural persons.

“Proceeds Fund” means the account by that name established pursuant to Section 9 hereof.

“Rebate Fund” means the fund by that name established under the Indenture.

“Redemption Date” means the date, if any, established for the redemption of any Notes in the related Certificate of Award.

“Regular Record Date” means the date described as such in a Certificate of Award relating to any Notes.



“Revenues” means all taxes and revenues required to be deposited in the General Fund.

“S&P” means Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies, Inc.

“Special Record Date” means with respect to any Note, the date established by the Trustee in connection with the payment of overdue interest on that Note pursuant to the Indenture.

“State” means the Commonwealth of Kentucky.

“Trustee” means the bank or trust company that is designated as such in the Indenture or any successor trustee under the terms of the Indenture.

“2008 Resolution” means this Resolution, as the same may from time to time be lawfully amended, modified or supplemented.

Any reference to the Commission, or to its members, officers or to other public officers, boards, commissions, departments, institutions, agencies, bodies or entities shall include those which succeed to their functions, duties or responsibilities by operation of law, and also those who at the time may legally act in their place.

References to the Act, the Code, to any act or resolution of the Kentucky General Assembly, to a section, chapter, division, paragraph or other provision of the Kentucky Revised Statutes or the Constitution of Kentucky, or to the laws of Kentucky, shall include the Act, the Code, that act or resolution, that section, chapter, division, paragraph or other provision, and those laws as from time to time amended, modified, supplemented, revised or superseded, unless expressly stated to the contrary, provided that no such amendment, modification, supplementation, revision or supersession shall alter the obligation to pay the Note Service Charges on Outstanding Notes, at the time of any such action, in the amount and manner, at the times and from the sources provided in this 2008 Resolution and the Indenture, except as otherwise herein permitted.

Unless the context otherwise indicates, words importing the singular number shall include the plural number and words importing the plural number shall include the singular number. The terms “hereof”, “herein”, “hereby”, “hereto” and “hereunder”, and similar terms, means both the 2008 Resolution and the Indenture, except in the case of reference to a stated section number of either.

Section 2. Determinations by Commission. The Commission hereby finds and determines that (a) it is necessary to issue, sell and deliver Notes in an aggregate principal amount not to exceed \$600,000,000 in anticipation of the collection of the Revenues upon the terms set forth herein for the purpose of financing the expenditure demands on the General Fund in anticipation of the receipt of Revenues to be deposited in the General Fund; (b) it is necessary to execute and deliver the Indenture in order to secure the Notes; (c) the principal amount of Notes, and interest thereon, do not and will not exceed 75% of the amount that is able to be paid over the term of the Notes by the estimated amount of the Revenues; (d) the Cumulative Cash Flow Deficit is estimated to be not less than 90% of the principal amount of Notes issued hereunder, as calculated not more than 30 days prior to the Certificate of Award relating to a series of Notes; and (e) the issuance of the Notes will be in the best interests of the State.

The Commission further finds and determines that (a) by engaging in an interest rate swap transaction under an Exchange Agreement the Commission may be able to economically hedge the Commonwealth's interest sensitive liability represented by the Notes by converting (i) the interest rate on any Notes bearing interest at a variable rate, when issued, to a fixed rate, or (ii) the interest rate on any Notes bearing interest at a fixed rate, when issued, to a variable rate, or (iii) interest rates from one market based method of determining rates to another market based method, and thereby reduce the cost of the borrowing represented by the Notes; and (b) in order to accomplish the foregoing, it may be appropriate to enter into one or more Confirmations under an Exchange Agreement.

### Section 3. Terms of Notes.

(a) Forms, Denominations and Dates. The Notes shall be designated "Kentucky Asset/Liability Commission General Fund Tax and Revenue Anticipation Notes, 2008 Series [Letter Designation]", shall be negotiable instruments in accordance with the Act, shall be issued only in fully registered form, without coupons, shall be substantially in the form thereof set forth in the Indenture, shall be in Authorized Denominations, shall be dated as set forth in the Certificate of Award for the Notes, shall be in the aggregate principal amount as set forth in the Certificate of Award for the Notes, shall be numbered as set forth in the Certificate of Award for the Notes, and shall express upon their faces the purpose for which they are issued and that they are issued pursuant to the Act. The Notes of any series shall be exchangeable for other Notes of that series in the manner and upon the terms set forth in the Indenture.

(b) Execution, Interest Rates and Maturity. (i) The Notes shall be executed by the signatures of the Chairman and Secretary of the Commission; provided that either or both such signatures may be facsimiles. The Notes shall bear interest from the most recent date to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for, from their dates. Interest on Notes shall be calculated on the basis set forth in the related Certificate of Award and in accordance with the requirements of the Indenture.

(ii) The Notes shall mature on the dates and in the amounts set forth in the Certificate of Award for the Notes, provided that the final maturity of the Notes shall be not later than June 30, 2009, and provided further that the Note Service Charges on all Notes shall not exceed 75% of the amount of the Revenues estimated to be available at such times to pay such Note Service Charges; the fact that the definitive Note Service Charges on any Notes due and payable from time to time do not exceed 75% of such estimated Revenues shall be conclusively evidenced by a determination of an Authorized Officer in the Certificate of Award for such Notes to that effect. The Notes shall bear interest payable on each Interest Payment Date or upon earlier redemption, as set forth in the Certificate of Award for the Notes.

(c) Optional Redemption. Notes may be subject to optional redemption as provided in the related Certificate of Award.

(d) Payment. Note Service Charges with respect to the Notes shall be payable in lawful money of the United States of America without deduction for the services of the Trustee or the Paying Agent, in the manner provided in the Indenture.

(e) Book-entry System. If so determined in the Certificate of Award for the Notes, the Notes may be originally issued to a Depository for use in a book-entry system and: (i) such Notes shall be registered in the name of the Depository or its nominee, as Noteholder, and immobilized in the custody of the Depository; (ii) there shall be a single Note; and (iii) such Notes shall not be transferable or exchangeable, except for transfer to another Depository or another nominee of a Depository in order to obtain payment of principal of Notes in accordance with the Indenture and in exchange for any Notes so transferred, without further action by the Commission as set forth in paragraph (f) of this Section. The owners of beneficial interest in such Notes shall not have any right to receive Notes in the form of physical certificates.

(f) Change of Depository and Replacement Notes. If any Depository determines not to continue to act as a Depository for any Notes for use in a book-entry system, the Commission may attempt to have established a securities depository/book-entry system relationship with another qualified Depository under the Indenture. If the Commission does not or is unable to do so, the Commission and the Trustee, after the Trustee has made provision for notification of the owners of beneficial interests in the Notes by appropriate notice to the then Depository, shall permit withdrawal of such Notes from the Depository, and authenticate and deliver Note certificates in fully registered form to the assignees of the Depository or its nominee. If the event is not the result of Commission action or inaction, such withdrawal, authentication and delivery shall be at the cost and expense (including costs of printing or otherwise preparing, and delivering, such replacement Notes), of those persons requesting that authentication and delivery. Such replacement Notes shall be in Authorized Denominations.

Section 4. Sale of Notes; Certificate of Award. Notes shall be awarded and sold to the Original Purchaser at the price set forth in a Note Purchase Agreement, such price to be not less than 95% of the principal amount thereof, plus accrued interest on such Notes from their dated date to the date of delivery to and payment by the Original Purchaser, all in accordance with, and subject to the terms and conditions of, the Original Purchaser's proposal contained in the related Note Purchase Agreement. Such award and sale shall be evidenced by the execution of a Certificate of Award for Notes by an Authorized Officer setting forth such award and sale, the other matters to be set forth therein referred to in this 2008 Resolution, and such other matters as the Authorized Officer determines are consistent with this 2008 Resolution and the Indenture. That the matters contained in a Certificate of Award are consistent with this 2008 Resolution and the Indenture shall be conclusively evidenced by the execution of such Certificate of Award by such Authorized Officer. Each Certificate of Award for the Notes shall be and hereby is incorporated into this 2008 Resolution and the Indenture.

The Authorized Officer is hereby further authorized and directed to execute and deliver, in the name and on behalf of the Commission, the Note Purchase Agreement in the usual and customary form, with such changes therein not inconsistent with this 2008 Resolution and not substantially adverse to the Commission as may be approved by such Authorized Officer. The approval of such officer, and that such Note Purchase Agreement is consistent with this 2008 Resolution and not substantially adverse to the Commission, shall be conclusively evidenced by the execution of such Note Purchase Agreement by such officer.

The Authorized Officer is hereby authorized to make arrangements for the delivery of Notes to, and payment therefore by, the Original Purchaser. It is hereby determined that the price for and the terms of the Notes, and the sale thereof, all as provided in this 2008 Resolution,

the Indenture and the Note Purchase Agreement for the Notes are in the best interest of the Commission and in compliance with all legal requirements.

Section 5. Allocation of Proceeds of Notes. The proceeds received by the Commission from the sale of Notes shall be allocated as follows:

- (a) to the Interest Account of the Note Fund, any accrued interest paid by the Original Purchaser;
- (b) to the Cost of Issuance Fund, the amount set forth in the Certificate of Award for such Notes;
- (c) to the Proceeds Fund, the balance of such proceeds.

Such proceeds are hereby allocated for the purposes of the respective funds into which such proceeds are deposited.

Section 6. Security for the Notes and an Exchange Agreement. The Notes shall be payable solely from the Revenues and the amounts deposited in the Funds, and shall be secured only by the Indenture granting a lien upon the Revenues and the Pledged Assets, as defined in the Indenture, all upon the terms set forth herein and in the Indenture, which lien may be on a parity with the pledge of Pledged Assets set forth in an Exchange Agreement, if any.

Section 7. Application of the Revenues. Notwithstanding any other resolution or action to the contrary, all Revenues received by or on behalf of the State from and after the date of delivery of any Notes to the Original Purchaser shall be deposited into the General Fund as and when received. So long as any Notes are Outstanding, the Revenues shall be, and hereby are, pledged for the purposes set forth herein, in the Act, in an Exchange Agreement, if any, and in the Indenture, and the Commission shall take whatever action is required to make, affirm or ratify such pledge.

Revenues deposited in the General Fund shall be applied to make payments with respect to the Notes and any Confirmations in the following order:

FIRST: On each Interest Payment Date there shall be deposited to the Note Fund the amount necessary, after taking into account any amounts then on deposit in the Note Fund, to provide for the payment of interest due on all Notes Outstanding on such Interest Payment Date and to pay amounts due under a Confirmation other than payments related to a termination of such Confirmation.

SECOND: On each Purchase Date (as defined in the Indenture), Redemption Date or Maturity Date for Notes and any date of termination for any Confirmation there shall be deposited to the Note Fund the amount necessary, after taking into account any amounts then on deposit in the Note Fund, to provide for the payment of principal, or principal portion of the purchase price, coming due on all Notes Outstanding on such Purchase Date, Redemption Date or Maturity Date and to pay amounts due under a Confirmation related to the termination of such Confirmation.

THIRD: After meeting the requirements of FIRST and SECOND, any amounts remaining shall be used to satisfy Expenditure Demands.

**Section 8. Creation of Funds; Recordkeeping; Application of Moneys.** Pursuant to the Indenture, there are created and ordered maintained in the custody of the Trustee (except when invested as herein provided), the Note Fund and the Cost of Issuance Fund, which shall be trust funds applicable only for the purposes intended and to secure the Notes. There is hereby further created an account to be maintained by the Finance and Administration Cabinet of the Commonwealth of Kentucky known as the Proceeds Fund, which shall be applied as provided in Section 9.

A record of each deposit into and disbursement from each Fund shall be made and maintained by the person having custody of such Fund.

Moneys in any Fund shall be applied, held and invested by the holder of such Fund only as and to the extent authorized by and in a manner consistent with this 2008 Resolution and the Indenture. Any officer to whom, or any bank or trust company to which, any moneys acquired by the Commission under the Act are paid shall act as trustee of such moneys and hold and apply them for the purposes of the Act, subject to such conditions as the Act, the 2008 Resolution or the Indenture provide.

**Section 9. The Proceeds Fund.** Moneys in the Proceeds Fund shall be used for the purpose of meeting Expenditure Demands. Pending disbursement, amounts in the Proceeds Fund shall be held and invested as provided in Section 13 of this 2008 Resolution.

**Section 10. Note Fund.** Moneys in the Note Fund shall be applied by the Trustee only to the payment of Note Service Charges when due, whether due to maturity, redemption or otherwise, and, to the extent permitted by the Indenture, to amounts due under an Exchange Agreement, if any, and for no other purpose. On each Interest Payment Date and each such maturity or redemption date of the Notes, the Trustee shall make available to the Paying Agent, from amounts on deposit in the Note Fund an amount equal to the amount of Note Service Charges due on such date, and the Paying Agent shall effect the payment thereof.

If at any time the Commission shall so request and shall have provided the Trustee with moneys sufficient, together with moneys and investments then in the Note Fund, to redeem on the next available redemption date any Outstanding Notes, without thereby reducing the balance thereafter remaining in the Note Fund below the amount which on such redemption date would be required by the Indenture to be on hand therein with respect to Notes not so to be retired, the Trustee shall make available out of the Note Fund the amount required, together with the other moneys provided, to accomplish such redemption, subject to any limitations with respect thereto that are set forth in the Indenture.

Moneys in the Note Fund in excess of the amount required to pay Note Service Charges and all amounts due under an Exchange Agreement, if any, on the next Interest Payment Date and to provide for any Notes called for redemption may be applied by the Trustee to the purchase of any Outstanding Notes by the Commission, as the Authorized Officer may direct; such purchase may be at public or private sale at a price not exceeding the then current fair market value of such Notes, as determined by the Authorized Officer, and in no event, greater than 100% of the principal amount of such Notes, plus accrued interest.

**Section 11. Cost of Issuance Fund.** Moneys in each account of the Cost of Issuance Fund shall be applied by the Trustee to pay those costs of issuing the related Notes set forth in written requisitions submitted to the Trustee from time to time in accordance with the Indenture.

## Section 12. Rebate Fund.

(a) Pursuant to the Indenture, there is created and ordered maintained in the custody of the Trustee (except when invested as herein provided), the Rebate Fund. Within the Rebate Fund, the Trustee shall maintain two accounts: (1) the Excess Earnings Account (the "Excess Account") and (2) the Excess Earnings Investment Income Account (the "Earnings Account"). There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Memorandum of Instructions. Subject to the transfer provisions provided in paragraph (e) below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Amount (as defined in the Memorandum of Instructions), for payment to the United States of America, and neither the Commission nor the owner of any Notes shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section, by Section 18 of this 2008 Resolution and by the Memorandum of Instructions (which is incorporated herein by reference).

(b) An amount shall be deposited to the Rebate Fund by the Trustee from deposits by the Commission or from amounts available for such purpose held in the Funds, if and to the extent required, so that the balance of the Excess Account after such deposit shall equal the Excess Account Requirement for the Note Year (as such term is defined in the Memorandum of Instructions) calculated as of the most recent Calculation Date (as defined in the Memorandum of Instructions). Computations of the Rebate Amount shall be furnished in accordance with the Memorandum of Instructions.

(c) The Trustee shall have no obligations to rebate any amounts required to be rebated pursuant to this Section, other than from moneys held in the funds created under the Indenture or from other moneys provided to it by the Commission upon its request for said moneys from the Commission as set forth in the Memorandum of Instructions.

(d) The Trustee shall, at the direction of the Commission, invest all amounts held in the Rebate Fund in Eligible Investments, subject to the restrictions set forth in the Memorandum of Instructions. The Trustee shall deposit all earnings (calculated by taking into account net gains or losses on sales or exchanges and taking into account amortized discount or premium as a gain or loss, respectively) on investments held in the Excess Account into the Earnings Account. All earnings on investments in the Earnings Account shall be retained in the Earnings Account. Money shall not be transferred from the Earnings Account except as provided in paragraph (e) below.

(e) The Trustee shall remit part or all of the balances in the Excess Account and the Earnings Account to the United States, as directed in the Memorandum of Instructions. In addition, if the Commission so directs, the Trustee will deposit moneys into or transfer moneys out of the Excess Account and the Earnings Account from or into such account or funds as directed by written directions of the Authorized Officer. Any funds remaining in the Rebate Fund after redemption and payment of all of the Notes and payment and satisfaction of any Rebate Amount, or provision made therefor satisfactory to the Trustee shall be withdrawn and remitted to the Commission.

(f) Notwithstanding any other provision of this 2008 Resolution or the Indenture, the obligation to remit the Rebate Amounts to the United States and to comply

with all other requirements of this Section, Section 18 of this 2008 Resolution and the Memorandum of Instructions shall survive the defeasance or payment in full of the Notes.

Section 13. Investment of Funds. Moneys in the Note Fund, the Proceeds Fund and the Cost of Issuance Fund may be invested in Eligible Investments until required for the purposes of the Note Fund, Cost of Issuance Fund or Proceeds Fund, as the case may be. Any investment of moneys in the Note Fund and the Cost of Issuance Fund held by the Trustee shall be made by the Trustee at the written or oral (and, if oral, promptly confirmed in writing) direction of the Authorized Officer.

Any investment of moneys in any Fund shall constitute a part of that respective Fund and such respective Fund shall be credited with all proceeds of sale, and gain or loss, from such investment. Interest earnings on moneys in any Fund shall be credited when received to the Fund from which such investment was made. For investment purposes only, moneys in a Fund may be commingled with moneys from one or more other Funds; provided that separate records are maintained for each Fund, the investments made therefrom, and the interest earnings credited thereto.

Section 14. Reservation of Rights. The Commission reserves the right to issue additional notes, bonds or other obligations, or payable from other revenues of the State, other than the Revenues.

Section 15. Additional Covenants of the Commission. The Commission hereby covenants and agrees with the holders of the Notes from time to time and with the Trustee, so long as any Notes are Outstanding, as follows:

(a) The Commission shall, from time to time and in accordance with law, exercise its best efforts to enforce collection and distribution of the Revenues in a timely manner.

(b) The Revenues shall be deposited in the General Fund and the Commission will keep, or cause to be kept, proper books and records in such manner as to show the complete financial results of the General Fund, all Expenditure Demands therefrom and the amounts deposited under Section 7 hereof.

(c) The Commission will permit, or cause to be permitted, the Trustee and the holder or holders of 25% of the aggregate principal amount of the Notes at the time Outstanding to inspect all records, accounts and data relating to the Revenues at all reasonable times.

(d) The Commission will not, except as expressly permitted by the 2008 Resolution, the Indenture and an Exchange Agreement, if any, create, or suffer to be created, any lien or charge which would constitute a lien prior to, or on a parity with, the lien upon the Revenues or the Funds provided for herein, in the Indenture and in an Exchange Agreement, if any.

(e) The Commission will not, without consent of the holders of all of the Outstanding Notes, extend, or assent to the extension of, the time for payment of any Notes.

(f) The Commission will, at any and all times, cause to be done all such further acts and things and cause to be executed and delivered all such further instruments as may be necessary to carry out the purpose of the Notes and the 2008 Resolution authorizing the same, or as may be required by the Act.

(g) The Commission will observe and will satisfactorily and punctually perform all its agreements and obligations provided for by the Notes, the Indenture, an Exchange Agreement, if any, and the 2008 Resolution.

**Section 16. The Indenture and Other Documents.** In order to secure the payment of Note Service Charges as the same shall become due and payable and the performance of the obligations of the Commission in the 2008 Resolution, the Indenture and the Notes, the Authorized Officer is hereby authorized to execute, acknowledge and deliver, on behalf of the Commission, to the Trustee, the Indenture, which shall grant a first lien on the Revenues and the moneys and investments in the Funds as security for the payment of the Notes for so long as any Notes remain Outstanding, in substantially the form submitted to the Commission, which is hereby approved, with such changes therein not inconsistent with the 2008 Resolution and not substantially adverse to the Commission as may be permitted by the Act and approved by such officer. The approval of such changes by such officer, and that such changes are not substantially adverse to the Commission, shall be conclusively evidenced by the execution of the Indenture by such officer.

The Authorized Officer is hereby separately authorized to take any and all actions, including appointing the Trustee, and to execute such other instruments that may be necessary or appropriate in the opinion of Kutak Rock LLP, as bond counsel for the Notes, in order to effect the issuance of the Notes and the intent of the 2008 Resolution. The Secretary of the Commission or other appropriate officer of the Commission, shall certify a true transcript of all proceedings had with respect to the issuance of the Notes, along with such information from the records of the Commission as is necessary to determine the regularity and validity of the issuance of the Notes.

The 2008 Resolution shall constitute a part of the Indenture as therein provided, and the provisions of the Indenture, including, without limitation, those provisions of the Indenture relating to amendment, severability, modification and supplementation shall apply to this 2008 Resolution.

**Section 17. Authorization of Confirmations.** The Commission is hereby authorized to enter into Confirmations under an Exchange Agreement, in the form prescribed by such Exchange Agreement. The terms of each interest rate swap transaction, including interest rate, term, Notional Amount (as defined in the Exchange Agreement) and options as to commencement and termination of payments, and each termination agreement shall be as described in the Exchange Agreement and as provided in the related Confirmation, as approved from time to time by an Authorized Officer. The aggregate Notional Amount, as defined in the Exchange Agreement, of such interest rate swap transactions outstanding at any one time that are related to the Notes, net of offsetting interest rate swap transactions, shall not exceed the principal amount of the Notes authorized by this 2008 Resolution. Each such interest rate swap transaction shall terminate no later than the final maturity date of the Notes. The aggregate Notional Amount of all such interest rate swap transactions as of any time shall be determined on a net basis, i.e., where any such transaction is entered into to offset or reverse an earlier transaction, to the extent of the offsetting or reversing effect, the Notional Amounts of such



offsetting or reversing interest rate swap transactions shall not be included in the aggregate total. Additional transactions that are not related to the Notes may be entered into from time to time under an Exchange Agreement, subject to final approval of such transactions by the Commission.

The Authorized Officer is hereby authorized to execute, acknowledge and deliver, on behalf of the Commission, under an Exchange Agreement, Confirmations as herein authorized, in the form required by such Exchange Agreement.

**Section 18. Tax Matters.** The Commission hereby covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on any of the Notes under Section 103(a) of the Code. Without limiting the generality of the foregoing, the Commission hereby covenants as follows:

The Commission will not directly or indirectly use or permit the use of any proceeds of any of the Notes or any other funds of the Commission, or take or omit to take any action that would cause any of the Notes to be "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Code. To that end, the Commission will comply with all requirements of Sections 103(b)(2) and 148 of the Code applicable to any of the Notes. In the event that at any time the Commission is of the opinion that for purposes of this Section it is necessary to restrict or limit the yield on the investment of any moneys held under this 2008 Resolution or the Indenture, the Authorized Officer shall either cause such actions as may be necessary to accomplish the foregoing or shall, if applicable, instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions. The Authorized Officer, or any other officer having responsibility with respect to the issuance of the Notes, is authorized and directed to give an appropriate certificate on behalf of the Commission, on the date of delivery of the Notes for inclusion in the transcript of proceedings, setting forth the facts, estimates and circumstances and reasonable expectations pertaining to the use of the proceeds thereof and the provisions of such Sections 103(b)(2) and 148, and to execute and deliver on behalf of the Commission an IRS Form 8038G in connection with the issuance of the Notes.

Without limiting the generality of the foregoing, the Commission agrees that there shall be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code. This covenant shall survive payment in full or defeasance of any of the Notes. The Commission specifically covenants to pay or cause to be paid to the United States at the times and in the amounts determined under Section 12 hereof the Rebate Amounts, as described in the Memorandum of Instructions. The Commission further covenants to cause the Trustee to perform all tasks required of it in the Memorandum of Instructions.

Notwithstanding any provision of this Section, if the Commission shall provide to the Trustee an opinion of nationally recognized bond counsel to the effect that any action required under this Section and Section 12 hereof is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on any of the Notes pursuant to Section 103(a) of the Code, the Commission and the Trustee may rely conclusively on such opinion in complying with the provisions hereof.

**Section 19. Official Statement.** The Authorized Officer is authorized to execute and deliver preliminary and final official statements on behalf of the Commission, in such forms as such officer may approve, such officer's execution thereof on behalf of the Commission to be

conclusive evidence of such authorization and approval, and copies thereof are hereby authorized to be prepared and furnished to the Original Purchaser for distribution to prospective purchasers of the Notes and other interested persons.

The Authorized Officer is authorized on behalf of the Commission to furnish such information, to execute such instruments and to take such other actions in cooperation with the Original Purchaser as may be reasonably requested to qualify the Notes for offer and sale under the Blue Sky or other securities laws and regulations and to determine their eligibility for investment under the laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Original Purchaser; provided however, that the Commission shall not be required to register as a dealer or broker in any such state or jurisdiction or become subject to the service of process in any jurisdiction in which the Commission is not now subject to such service.

Section 20. Severability. Should it be judicially determined by a court having jurisdiction to pass upon the validity of the 2008 Resolution, the Indenture, the Notes or an Exchange Agreement, that any provision of the 2008 Resolution is beyond the powers of the Commission, or is otherwise invalid, then such decision shall in no way affect the validity of the 2008 Resolution, the Indenture, the Notes or the Exchange Agreement, or any proceedings related thereto, except as to the particular matters found by such decision to be invalid.

Section 21. Open Meetings Determination. The Commission hereby finds and determines that all formal actions relative to the adoption of this 2008 Resolution were taken in an open meeting of this Commission, and that all deliberations of this Commission and of its committees, if any, which resulted in formal action, were taken in meetings open to the public, in full compliance with applicable legal requirements.

Section 22. Effective Date. This 2008 Resolution shall take effect immediately upon its adoption.

ADOPTED ON: May \_\_\_\_, 2008

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Jonathan Miller, Chairman

ATTEST:

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F. Thomas Howard, Secretary

**CERTIFICATE**

It is hereby certified that the foregoing is a true and correct copy of a resolution duly adopted by the Kentucky Asset/Liability Commission on the \_\_\_\_ day of May, 2008, and such resolution has not been altered, amended or repealed.

IN WITNESS WHEREOF, the undersigned has executed this Certificate this \_\_\_\_ day of May 2008.

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Secretary, Kentucky Asset/Liability  
Commission

### Preliminary Tax and Revenue Anticipation Note Program

**Name of Issue:** Kentucky Asset/Liability Commission General Fund  
Tax and Revenue Anticipation Notes 2008 Series A

**Purpose of Issue:** To provide seasonal working capital for the General Fund during  
fiscal year 2009.

**Authorized Project(s)  
Covered by Issue:** NA

**Proposed Date of Sale:** TBD

**Proposed Date of Issue:** July 1, 2008

**Proposed Maturity Date:** June 25, 2009

**Expected Ratings:** S&P: TBD                      Moody's: TBD                      Fitch: TBD

<b>ESTIMATED PROCEEDS FOR PROJECT:</b>	<b>2008 Series A</b>
	Fixed Rate
Size:	\$ 500,000,000
Plus: Note Premium	8,210,000
Less: Cost of Issuance	485,450
	<hr/>
<b>Proceeds</b>	<b>\$507,724,550</b>

<b>PROJECTED TERMS OF ISSUE:</b>	<b>2008 Series A</b>
	Fixed Rate
Coupon:	3.50%
Yield:	1.80%
Length of Term:	354 days (30/360)
Debt Service Amount:	\$517,208,333.33
Interest Paid:	\$17,208,333.33

**First Call:** Not subject to redemption or tender prior to maturity.

**Method of Sale:** Negotiated

**Bond Counsel:** Kutak Rock LLP

**Underwriter:** Citigroup Global Markets Inc.

**Underwriter's Counsel:** Frost Brown Todd LLC

**Financial Advisor:** Office of Financial Management

**Trustee:** US Bank, National Association

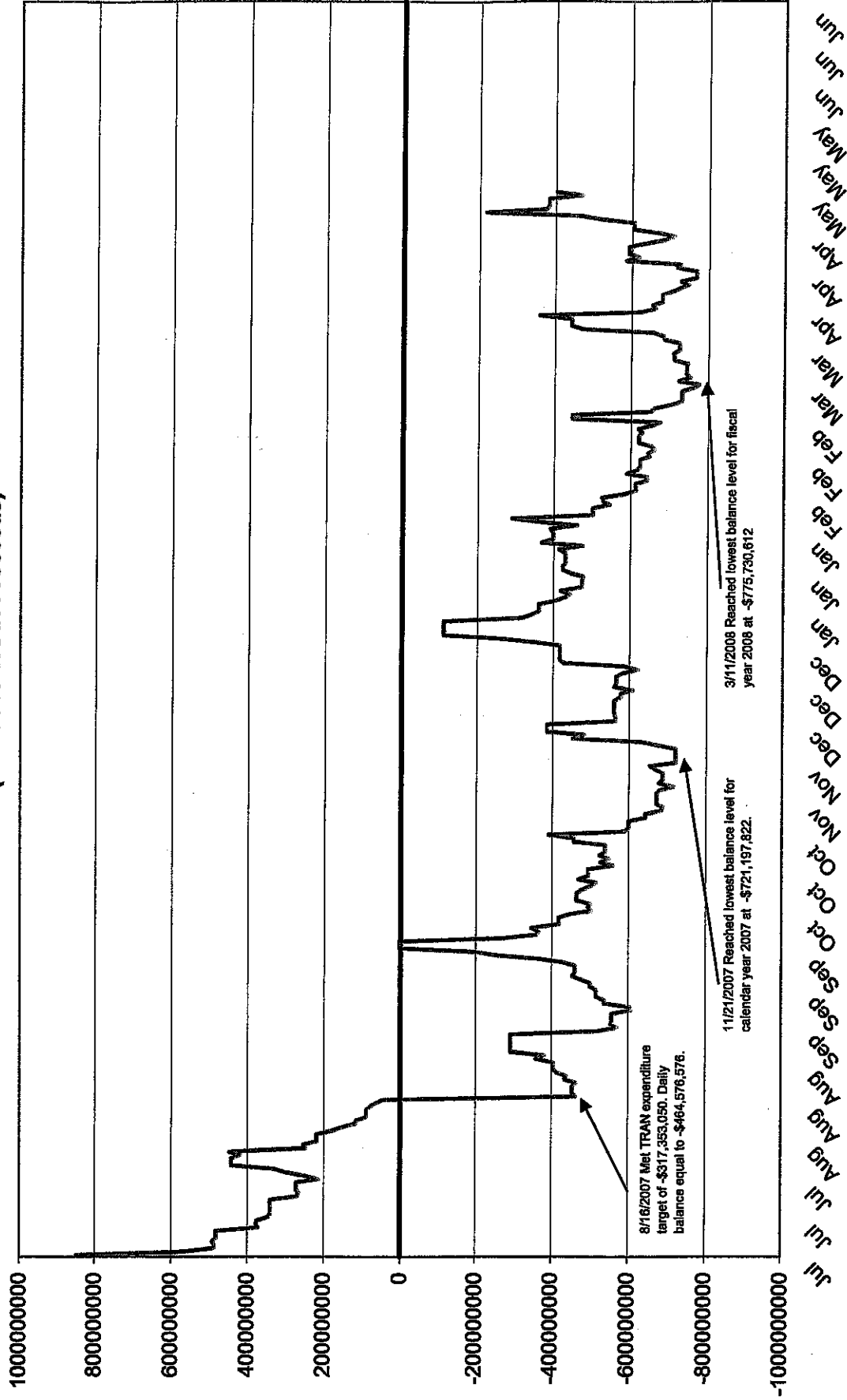
# Kentucky Asset/Liability Commission

## \$350,000,000 2007 General Fund Tax and Revenue Anticipation Notes, Series A

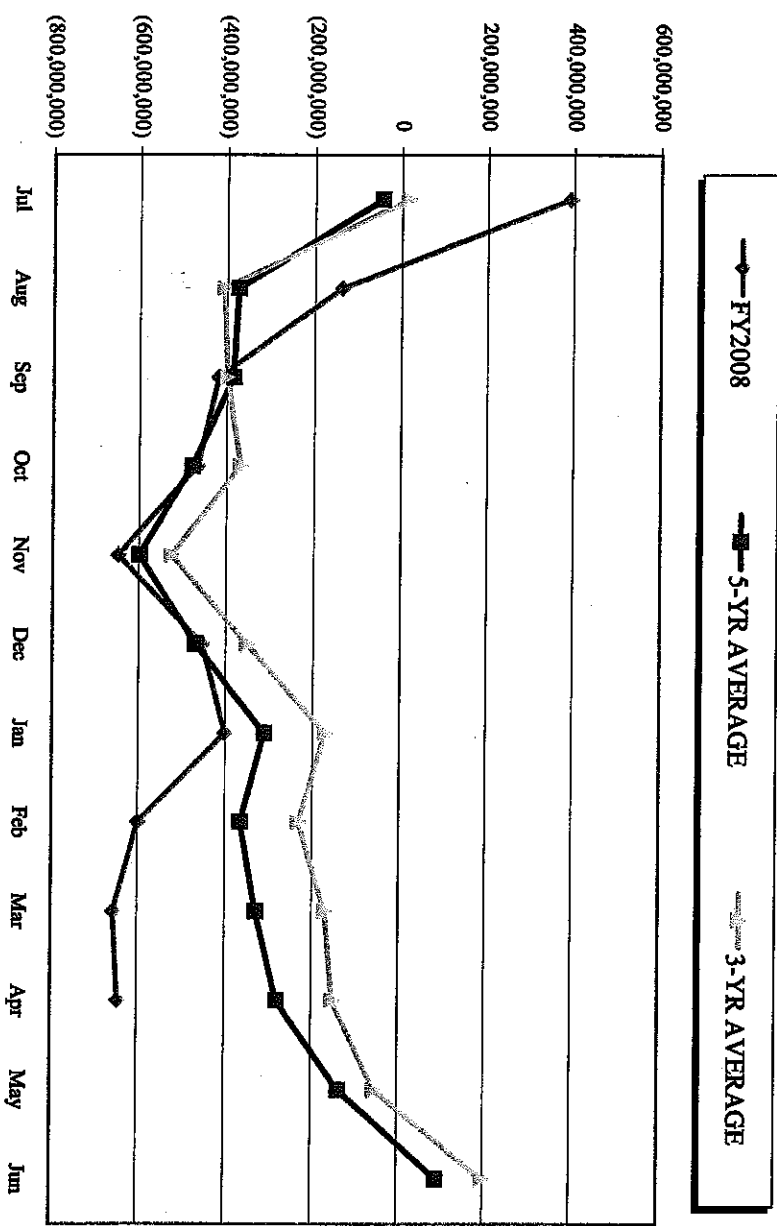
	<b>Series A</b> <b>(Fixed Rate)</b>
Par Amount Issued:	\$350,000,000
Premium:	\$2,614,500
Net Proceeds:	\$352,614,500
Sale Date:	June 26, 2007
Delivery Date:	July 3, 2007
Maturity Date:	June 26, 2008
Call Provisions:	The Notes are not subject to redemption prior to maturity.
Interest Rate:	4.50%
Note Yield/Price:	3.71% / 100.747
Ratings:	Moody's--MIG 1      Standard & Poor's--SP-1+      Fitch--F1+
Bond Counsel:	Kutak Rock LLP
Underwriter:	Citigroup Global Markets Inc.
Underwriter's Counsel:	Bowles Rice McDavid Graff & Love LLP
Trustee:	U.S. Bank National Association

The 2007 Series A Notes will bear interest at a fixed rate, computed on the basis of a 360-day year and a 30-day month, accrued from the date of issuance. Principal of and interest on the 2007 Series A Notes will be payable at maturity.

**General Fund Available Balance**  
**Fiscal Year 2008**  
**(Excludes TRAN Proceeds)**



**GENERAL FUND MONTHLY AVERAGE  
(Excluding TRAN Proceeds)**



**TRAN FOR FISCAL YEAR 2008**  
Year to date through April 30, 2008

**DEBT ISSUANCE**

Settle Date	7/3/2007
Maturity	6/26/2008
Par Value	\$350,000,000.00
Coupon	4.50%
Premium	\$2,614,500.00
Cost of Issuance	\$372,100.00
Yield	3.71%
Gross Interest	\$15,443,750.00
Net Interest	\$13,201,350.00

**INTEREST RATE SWAP**

Counter-Party	UBS
Notional	\$350,000,000.00
KY receives fixed	5.35%
KY pays floating	1 month Libor
Total fixed interest	\$18,347,175.00

**ASSETS TO BE PURCHASED**

	\$ value	Spread to Libor
Home Equity ABS	80,000,000.00	17.6
Auto ABS	15,000,000.00	-10.3
Credit Card ABS	110,000,000.00	-0.95
CMBS	65,000,000.00	11.7
Agency CMO	50,000,000.00	11.4
Other	30,000,000.00	0
	350,000,000.00	7.7



**TRAN FOR FISCAL YEAR 2008**  
Year to date through April 30, 2008

**INVESTMENTS VS FLOATING SIDE OF SWAP**

	Income From Investments	Interest Expense on Swap	Fee	Net
July	1,550,462.72	-1,189,611.11	-14,014.20	346,837.41
August	1,673,225.76	-1,655,111.11	-15,994.15	2,120.50
September	1,468,663.32	-1,605,625.00	-13,143.20	-150,104.88
October	1,499,927.73	-1,495,885.42	-15,160.71	-11,118.40
November	1,507,986.98	-1,463,619.79	-15,724.25	28,642.94
December	1,470,074.97	-1,396,718.75	-14,807.28	58,548.94
January	1,529,209.67	-1,560,854.17	-14,873.69	-46,518.19
February	1,196,746.06	-926,187.50	-15,433.04	255,125.52
March	1,104,068.68	-879,666.67	-14,508.02	209,893.99
April	731,943.34	-836,171.88	-15,069.63	-119,298.17
<b>Total</b>	<b>13,732,309.22</b>	<b>-13,009,451.39</b>	<b>-148,728.17</b>	<b>574,129.66</b>

**DEBT VS FIXED SIDE OF SWAP**

	Debt Interest Expense	Amortization of Premium	Amortization of Cost of Issuance	Interest Income from Swap	Net
July	-1,225,000.00	203,916.43	-29,021.73	1,195,425.00	145,319.71
August	-1,312,500.00	225,764.62	-32,131.20	1,611,225.00	492,358.43
September	-1,268,750.00	218,481.89	-31,094.71	1,507,275.00	425,912.19
October	-1,356,250.00	225,764.62	-32,131.20	1,559,250.00	396,633.43
November	-1,268,750.00	218,481.89	-31,094.71	1,559,250.00	477,887.19
December	-1,356,250.00	225,764.62	-32,131.20	1,559,250.00	396,633.43
January	-1,312,500.00	225,764.62	-32,131.20	1,663,200.00	544,333.43
February	-1,225,000.00	211,199.16	-30,058.22	1,455,300.00	411,440.95
March	-1,400,000.00	225,764.62	-32,131.20	1,559,250.00	352,883.43
April	-1,268,750.00	218,481.89	-31,094.71	1,663,200.00	581,837.19
<b>Total</b>	<b>-12,993,750.00</b>	<b>2,199,384.40</b>	<b>-313,020.06</b>	<b>15,332,625.00</b>	<b>4,225,239.35</b>

**NET INCOME**

	Investments vs. Floating Swap	Debt vs Fixed Swap	Total
July	346,837.41	145,319.71	492,157.12
August	2,120.50	492,358.43	494,478.93
September	-150,104.88	425,912.19	275,807.31
October	-11,118.40	396,633.43	385,515.02
November	28,642.94	477,887.19	506,530.13
December	58,548.94	396,633.43	455,182.37
January	-46,518.19	544,333.43	497,815.24
February	255,125.52	411,440.95	666,566.46
March	209,893.99	352,883.43	562,777.41
April	-119,298.17	581,837.19	462,539.02
<b>Total</b>	<b>574,129.66</b>	<b>4,225,239.35</b>	<b>4,799,369.00</b>

**A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A SUPPLEMENTAL TRUST INDENTURE RELATING TO PROJECT NOTES, 2005 GENERAL FUND SECOND SERIES OF THE KENTUCKY ASSET/LIABILITY COMMISSION; AUTHORIZING THE EXECUTION OF A SUPPLEMENTAL TRUST INDENTURE; AND TAKING OTHER RELATED ACTION.**

WHEREAS, the Kentucky Asset/Liability Commission (the "Commission") has heretofore issued and there are further authorized to be issued, its Project Notes, 2005 General Fund Second Series (the "Notes") under a Trust Indenture, dated as of November 1, 2005, between the Commission and J.P. Morgan Trust Company, National Association, predecessor to The Bank of New York Trust Company, N.A., as Trustee (the "Original Indenture"), the First Supplemental Trust Indenture dated as of July 1, 2006, the Second Supplemental Trust Indenture dated as of October 1, 2006 and the Third Supplemental Trust Indenture dated as of November 1, 2007 (collectively with Original Indenture, the "Existing Indenture") and the Amended and Restated Financing Lease/Agreement dated as of January 1, 2006, the First Supplemental Financing/Lease Agreement dated as of July 1, 2006, the Second Supplemental Financing/Lease Agreement dated as of October 1, 2006, the Third Supplemental Financing/Lease Agreement dated as of November 1, 2007 and the Fourth Supplemental Financing/Lease Agreement dated as of November 15, 2007 (collectively, the "Original Financing Agreement") among the Commission, the Finance and Administration Cabinet of the Commonwealth of Kentucky (the "Cabinet") and the State Property and Buildings Commission of the Commonwealth of Kentucky ("SPBC"), which Original Indenture and Original Financing Agreement were authorized by a Resolution of the Commission adopted on August 15, 2005, a supplemental Resolution of the Commission adopted on June 14, 2006, a supplemental Resolution of the Commission adopted on September 18, 2006 and a supplemental Resolution of the Commission adopted on October 15, 2007 (collectively, the "Original Resolution"), capitalized terms not otherwise defined in this Resolution (the "Fourth Supplemental Resolution") having the meanings given them in the Original Resolution; and

WHEREAS, the General Assembly of the Commonwealth of Kentucky pursuant to H.B. 406 of the General Assembly of the Commonwealth of Kentucky, 2008 Regular Session, as enacted and vetoed in part (the "Budget Act"), authorized certain expenditures in certain amounts for certain projects (the "Projects," further defined herein), to be financed with bonds, which Projects constitute Authorized Projects, as defined in the Act; and

WHEREAS, the SPBC will, in accordance with the Act, issue bonds (the "Bonds") for the Projects and the Commission will issue and sell Project Notes to provide funds for the Projects in anticipation of the issuance of the Bonds; and

WHEREAS, the Cabinet has requested, in accordance with the Act, that the Commission issue and sell Project Notes to provide funds for the Projects in anticipation of the issuance of the Bonds; and

WHEREAS, in order to issue Notes, as defined in the Original Indenture, for the Projects, the Original Indenture and Original Financing Agreement must be amended and supplemented; and

WHEREAS, in accordance with Section 7.01(h) of the Original Indenture, the Commission may, with the written consent of the Trustee, any Related Credit Facility Provider and any Related Liquidity Provider, execute and deliver at any time, from time to time, a supplemental trust indenture to modify Exhibit A to the Existing Indenture to the extent other Projects are authorized under the Budget Act; and

WHEREAS, there are currently obligations outstanding under the Existing Indenture with respect to Dexia Credit Local, a Related Liquidity Provider; and

WHEREAS, to issue Notes for the Projects at the appropriate time the Commission must authorize and approve (i) the Fourth Supplemental Indenture dated as of May 1, 2008 (the "Fourth Supplemental Indenture" and together with the Existing Indenture, the "Indenture") between the Commission and the Trustee and (ii) the Fifth Supplemental Amended and Restated Financing Lease/Agreement dated as of May 1, 2008 (the "Fifth Supplemental Financing Agreement" and together with the Original Financing Agreement, the "Financing Agreement") among the Commission, the Cabinet and the SPBC; and

WHEREAS, the Dexia Credit Local will consent or has consented to the execution and delivery of the Fourth Supplemental Indenture;

NOW, THEREFORE, BE IT RESOLVED by the Kentucky Asset/Liability Commission that:

Section 1. Determinations by Commission. The Commission hereby finds and determines that (a) it is necessary, as authorized in the Existing Indenture, to issue, sell and deliver Notes in an aggregate principal amount not to exceed \$1,400,000,000, hereto, in anticipation of the issuance of the Bonds, for the purpose of paying the costs of the Projects; (b) it is necessary to execute and deliver the Fourth Supplemental Indenture and Fifth Supplemental Financing Agreement in order to issue Notes for the Projects; (c) the maximum maturity of the Notes does not exceed one hundred twenty percent of the expected useful life of the Projects; and (d) the Notes will not constitute a debt of the Commonwealth or a pledge of the faith and credit of the Commonwealth or any political subdivision thereof.

Section 2. Fourth Supplemental Indenture, Fifth Supplemental Financing Agreement and Other Documents. In order to permit the issuance of the Notes under the Original Indenture, the Commission hereby approves the Fourth Supplemental Indenture and Fifth Supplemental Financing Agreement, and the Authorized Officer is hereby authorized to execute, acknowledge and deliver, on behalf of the Commission, to the Trustee the Fourth Supplemental Indenture and Fifth Supplemental Financing Agreement, which shall amend and supplement the Original Indenture and Original Financing Agreement, respectively, in substantially the forms submitted to the Commission, which are hereby approved, with such changes therein not inconsistent with the Fourth Supplemental Resolution and not substantially adverse to the Commission as may be

permitted by the Act and approved by such officer. The approval of such changes by such officer, and that such changes are not substantially adverse to the Commission, shall be conclusively evidenced by the execution of the Fourth Supplemental Indenture and the Fifth Supplemental Financing Agreement by such officer.

This Fourth Supplemental Resolution shall constitute a part of the Indenture as therein provided, and the provisions of the Indenture, including, without limitation, those provisions of the Indenture relating to amendment, severability, modification and supplementation shall apply to this Fourth Supplemental Resolution.

Section 3. Affirmation. Except as amended and supplemented by this Fourth Supplemental Resolution, the Original Resolution is hereby affirmed.

Section 4. Open Meetings Determination. The Commission hereby finds and determines that all formal actions relative to the adoption of this Fourth Supplemental Resolution were taken in an open meeting of this Commission, and that all deliberations of this Commission and of its committees, if any, which resulted in formal action, were taken in meetings open to the public, in full compliance with applicable legal requirements.

Section 5. Effective Date. This Fourth Supplemental Resolution shall take effect immediately upon its adoption.

ADOPTED ON: May 12, 2008.

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Jonathan Miller, Chairman

ATTEST:

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F. Thomas Howard, Secretary

**CERTIFICATE**

It is hereby certified that the foregoing is a true and correct copy of a resolution duly adopted by the Kentucky Asset/Liability Commission on the 12th day of May, 2008, and such resolution has not been altered, amended or repealed.

IN WITNESS WHEREOF, the undersigned has executed this Certificate this 12th day of May, 2008.

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**F. Thomas Howard**  
**Secretary, Kentucky Asset/Liability Commission**

**EXHIBIT A**  
**THE PROJECT**

<u>Project Description</u>	<u>Authorized Project Amount<sup>1</sup></u>
<u>Morehead State University</u> Replace Power Plant Pollution Control System and Boiler Tube	\$5,700,000

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<sup>(1)</sup>Excludes allocable costs of issuance and any capitalized interest.