

STATE PROPERTY AND BUILDINGS COMMISSION
August 20, 2007

MINUTES

The State Property and Buildings Commission 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 10:15 a.m. in Room 76 of the Capitol Annex on Monday, August 20, 2007 in Frankfort, Kentucky. Other members present were Libby Milligan, proxy for Governor Ernie Fletcher; Bonnie Howell, proxy for Attorney General Greg Stumbo; Katie Smith, proxy for John E. Hindman, Secretary, Cabinet for Economic Development; Allen Holt, proxy for Brad Cowgill, State Budget Director; Dr. Randy Embry, proxy for Lt. Governor Steve Pence; and Gerald Hoppmann, proxy for Edgar C. Ross, Executive Director, Office of the Controller.

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

A motion was made by Mr. Holt and seconded by Dr. Embry to approve the minutes of the July 16, 2007 meeting. There was no objection to the motion and the minutes were APPROVED.

Chairman Ferree introduced Resolution 2007-24:

**A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS
COMMISSION OF THE COMMONWEALTH OF KENTUCKY
APPROVING THE ISSUANCE OF KENTUCKY ASSET/LIABILITY
COMMISSION PROJECT NOTES, 2007 FEDERAL HIGHWAY TRUST
FUND FIRST SERIES IN AN AGGREGATE PRINCIPAL AMOUNT NOT
TO EXCEED \$300,000,000 FOR THE PURPOSE OF PROVIDING
FINANCING FOR AN AUTHORIZED PROJECT.**

Brett Antle, Financial Analyst, Office of Financial Management, stated that Resolution 2007-24 completes authorization for the Grant Anticipation Revenue Vehicle ("GARVEE") bonds authorized in House Bill 380 of the 2006 Regular Session. Mr. Antle stated that approximately \$290 million of project fund proceeds will complete the total authorization of \$440 million for the program. He further stated that the transaction will be structured as fixed rate notes and when combined with the original 2005 GARVEE transaction will have an estimated maturity of 14 years. Mr. Antle stated that the debt service will be provided for out of Federal Highway Administration reimbursements. Mr. Antle noted that the proceeds of the bonds will be used to make improvements to three interstate highways within the Commonwealth. Mr. Antle stated that Kutak Rock will serve as bond counsel for the transaction; Citigroup Global Markets will serve as underwriter for the transaction; Ballard Spahr Andrews & Ingersoll will serve as underwriter's counsel; and the Bank of New York Trust Company will remain as trustee.

A motion was made by Ms. Howell and seconded by Ms. Smith to adopt Resolution 2007-24 approving the issuance of Kentucky Asset/Liability Commission Project Notes, 2007 Federal Highway Trust Fund First Series in an aggregate principal amount not to exceed \$300,000,000

for the purpose of providing financing for an authorized project. There was no objection to the motion and Resolution 2007-24 was ADOPTED.

Chairman Ferree introduced Resolution 2007-25:

A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE OF KENTUCKY ASSET/LIABILITY COMMISSION PROJECT NOTES, 2007 ROAD FUND FIRST SERIES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$350,000,000 FOR THE PURPOSE OF PROVIDING INTERIM FINANCING FOR AUTHORIZED PROJECTS IN ANTICIPATION OF THE ISSUANCE OF BONDS BY THE TURNPIKE AUTHORITY OF KENTUCKY; AND APPROVING A FINANCING/LEASE AGREEMENT RELATED THERETO.

Mr. Antle stated that Resolution 2007-25 establishes an interim borrowing program for the Road Fund for \$350 million of Road Fund supported projects authorized in House Bill 380 of the 2006 General Assembly. Mr. Antle continued that the Notes would provide interim financing in anticipation of the Turnpike Authority of Kentucky providing permanent financing through bond issues. He added that a Note Purchase Agreement for the transaction will be executed as well as a Letter of Credit Facility for approximately \$200 million to provide for liquidity support on the program. Mr. Antle indicated that the financing team will consist of Kutak Rock as bond counsel; J. P. Morgan as the underwriter and remarketing agent; and Peck, Shaffer & Williams as underwriter's counsel.

A motion was made by Mr. Holt and seconded by Ms. Milligan to approve the issuance of the Kentucky Asset/Liability Commission Project Notes 2007 Road Fund First Series in an aggregate principal amount not to exceed \$350 million for the purpose of providing interim financing for an authorized project in anticipation of the issuance of bonds by the Turnpike Authority of Kentucky. There was no objection to the motion and Resolution 2007-25 was ADOPTED.

Chairman Ferree introduced Resolution 2007-26:

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 2007, PURSUANT TO AN INDENTURE OF TRUST, SUPPLEMENTS THERETO AND AN AUTHORIZING RESOLUTION OF THE CORPORATION, IN AN AGGREGATE

**PRINCIPAL AMOUNT NOT TO EXCEED \$350,000,000, TO BE ISSUED
AS A COMBINATION OF SENIOR AND SUBORDINATE BONDS AND
TAX-EXEMPT AND TAXABLE BONDS.**

Terri Fugate, Deputy Executive Director, Office of Financial Management, stated that Resolution 2007-26 approves the issuance of Student Loan Revenue Bonds by the Kentucky Higher Education Student Loan Corporation in an amount not to exceed \$350,000,000. Ms. Fugate stated that the bonds are expected to be a combination of Senior and Subordinate taxable and tax exempt bonds. Ms. Fugate indicated the actual amount of the issuance is estimated to be approximately \$250,000,000. Ms. Fugate noted that the proceeds from the sale of the bonds will be used to originate and acquire Federal student loans primarily on behalf of Kentucky residents and students attending Kentucky institutions. Ms. Fugate noted that the proposed date of sale is August 29, 2007 and a delivery date of issuance is August 30, 2007 for the first of the series and the remaining bonds (Series A-4, A-5 and B-1) are expected to be issued in the last half of the fiscal year 2008. Mr. Fugate stated that the bonds are taxable and tax-exempt auction rate securities with a term of 30 years. The financing team consists of Hawkins Delafield & Wood LLP as bond counsel; Banc of America Securities LLC as underwriter; Krieg DeVault LLP as underwriter's counsel; Wells Fargo Bank, N. A. as trustee; and Deutsche Bank as auction agent.

F. Thomas Howard, Executive Director, Office of Financial Management, stated that the A-1 and B-1 series will utilize state volume cap that was allocated to the Student Loan Corporation and the timing of delayed delivery is expected to coincide with the generation of student loans.

A motion was made by Ms. Howell and seconded by Dr. Embry to approve the issuance by the Kentucky Higher Education Student Loan Corporation of Student Loan Revenue Bonds, Series 2007 in an aggregate principal amount not to exceed \$350,000,000. There was no objection to the motion and Resolution 2007-26 was APPROVED.

Ms. Fugate discussed Attachment E which included recent University General Receipts transactions and University ratings. She informed the Commission that the General Receipts Indenture is a new concept that was developed several years ago. Ms. Fugate indicated that at this time, the Commonwealth does not expect the universities to issue bonds (excluding an upcoming sale for Morehead State University) until further authorization has been received from the General Assembly. She noted that the only exception was the University of Kentucky who is expected to issue bonds in the next few months for the UK hospital.

Ms. Howell asked if the funding for the hospital was in addition to the \$146,430,000 noted in Footnote 3 of the chart. Ms. Fugate indicated that funding for the hospital was in addition to the amount noted in the footnote.

Minutes -- State Property and Buildings Commission

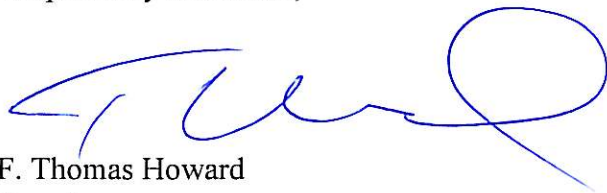
Page 4

August 20, 2007

Ms. Howell asked what the difference was in the underlying rating and the enhanced rating. Mr. Howard stated that the underlying rating is the rating of the University based upon its general receipts and the enhanced rating is the value that the state intercept program provides.

With no further business before the Commission, a motion was made by Ms. Smith and seconded by Ms. Milligan to adjourn the meeting.

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