

**KENTUCKY ASSET/LIABILITY COMMISSION  
MINUTES**

**AUGUST 3, 2001**

The Kentucky Asset/Liability Commission ("ALCo") meeting was called to order by Chairman T. Kevin Flanery in Room 264 of the Capitol Annex Building, Frankfort, Kentucky, on Friday, August 3, 2001 at 9:35 a.m.

Members present were as follows: T. Kevin Flanery, Secretary, Finance and Administration Cabinet; Allen Holt, proxy for James Ramsey, State Budget Director; Cindy James, proxy for Ben Chandler, Attorney General; Eugene Harrell, proxy for Jonathan Miller, State Treasurer; and Alex Rose, proxy for Dana Mayton, Secretary, Revenue Cabinet.

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

Secretary Flanery called for a motion to approve the minutes of the July 16, 2001 meeting. A motion for approval was made by Mr. Holt and seconded by Mr. Harrell. Motion **CARRIED**.

Secretary Flanery introduced Resolution 2001-05, which reads as follows:

**A RESOLUTION AUTHORIZING A FINANCIAL (SWAP) AGREEMENT;  
AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF PROJECT  
REFUNDING NOTES OF THE KENTUCKY ASSET/LIABILITY  
COMMISSION IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO  
EXCEED \$70,000,000 FOR THE PURPOSE OF REFUNDING STATE  
PROPERTY AND BUILDINGS COMMISSION REVENUE BONDS,  
PROJECT NO. 71; AND AUTHORIZING A TRUST INDENTURE,  
FINANCING AGREEMENT, CREDIT FACILITY AGREEMENT,  
REMARKETING AGREEMENT, NOTE PURCHASE AGREEMENT,  
PRELIMINARY OFFICIAL STATEMENT AND OFFICIAL STATEMENT  
RELATED TO SUCH NOTES.**

Mr. Gordon L. Mullis, Executive Director, Office of Financial Management, reported to the Commission that a small amendment was made to page five (5) section three (3). It is a technical change only dealing with the notes that are the subject of this Resolution. The bottom line is the notes that need to be issued to cover the total amount of the transaction will be authorized by this Resolution. Mr. Mullis informed the Commission that staff is requesting approval to issue ALCo Refunding Project Notes in conjunction with the issuance of State Property and Buildings Commission Project No. 71 Bonds and a financial agreement that will hedge the ALCo refunding notes or future SPBC bonds. The sum result of which will be to lock in savings of the medium term notes that are part of the current Project 71 structure. Mr. Mullis noted for the Commission that ALCo by statute could not issue notes that have maturity exceeding ten (10) years; therefore, this is a forward starting transaction. That will allow the

Commonwealth, regardless of the interest rate environment in the future, to refund the medium term notes in Project 71. The SWAP provides a hedge because the notes are proposed to be issued in a variable rate mode and the SWAP will convert the variable rate back to a fixed rate. Mr. Howard will explain the nature of this transaction. Mr. Mullis also noted that a transaction of this nature is not new to the Commission.

Mr. F. Thomas Howard, Deputy Director, Office of Financial Management, gave a detailed explanation of the financing structure for this transaction from the information contained in Appendix A. Secretary Flanery asked the Commission if there were any questions regarding the Resolution or the financing plan. No questions were asked and Mr. Alexander made a motion for adoption of the Resolution and Ms. James seconded the motion. Motion **CARRIED**.

With no further business before the Commission, the meeting was adjourned at 9:46 a.m.

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Secretary, Kentucky Asset/Liability Commission