Information Statement

Limited Term Pool

Commonwealth of Kentucky

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THIS INFORMATION STATEMENT PROVIDES DETAILED INFORMATION ABOUT THE INVESTMENT OBJECTIVES, ORGANIZATION, STRUCTURE AND OPERATIONS OF THE LIMITED TERM POOL (THE “POOL”) AND ITS INVESTMENT OPPORTUNITIES. PROSPECTIVE INVESTORS SHOULD READ IT CAREFULLY BEFORE INVESTING AND RETAIN IT FOR FUTURE REFERENCE.

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OVERVIEW

The State Investment Commission (the "Commission") is charged with the oversight of the Commonwealth's investment programs pursuant to Kentucky Revised Statutes ("KRS") 42.500. The Commission is comprised of the Governor, the Treasurer, the Secretary of the Finance and Administration Cabinet and two gubernatorial appointees nominated by the Kentucky and Community Bankers Associations. The Commission delegates the day-to-day management of the Commonwealth's investments to the Office of Financial Management. ("OFM").

The Commonwealth's investments have been categorized into three distinct classifications or "pools".

1) The Short-Term Pool consists primarily of General Fund cash balances and accounts which pay their earnings to the General Fund.
2) The Limited-Term Pool contains certain state agency accounts which do not pay their earnings to the General Fund.
3) The Intermediate-Term Pool contains other state agency accounts, state held component unit and fiduciary fund accounts held for the benefit of others by the state.

The purpose of the investment pools collectively is to provide economies of scale, enhanced yield, ease of administration for both the user agencies and OFM, and increased accountability and control.

This Information Statement shall apply to only the Limited-Term Pool **(the "Pool")**. More information on the Short-Term and the Intermediate-Term Pool is available from the State Investment Commission at http://finance.ky.gov/services/ofm/Pages/StateInvestmentCommission.aspx.

The Pool does not accept deposits from entities other than state agencies. Generally, deposits are not accepted unless they are also recorded within the statewide accounting system unless expressly approved by the Office of Financial Management.

INVESTMENTS IN THE POOL INVOLVE CERTAIN RISKS WHICH SHOULD BE CONSIDERED BY EACH POTENTIAL PARTICIPANT BEFORE INVESTING. AN INVESTMENT IN THE POOL IS NOT INSURED OR GUARANTEED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY. FOR FURTHER INFORMATION REGARDING CERTAIN RISKS ASSOCIATED WITH INVESTMENTS IN THE POOL, SEE "CERTAIN RISKS OF INVESTMENT IN THE POOL" ON PAGES 9 TO 10.

INVESTMENT OBJECTIVES AND POLICIES

Investment Objective. To produce the highest income consistent with preserving principal and maintaining liquidity, and to maintain a stable $1.00 net asset value ("NAV"). To this aim, the Pool intends to operate as a 2a-7 like pool. However, there is no assurance that the Pool will be able to maintain a stable net asset value of $1.00.

Furthermore, no assurance can be given that the Pool will achieve its investment objective or that any benefits described in this Information Statement will result from the investment of monies in the Pool by any Participant. However, the Commission and the OFM intend to make all reasonable efforts to attain the Pool's investment objectives.

Permitted Investments. The Pool is specifically designed to meet the needs of the Commission and the Commonwealth. Accordingly, its portfolios will invest solely in permitted investments as defined in KRS 42.500 and as further limited by 200 KAR Chapter 14 ("Permitted Investments"). Such Permitted Investments include the following:

(a) U.S. Treasury, agency, and government sponsored entity securities;

(b) U.S. dollar denominated corporate and Yankee securities issued by foreign and domestic issuers, rated in one of the three highest categories by a Nationally Recognized Statistical Rating Organization ("NRSRO");

(c) Money market securities, including:

(i) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase;

(ii) Certificates of deposit maturity not more than 270 days after the date of purchase; and

(iii) Bankers' acceptances issued by banks having the highest short-term rating by an NRSRO.

(d) Repurchase agreements collateralized at least 102 percent (marked to market daily) with U.S. Treasury, agency or government sponsored entity agencies, and agency mortgage backed obligations. The maximum maturity is 367 days and executed with approved broker/dealers and the Kentucky Bank Repurchase Program participants. Such transactions shall be executed with Commonwealth tri-party custodian banks or delivery versus payment at the Commonwealth's custodian bank.

(e) Mutual funds in which the underlying holdings of the fund are in securities in which the Pool could invest directly; and

(f) Any other investments presently permitted by applicable statutes or permitted in the future by reason of the enactment or amendment of applicable statutes.

Limits on Investment Securities.

(a) U.S. agency mortgage backed securities and collateralized mortgage obligations shall not exceed twenty-five (25) percent of total pool assets in aggregate.

(b) Asset-backed securities shall not exceed twenty (20) percent of total pool assets.

(c) U.S. dollar denominated corporate, Yankee and sovereign securities issued by foreign and domestic issuers shall not exceed thirty-five (35) percent of an individual pool and $50,000,000 per issuer in aggregate or $25,000,000 per issuer within an individual pool, inclusive of commercial paper, bankers' acceptances, and certificates of deposit unless these securities are guaranteed by the full faith and credit of the United States government.

(d) Asset backed securities shall not exceed 20% of the total pool assets.

(e) No more than 10% of total pool assets shall be invested in a single mutual fund.

(f) For purposes of meeting the minimum credit rating requirements herein, the lowest rating assigned by an NRSRO designated by the SIC.

(g) The credit and diversification requirements documented herein shall apply at the time of purchase based on book value for the Limited Term,

(h) The credit and diversification requirements documented herein do not apply to inter-pool borrowings.

(i) The limits set forth in this section may be waived by unanimous vote of the Commission.

Debt obligations purchased by the Pool may have interest rates that are periodically adjusted at specified intervals or whenever a benchmark rate or index changes. These floating-rate and variable-rate instruments may include certificates of participation in such instruments. These securities may have demand features which give the Pool the right to demand repayment of principal on specified dates or after giving a specified notice. Variable-rate securities and securities with demand features may be deemed by the Pool to have maturities shorter than their stated maturity dates for purposes of applicable investment restrictions.

Any percentage limitation or rating requirement described under “Investment Objectives and Policies” will be applied **at the time of purchase.**

The Pool limits its investments to high quality instruments and the following policies are designed to maintain a stable $1.00 share price, including maintaining a dollar-weighted average Pool maturity of 60 days or less. If the ratio of the Pool's market value divided by its book value is less than 0.995 or greater than 1.005, the OFM may sell Pool holdings or take other action to maintain the ratio between 0.995 and 1.005 However, there is no assurance that a net asset value of $1.00 per share can be maintained.

For information regarding certain risks associated with investments by the Pool in various Permitted Investments, see "Certain Risks of Investment in the Pool" on Pages 6 to 7.

OPERATING PROCEDURES

(1) The limited term pool will be managed to meet the requirements of Section 2a.7 of the Investment Company Act of 1940. Terms used in this section will have the definition prescribed in the Investment Company Act of 1940.

- (a) The limited term pool will not purchase a security with a final maturity exceeding 397 days, except for governmental securities, which can have a final maturity of up to 762 days.
- (b) The weighted average maturity, adjusted for interest rate resets and demand features, shall not exceed sixty (60) days; and the weighted average life, adjusted for demand features only but not interest rate resets, shall not exceed one-hundred and twenty (120) days.
- (c) At least 10% of the pool will be invested in cash, direct obligations of the U.S. government or securities that mature or are subject to a demand feature payable within one business day, and at least 30% of the pool will be invested in cash, direct obligations of the U.S. government, government agency discount notes maturing in 60 days or less, or securities that mature or are subject to a demand feature payable within five business days.
- (d) All securities purchased for the pool must be rated by an NRSRO.
- (e) No more than 5% of the pool will be invested in illiquid securities.
- (f) No more than 3% of the pool will be invested in second tier securities and no more than 0.05% of the pool will be invested in a second tier security issuer.

(g) The net asset value of pool shares will be computed using the amortized cost method of valuing the pool’s investments.

(h) The shadow net asset value using the market value of pool holdings will be computed no less than monthly and made public within 60 days of the calculation date by posting to the OFM website at http://finance.ky.gov/services/ofm/Pages/StateInvestmentCommission.aspx

(i) Stress testing of the pool based on redemptions and changes in market value will be performed no less than quarterly and reported to the Commission.

(j) Monthly portfolio listings will be published to a public website and will remain available for no less than 6 months.

VALUATION

The OFM will periodically monitor, as they deem appropriate and at such intervals as are reasonable in light of current market conditions, the relationship between the amortized cost value per share and a net asset value per share based upon available indications of market value. The net asset value per share of the Pool may be affected by general changes in interest rates that result in increases or decreases in the value of securities held by the Pool. The market value of securities will tend to vary inversely to changes in prevailing interest rates. If interest rates rise after a security is purchased, such a security, if sold, might be sold at a price less than its amortized cost. Similarly, if interest rates decline, such a security, if sold, might be sold at a price greater than its amortized cost. If a security is held to maturity, no loss or gain is normally realized as a result of these price fluctuations.

Withdrawals by Participants could require the sale of Pool securities prior to maturity. In the event that the difference between the amortized cost and market value per share exceeds 1/2 of 1 percent, OFM will consider what, if any, corrective action should be taken to minimize any material dilution or other unfair results arising from differences between the two. This action could include reducing the number of outstanding shares by having each Participant proportionately contribute shares to the Pool’s capital, suspending or rescinding dividends, declaring a special capital distribution, selling Pool securities prior to maturity to reduce the average maturity or to realize capital gains or losses, transferring Pool securities to a separate account, or redeeming shares in kind. If the number of outstanding shares is reduced in order to maintain a constant net asset value of $1.00 per share, the Pool will contribute, in proportion to the Portfolio’s capital, the number of shares that represent the difference between the amortized cost valuation and market valuation of the Pool. By investing in the Pool, Participants are deemed to have agreed to make a contribution if these circumstances arise through their account balances as reflected in the statewide accounting system.

CERTAIN RISKS OF INVESTMENT IN THE POOL

There are several risk factors that could hurt a Pool's performance, cause you to lose money, or cause a Pool's performance to trail that of other investments.

Interest rate risk. When short-term interest rates fall, the Pool's yield is likely to fall. When interest rates rise, especially if the rise is sharp or unexpected, the Pool's share price could fall. During periods of unusually low interest rates, the Pool's yield may approach zero.

Credit risk. The issuer of an obligation owned by a Pool could fail to pay interest or principal in a timely manner. The credit quality of a Pool's holdings could change rapidly in certain markets, and the default or decline in credit quality of even a single holding could cause a Pool's share price to fall.

For money market instruments that rely on third-party credit guarantors, the same risks may apply if the financial condition of the guarantor deteriorates or the guarantor ceases to insure money market instruments. The value of the obligation may decline and it is possible that the guarantor will not honor the guarantee.

For US government or agency securities not backed by the full faith and credit of the US government, there is no guarantee that the government will intervene in the event of any loss or default.

Any type of credit backing or guarantee applies only to the obligations held by a Pool, not to shares of the Pool itself, and does not protect against any risk other than credit risk.

Counterparty risk. A financial institution or other counterparty with whom a Pool does business (such as trading or entering into repurchase agreements), or that underwrites, distributes, or guarantees any investments or contracts that a Pool owns or is otherwise exposed to, may decline in financial health and become unable to honor its commitments. This could cause losses for a Pool or delay the return or delivery of collateral or other assets.

Financial industry risk. Any market price movements, regulatory or technological changes, or economic conditions affecting banks or other financial institutions may have a significant impact on a Pool's performance.

Foreign investment risk. To the extent that a Pool invests in US obligations of foreign issuers that are denominated in US dollars, it faces some of the risks of foreign investing, such as unfavorable political and legal developments, limited financial information, regulatory risk, and economic and financial instability.

Additional cost level risk. To the extent that a Pool invests in mutual funds rather than directly in money market instruments, the Pool's shareholders will effectively be paying two or more levels of costs, which could reduce yields.

Liquidity risk. If the Pool faces an unusual volume of redemption orders, or if it is unable to sell Pool securities at the desired time or price, the Pool's share price could fall. In this case, redemptions could be suspended or a negative income distribution could occur.

Obligations of United States Government Agencies and Instrumentalities. Participants should be aware that not all obligations issued by agencies and instrumentalities of the United States government are guaranteed by the full faith and credit of the United States government. The obligations of some agencies and instrumentalities of the United States government that may be purchased by the Pool from time to time are obligations only of the applicable agency or instrumentality and are not full faith and credit obligations of the United States. The creditworthiness of such obligations relates only to the credit of the issuing agency or instrumentality. No assurance can be given that the agency or instrumentality will under all circumstances be able to obtain funds from the United States government or other sources to support all of its obligations.

Commercial Paper. The Pool may purchase commercial paper which qualifies as a Permitted Investment. Commercial paper is a debt instrument that is issued by a company and is secured only by the assets, if any, of that company. The creditworthiness of such an obligation relates only to the creditworthiness of the issuing company. Although the Office of Financial Management uses the criteria established by the Commission when determining which companies' commercial paper will be purchased, no assurance can be given that a company will not become insolvent before it repays said commercial paper. In the event of such insolvency or in the event of any other default with respect to such commercial paper, a claim will be filed by the Pool against the company, if appropriate. However, there is no assurance that the Pool will receive any recovery as a result of filing a claim.

Bankers' Acceptances. Bankers' acceptances are credit instruments evidencing the obligation of a bank to pay a draft drawn on it by a customer. These instruments reflect the obligations both of the bank and of the drawer to pay the face amount of the instrument upon maturity. They are not subject to FDIC insurance, but rather their creditworthiness relates only to the creditworthiness of the issuing bank.

An investment in the Pool is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Pool seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the Pool.

ADDITIONAL POLICIES

Expenses. The Pool is assessed an annualized charge, calculated and deducted daily, of five basis points (.0005) to defray operating expenses associated with their administration. Direct expenses can also be passed on to the Pool at the discretion of the Commission. Currently, no direct expenses are being passed on to the Pool. A traditional money market fund typically charges between twenty-five (.0025) and fifty basis points (.0050) plus expenses.

Withdrawals. Funds residing in the Pool are available to be spent at any time. OFM requests that it be notified as early as possible of any disbursements from the statewide accounting system that are unusually large for an agency.

Dividends and Distributions. The Pool declares dividends as of the conclusion of each business day and pays them to shareholders on the last business day of each month. Earnings for Saturdays, Sundays, and holidays are declared on the previous business day.

For the purpose of calculating dividends, the Pool's net income consists of interest earned, plus any discount ratably amortized to the date of maturity plus or minus all realized gains and losses on the sale of securities prior to maturity, less ratable amortization of any premium and all accrued expenses, including the fees payable to the Office of Financial Management.

Current yield information for the Pool may, from time to time, be quoted in reports, and literature published by the Pool. Historic yield information will be available on the Office of Financial Management's website athttp://finance.ky.gov/services/ofm/Pages/StateInvestmentCommission.aspx. Current yields which may be quoted include the current one-day allocation factor, the current one-day (or current dividend) yield, and the current seven-day (or current annualized) yield.

The current one-day allocation factor represents the daily net income dividend declared by the Pool divided by the Pool's daily net assets. The current one-day yield (the "current dividend yield") is the current one-day allocation factor of the Pool divided by the daily net asset value per share (normally $1.00) multiplied by 365. The current seven-day yield ("current annualized yield") is computed by summing the current one-day allocation factors of the Pool during the prior seven calendar days, dividing by the daily net asset value per share (normal $1.00) at the beginning of the base period, and multiplying the result by (365/7).

The "effective annual yield" of the Pool may also be quoted. The annual yield reflects the value of compounding and represents the annualization of the monthly distribution yield with all dividends reinvested. The effective annual yield is computed by dividing the monthly distribution yield for a monthly calendar period by 12, adding one and then raising the sum to the power of 12, and subtracting one from the result.

Calculating Net Asset Value. The Office of Financial Management calculates the Pool's NAV as of the conclusion of each business day. To calculate NAV, the Pool first subtracts its total liabilities from its total assets, and then divides the result by the number of outstanding shares. Liabilities include all accrued expenses and fees, including fees of the Office of Financial Management, which are accrued daily.

For purposes of calculating NAV, securities are valued at cost, plus or minus any amortized discount or premium.

How Purchase Prices are Determined. The exact price for your shares will be determined based on the first NAV calculation after the deposit has been processed in the statewide accounting system. The NAV used will also determine the number of shares you receive.

Information on Portfolio Holdings. The Pool discloses its holdings online each month.

BALANCE INQUIRES

OFM is not responsible for delays or errors in posting of account balances in the statewide accounting system. All inquiries regarding should be directed to Mr. Donald Sweazy, Director, Division of Accounts, 702 Capitol Avenue, Room 484, Frankfort, Kentucky 40601.

SAFEKEEPING

Investments are held by the Commonwealth's custodial bank, currently State Street of Boston, Massachusetts. The Commonwealth also has a triparty custodial account with the Bank of New York to facilitate the execution of repurchase agreements.

RISK MANAGEMENT

The Pool may utilize interest rate swaps and over-the-counter Treasury options to hedge the portfolio against fluctuation due to changes in interest rates. The Pool will use these securities for bona fide hedging purposes and not for speculative purposes, as defined by the State Investment Commission. Situations where these types of securities will be used to: (1) simulate full investment through the purchase of calls and the sale of puts, (2) limit price fluctuations due to changes in interest rates through the sale of calls and purchase of puts, and (3) stabilize income and duration management through the use of interest rate swaps.

The State Investment Commission expressly prohibits the use of leverage or the posting of margin.

Risk Management activities even for bona fide hedging purposes involve elements of risk known as basis risk and counterparty risk. These risks, when properly administered, are less than the risk of an unhedged position.

Basis risk: The risk that the hedge vehicle is not perfectly correlated to the underlying portfolio of securities and that the gains and losses are not perfectly offset against the gains and losses of the securities in the portfolio.

Counterparty risk: The risk that the entity entering into the hedge vehicle fails to perform its obligation under the terms of the agreement. The Pool must then reestablish the position to provide the hedge. Market conditions may be different than those when the position was originally established resulting in a higher/lower cost when the position is reestablished. Typically, principal is not at risk, although principal gains and losses representing the net gain or loss in the underlying security may be realized should market conditions move against the portfolio's value.

OFM utilizes industry standard portfolio accounting and risk management software, including marking the portfolio to market daily to minimize basis risk. Counterparty risk is managed by established credit limits for State Investment Commission approved broker-dealers. **See Approved Broker/Dealers**.

SECURITIES LENDING

The Pool may lend securities held in the portfolio to broker/dealers approved by the State Investment Commission. Income derived from securities lending will accrue to the benefit of the Pool. Currently, the Securities Lending Program is operated on an agency basis with Deutsche Bank. The state’s portfolio of treasuries, agencies and corporate bonds is made available to Deutsche Bank. Earnings are split 80% to the Commonwealth and 20% to Deutsche Bank.

Previously, and perhaps again in the future, the state has the right to enter into a principal agreement for its Securities Lending Program. A principal agreement would guarantee a stated pay-out for all of the state’s treasuries, agencies and corporate bonds. This contract is bid every two years with the best arrangement, whether agent or principal determined at that time.

PROHIBITED TRANSACTIONS

The State Investment Commission prohibits:
(1) the use of leverage;
(2) the posting of margin, such as used in the purchase or sale of futures contracts; and
(3) the purchase of interest only, principal only, inverse floating rate or other similar types of securities deemed inappropriate for governmental use.

APPROVED BROKER-DEALERS

As approved by the State Investment Commission annually.

- Primary dealers of the Federal Reserve.
- Transaction amounts are limited to dealer’s excess capital. Kentucky banks participating in the Kentucky Bank Repurchase Agreement Program are limited to $25 million or ten percent (10%) of total assets or the bank’s capital, whichever is less.
- Hedge Vehicles (Swaps and Options):
    - Primary dealers of the Federal Reserve with at least $100 million in excess

net capital.
  - Rated A1-P1 by Standard & Poor's and Moody's.
  - Transaction amounts limited to dealer's excess net capital.
- Delivery versus Payment Transaction:
  - Primary dealers of the Federal Reserve or broker/dealers with a business nexus in the Commonwealth with $25 million in excess net capital; or whose trades are guaranteed by a primary dealer of the Federal Reserve.

Brokerage transactions. When selecting brokers and dealers to facilitate the purchase and sale of portfolio instruments, OFM looks for prompt execution of the order at the most favorable price.

Dated: June 27, 2012