The Kentucky Asset/Liability Commission (“the Commission”) meeting was called to order by Chairman T. Kevin Flanery in Room 264 of the Capitol Annex Building, Frankfort, Kentucky, on Tuesday, November 26, 2002 at 10:00 a.m.

Others members present included: Cindy James, proxy for Ben Chandler, Attorney General; Eugene Harrell, proxy for State Treasurer Jonathan Miller; Allen Holt, proxy for James R. Ramsey, State Budget Director; Paul Johnson, proxy for Dana Mayton, Secretary of the Revenue Cabinet.

Secretary Flanery declared a quorum was present and that the press had been notified of the meeting. A motion was made by Ms. James and seconded by Mr. Holt to approve the minutes of the October 10, 2002 meeting. Motion CARRIED.

Secretary Flanery introduced Resolution No. 2002-07:

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 $170,000,000 FOR THE PURPOSE OF REFUNDING STATE PROPERTY AND BUILDINGS COMMISSION REVENUE AND REVENUE REFUNDING BONDS, PROJECT NO. 55; AND AUTHORIZING A TRUST INDENTURE, FINANCING AGREEMENT, NOTE PURCHASE AGREEMENT, CREDIT FACILITY AGREEMENT, LIQUIDITY FACILITY, REMARKETING AGREEMENT, PRELIMINARY OFFICIAL STATEMENT AND OFFICIAL STATEMENT RELATED TO SUCH NOTES.

Mr. F. Thomas Howard, Deputy Executive Director, Office of Financial Management ("OFM"), indicated that at the October 10, 2002 meeting, the Commission adopted Resolution 2002-06, which provided for the refunding of State Property and Buildings Commission ("SPBC") Project No. 55 bonds. In addition, SPBC approved the refunding of Project No. 77, which included some Project No. 55 bonds on an advanced-refunded basis. The transaction authorized by SPBC for the advance-refunding portion failed to provide the level of savings needed to execute the transaction. Mr. Howard indicated that Project 55 bonds would be extracted from SPBC Project 77 and included in this transaction. This transaction will provide increased current present value savings of approximately $5 million or 4.3 percent. The financing team members are UBS PaineWebber and Peck Shaffer & Williams.

A motion was made by Mr. Holt and seconded by Mr. Johnson to adopt Resolution 2002-07. Resolution ADOPTED

Secretary Flanery introduced the next item on the agenda, the Tax and Revenue Anticipation Notes ("TRAN") Update.

Ms. Terri Fugate, Financial Analyst, Office of Financial Management, stated that in late October 2002, OFM was able to sell the 2002 TRAN in an amount of $500 million. The TRAN was issued after much discussion with the rating agencies. The TRAN includes $250 million fixed rate and $250 million variable rate Notes. Ms. Fugate indicated the debt and investment staff worked very closely on the TRAN to invest the proceeds to achieve a desirable spread on the Notes. The fixed rate and variable rate
Notes when combined with corresponding investment blended together for a net spread of approximately 15.5 basis points.

Mr. Howard stated that at the time of the transaction the market was very difficult. Mr. Howard further indicated the size was smaller than anticipated due to lack of available assets to reinvest at a desirable spread.

Ms. Fugate indicated that the General Fund still has a negative balance, but stated that the TRAN proceeds should help to bring the General Fund toward a positive balance.

Secretary Flanery stated that the General Fund has had a negative balance for a number of years. He also reiterated how difficult this particular transaction has been and that OFM deserves a lot of credit for making this transaction work so well.

Secretary Flanery stated that the resignation of Don Mullis as Executive Director of OFM makes it necessary to appoint an individual to execute documents on behalf of the Commission and carry on the day-to-day operations of OFM. Tom Howard has agreed to serve in the interim as acting executive director.

Mr. Howard indicated that Resolution 2002-8 allows him to execute the transactions contemplated today and any other business needed to operate the office efficiently.

Secretary Flanery stated he would entertain a motion to adopt Resolution 2002-8 permitting Mr. Howard to execute documents on behalf of the Commission. A motion was made by Mr. Harrell and seconded by Mr. Holt to adopt Resolution 2002-8. Resolution ADOPTED.

Mr. Howard indicated another meeting may be scheduled in December because OFM is considering a transactions for the Turnpike Authority that relates to certain resource recovery bonds. This type of transaction was previously executed with certain 1985A Resource Recovery Bonds and 1986 Toll Road Bonds. The transaction will depend on the market, but could generate between $3-5 million for the Road Fund.

With no further business a motion was made by Allen Holt and seconded by Eugene Harrell to adjourn the meeting. Motion CARRIED and the meeting was adjourned at 10:25 a.m.

Respectfully submitted,

F. Thomas Howard
Secretary