The Kentucky Asset/Liability Commission ("the Commission") meeting was called to order by Chairman Gordon C. Duke in Room 264 of the Capitol Annex Building, Frankfort, Kentucky, on Monday, May 19, 2003 at 10:02 a.m.

Members present were Cindy James, proxy for A. B. Chandler, III Attorney General; Eugene Harrell, proxy for State Treasurer Jonathan Miller; Paul Johnson, proxy for Dana Mayton, Secretary of the Revenue Cabinet; and Mary Lassiter, Acting State Budget Director.

Secretary Duke declared a quorum present and that the press had been notified of the meeting. A motion was made by Gene Harrell and seconded by Paul Johnson to accept the minutes of the November 26, 2002 meeting. Motion CARRIED.

Secretary Duke introduced Resolution 2003-01:

A RESOLUTION OF THE KENTUCKY ASSET/LIABILITY COMMISSION OF THE COMMONWEALTH OF KENTUCKY APPOINTING A SECRETARY OF THE COMMISSION.

Secretary Duke indicated to the Commission that this was the first meeting since George R. Burgess, Jr., was hired as Executive Director of the Office of Financial Management ("OFM") and Resolution 2003-01 appoints Mr. Burgess Secretary of the Commission. A motion was made by Paul Johnson and seconded by Cindy James to adopt Resolution 2003-01. Motion CARRIED and Resolution 2003-01 was adopted.

Secretary Duke introduced Resolution 2003-02:

A RESOLUTION SUPPLEMENTING A RESOLUTION ADOPTED NOVEMBER 26, 2002 AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF PROJECT REFUNDING NOTES OF THE KENTUCKY ASSET/LIABILITY COMMISSION IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $190,000,000 FOR THE PURPOSE OF REFUNDING STATE PROPERTY AND BUILDINGS COMMISSION REVENUE AND REVENUE REFUNDING BONDS, PROJECT NO. 55 AND KENTUCKY ASSET/LIABILITY COMMISSION PROJECT NOTES, 1999 GENERAL FUND FIRST SERIES; RATIFYING THE AUTHORIZATION OF A TRUST INDENTURE, FINANCING AGREEMENT, NOTE PURCHASE AGREEMENT, PRELIMINARY OFFICIAL STATEMENT RELATED TO SUCH NOTES; AND AUTHORIZING A SUPPLEMENTAL FINANCING AGREEMENT.

Mr. Burgess informed the Commission that on November 26, 2002, Resolution 2002-07 was adopted. This Resolution authorized the refunding of State Property and Buildings Commission Project 55 bonds in the amount of $170,000,000. Since the adoption of the Resolution, additional projects for refunding were identified by staff. As a result, the aggregate principal amount needs to be increased to $190,000,000. Mr. Burgess indicated that
UBS PaineWebber will serve as underwriter for the Notes and Peck Shaffer & Williams will serve as Bond Counsel. The present value savings is estimated to be 3.22 percent, or $5,590,000.

Tom Howard, Deputy Executive Director, Office of Financial Management, distributed a summary of the 2003 Refunding Notes to the Commission members based on May 16, 2003 market activity. The summary shows the original date of the transaction when the Commonwealth entered into a hedge for a portion of the bonds. Resolution 2003-02 proposes to add the refunding of 1999 ALCo General Fund First Series Notes, which became callable in March 2003. The refunded Notes will result in an additional $700,000 in present value savings to the Commonwealth for a total estimated savings of $5.8 million. The transaction has performed as projected and will result in significant savings to the General Fund.

A motion was made by Mary Lassiter and seconded by Paul Johnson to adopt Resolution 2003-02. Motion CARRIED and Resolution was adopted.

Terri Fugate, Financial Analyst in the OFM, discussed Attachment C, TRAN update. Ms. Fugate indicated that $500,000,000 of General Fund TRAN will mature on June 26, 2003. Ms. Fugate indicated that the Series A Fixed Rate TRAN has $250,000,000 outstanding. This Series had a coupon of 2.75 percent and Ms. Fugate indicated this Series also had a premium that resulted in a yield of 1.67 percent. Ms. Fugate indicated that the Series B TRAN (BMA + 0.15 percent) has $200,000,000 outstanding and the average yield on this Series has been 1.34 percent to date. The Series C TRAN (90 percent of LIBOR) has $50,000,000 outstanding and has had an average yield of 1.23 percent. In total the TRAN has a combined weighted average yield for all series of 1.49 percent to date. Ms. Fugate stated the remaining charts show the General Fund available balances and monthly average excluding TRAN proceeds.

Mr. Howard indicated that the TRAN is expected to generate $500,000 in net value for the General Fund. He continued that this amount is considerably less than previous years. Mr. Howard indicated that normally staff would be seeking authorization from the Commission to move forward with a new TRAN, but with the current market environment it is not practical at this time.

With no further business before the Commission, the meeting was adjourned at 10:22 a.m.

Respectfully submitted,

George R. Burgess, Jr.
Secretary