

NEW BOND ISSUE REPORT

Name of Issue:	\$325,000,000 Kentucky Higher Education Student Loan Corporation (“KHESLC”) Student Loan Backed Notes to be issued in one or more tranches in an interim or permanent mode	
Purpose of Issue:	The LIBOR Indexed Student Loan Backed Notes are being issued in one or more tranches in an interim or permanent mode for the purpose of financing Federal Family Education Loan Program (“FFELP”) Student Loans and rehabilitated FFELP loans. The Student Loan Backed Notes will be either Directly Placed Notes (“DPNs”) or Floating Rate Notes (“FRNs”), will bear interest on the basis of a fixed spread to LIBOR (as do the FFELP Loans to be financed) and will be issued on a taxable and/or tax-exempt basis. KHESLC’s Board of Directors has provided preliminary bond issuance authorization and approval of up to \$460 million through June 30, 2019. \$325 million of the \$460 million was estimated for potential FFELP loans.	
Proposed Date of Sale:	[Various dates on or prior to June 30, 2019]	
Proposed Date of Issue:	[Various dates on or prior to June 30, 2019]	
Rating (Anticipated):	TBD	
Estimated Net Proceeds For Project⁽¹⁾:	Estimated Net Proceeds	\$ 325,000,000
	Debt Service Reserve Fund	1,137,500
	<u>Cost of Issuance</u>	<u>1,670,000</u>
	Gross Proceeds	\$ 327,807,500
Expected Initial Interest Rates⁽¹⁾:	One Month LIBOR + 0.75%	
Length of Term⁽¹⁾:	Final Maturity Date: January 1, 2049	
Gross Debt Service⁽¹⁾:	\$ 407,124,082	
Average Annual Debt Service⁽¹⁾:	\$ 27,141,605	
First Call:	TBD	

(1) Assuming a single \$325,000,000 issuance, typical FFELP portfolio characteristics and current market conditions

Method of Sale:	DPNs: Direct Placed; FRNs: Negotiated
Bond Counsel:	Hawkins Delafield & Wood LLP
Purchaser:	For any DPNs, Bank of America, N.A. and/or an affiliate of Bank of America Corporation
Purchaser's Counsel:	For any DPNs, Chapman and Cutler LLP
Underwriter:	For any FRNs, Bank of America Merrill Lynch
Underwriter's Counsel:	For any FRNs, Kutak Rock LLP
Financial Advisor:	SL Capital Strategies LLC
Trustee:	TBD

**Kentucky Higher Education Student Loan Corporation (KHESLC)
LIBOR Indexed Student Loan Backed Notes⁽¹⁾**

Date	Annual Gross Debt Service		
	Interest	Principal	Total
1/23/2019	\$ -	\$ -	\$ -
1/1/2020	10,460,723	26,292,622	36,753,345
1/1/2021	11,164,468	27,182,442	38,346,910
1/1/2022	10,236,833	25,400,233	35,637,066
1/1/2023	9,051,413	28,612,467	37,663,880
1/1/2024	7,823,631	32,543,640	40,367,271
1/1/2025	6,632,070	31,354,823	37,986,893
1/1/2026	5,515,206	29,776,042	35,291,248
1/1/2027	4,408,742	28,230,802	32,639,544
1/1/2028	3,350,992	26,013,936	29,364,928
1/1/2029	2,471,670	17,784,205	20,255,875
1/1/2030	4,479,945	13,204,387	17,684,332
1/1/2031	3,407,678	12,708,872	16,116,550
1/1/2032	2,120,382	11,904,179	14,024,561
1/1/2033	937,042	10,723,330	11,660,372
1/1/2034	63,286	3,268,020	3,331,306
Total	\$ 82,124,082	\$ 325,000,000	\$ 407,124,082

(1) Assuming a single \$325,000,000 issuance, typical FFELP portfolio characteristics and current market conditions



MATTHEW G. BEVIN
Governor

Commonwealth of Kentucky
FINANCE AND ADMINISTRATION CABINET
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WILLIAM M. LANDRUM III
Secretary

RYAN BARROW
Executive Director

June 20, 2018

William M. Landrum III
Secretary
Finance and Administration Cabinet
Executive Director
Kentucky Asset/Liability Commission
702 Capital Annex
Frankfort, KY 40601

Dear Secretary Landrum:

Pursuant to KRS 42.420, the Office of Financial Management is required to review and approve the issuance of debt by all state agencies. The attached constitutes the review and approval of the \$27,775,000 Asset/Liability Commission Agency Fund Direct Loan 2018 Project Note dated June 20, 2018.

Sincerely,

A handwritten signature in blue ink, appearing to read "R. Barrow".

Ryan Barrow
Executive Director
Office of Financial Management

Attachments

OFM APPROVAL PURSUANT TO KRS 42.420
\$27,775,000
COMMONWEALTH OF KENTUCKY
ASSET/LIABILITY COMMISSION
AGENCY FUND PROJECT NOTES,
2018 PROJECT NOTE

DESCRIPTION:

The note is being issued to provide funds with which to (i) provide permanent financing for approximately \$27.7 million of Agency Fund supported capital projects, commonly and collectively referred to as the BuildSmart project, authorized by the General Assembly of the Commonwealth of Kentucky in H.B. 235 (2014 Session); and, (ii) pay costs of issuance.

NOTE SUMMARY STATISTICS:

Note Amount:	\$27,775,000
Closing Date:	June 20, 2018
Final Maturity:	October 1, 2023
Loan Terms:	70% of the 3 month LIBOR Index Rate plus one percent (1.0%) of the outstanding principal with a quarterly reset, 5 year term, payment requirement of interest only, prepayment schedule on attached term sheet
Method of Sale:	Direct Placement
Underwriter:	Morgan Stanley

RATINGS:

No rating were required for this transaction

SOURCES AND USES OF FUNDS:

SOURCES OF FUNDS:

Note Amount	\$ 27,775,000
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USES OF FUNDS:

Deposit to the Construction Fund	\$ 27,720,000
Costs of Issuance*	55,000
TOTAL USES	\$ 27,775,000

*Includes legal fees, financial advisor fees and miscellaneous costs.

PROFESSIONAL SERVICES:

Pursuant to KRS Chapter 45, the Issuer is providing information on all costs associated, either directly or indirectly, with this Note issuance. Costs are actual or estimated as of the date of closing of the issue.

Firm	Service	Fee
Kutak Rock LLP	Borrower's Counsel & Fees*	\$ 16,000
Katten Muchin Rosenman LLP	Lender's Counsel	25,000
OFM	Financial Advisor	7,000
	Contingency/Misc.	<u>7,000</u>
TOTAL COST OF ISSUANCE		\$ 55,000

*Fees include: fee for new indenture, printing and binding of the transcript

ATTACHMENTS:

Copy of the Note
Term Sheet

COMMONWEALTH OF KENTUCKY
KENTUCKY ASSET/LIABILITY COMMISSION
AGENCY FUND PROJECT NOTE
2018 PROJECT NOTE

<u>Interest Rate:</u>	<u>Maturity Date:</u>	<u>Dated:</u>	<u>Principal Amount:</u>
LIBOR-Based Interest Rate as set forth in the Loan Agreement	October 1, 2023	June 20, 2018	\$27,775,000.00

REFERENCE IS HEREBY MADE to the Loan Agreement dated as of June 1, 2018 (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement") between the Kentucky Asset/Liability Commission (the "Commission"), an independent agency and constituted authority of the Commonwealth of Kentucky, as borrower, and MORGAN STANLEY BANK N.A., a national banking association, as lender (the "Lender").

FOR VALUE RECEIVED, the Commission hereby promises to pay, but only out of the special funds pledged for that purpose as hereinafter provided, and not otherwise, to the order of MORGAN STANLEY BANK N.A., via wire transfer credit to ABA# 021-000-089, Account No. 3044-0947, Ref: Kentucky Asset/Liability Commission 2018 Direct Loan, Attn: Morgan Stanley Loan Servicing, or at such other place as the holder hereof may from time to time authorize in writing, the principal sum of TWENTY-SEVEN MILLION SEVEN HUNDRED SEVENTY-FIVE THOUSAND DOLLARS (\$27,775,000) on the above-stated Maturity Date. The Commission hereby promises to pay interest, from the same sources, on each April 1 and October 1, commencing October 1, 2018 (at said office or such other place as aforesaid) on the balance of principal remaining from time to time unpaid hereon at the Interest Rate as defined in the Loan Agreement.

This Note has been executed and delivered pursuant to the Constitution and laws of the Commonwealth of Kentucky, particularly Section 56.860 et seq. of the Kentucky Revised Statutes (the "Act"). Neither this Note nor the interest hereon shall constitute a debt or obligation of the Commonwealth, the Commission, or any other agency or political subdivision of the Commonwealth within the meaning of the Constitution or the Statutes of Kentucky, and neither the faith and credit, nor the taxing power, of any of the foregoing are pledged to the payment of the principal of or interest on this Note. This Note and any interest due thereon are payable solely and only from payments received by the Commission from the Finance and Administration Cabinet of the Commonwealth of Kentucky (the "Cabinet") arising under the terms of a Financing/Lease Agreement, dated as of June 1, 2018 (the "Financing Agreement").

Reference is hereby made to the Loan Agreement and the Act for a more specific identification of the security pledged for the payment of this Note, and the nature and extent of the security, the rights and duties of the Commission, and the rights of the Lender with respect to the security thereof, and for a statement of the manner, extent, conditions and restrictions under which the Loan Agreement may be modified, amended and supplemented.

This Note shall bear interest, payable in lawful money of the United States of America, at the Interest Rate determined pursuant to Section 2.04 of the Loan Agreement, from and including

its dated date set forth above until payment of the principal hereof shall have been made or provided for in accordance with the provisions of the Loan Agreement, whether at maturity, upon redemption or otherwise. All computations of interest shall be based on a 360-day year, and the actual number of days elapsed.

This Note is issued under the terms and provisions of the Loan Agreement, and this Note and the holder hereof are entitled to all of the benefits provided for by the Loan Agreement or referred to therein, to which Loan Agreement reference is hereby made for a statement thereof. The principal and interest hereon may be declared due prior to their expressed maturity and voluntary prepayments may be made hereon, subject to certain prepayment fees, all as specified in the Loan Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Kentucky Asset/Liability Commission, under the authority aforesaid, has caused this to be executed with the official signature of the Chairman of the Commission and to be attested by the manual signature of the Secretary of the Commission.

KENTUCKY ASSET/LIABILITY
COMMISSION

Chairman, Kentucky Asset/Liability
Commission

Attest:

Secretary, Kentucky Asset/Liability Commission

[Signature Page to 2018 Project Note]

Kentucky Community and Technical College System Tax-Exempt Variable Rate Notes Preliminary Terms and Conditions for Purchase

NOTE: This Term Sheet constitutes a brief summary of certain, but not all, transaction terms and conditions for discussion purposes only. The summary that follows is subject to credit approval and does not constitute an offer or commitment. Terms not defined herein shall have the meanings in the Issuer's Resolution provided by Kutak.

Transaction Overview

Issuer	Kentucky Asset/Liability Commission (the "Issuer")
Lessee	Finance and Administration Cabinet (the "Cabinet").
SubLessee	Kentucky Community and Technical College System ("State Agency").
Lender	Morgan Stanley Bank NA ("MSBNA"), or an affiliate.
Description	The Lender(s) will make the above-captioned loan to the Issuer (the "Loan"), on or before Closing Date.
Security	The Loan/Notes will be secured by rental payments under the Financing/Lease Agreement (the "Financing Agreement") among the Cabinet, the SPBC and the Issuer, that will be assigned to the Lender. The Financing Agreement shall be secured by: 1) Assignment of Lessors' rights under the Sublease from the Cabinet, as Lessor, to the State Agency, as lessee, including rental payments under the Sublease and a pledge of General Receipts (as defined in the Original SPBC Lease) by the State Agency; and 2) lien on all assets, funds and accounts of the State Agency pledged under the Sublease and Lease. Security for Loan/Notes must be on a parity with the security granted for SPBC Bonds. Rental payments are subject to appropriation by the legislature.
Use of Proceeds	Proceeds of the Loan/Notes will be used to fund remaining portion of Project authorized under Budget Act.
Proposal Date	April 25, 2018.

Terms of Loan/Notes and Fees

Principal Amount of Loan/Notes	\$30,250,000, subject to approval by bond counsel of terms of additional \$13 million piece.
Closing Date	On or about May 23, 2018
Tax Status	Tax-Exempt
Form	Loan evidenced by Certificated Note, registered to MSBNA, or an affiliate.
CUSIP	None
Credit Ratings	None required
Disclosure	Continuing disclosure covenant in Loan Agreement acceptable to the Lender and similar to prior undertakings of Issuer and SPBC, including annual audited financials.
Maturity	10/1/2023
Interest Rate	Lesser of: (i) 70% * 3-month LIBOR + 1.00% and (ii) 9.50% reset quarterly. If LIBOR is no longer used, another replacement index will be selected by a mechanism acceptable to the parties.
Price	100%
Optional Prepayment	Not more than 50% of the initial aggregate principal amount of the Bonds issued may be optionally prepaid at par on and after the 31 st day following closing.

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	Not more than 60% of the initial aggregate principal amount of the Bonds issued may be prepaid at par after the 1 st anniversary of the issuance date.
	Not more than 70% of the initial aggregate principal amount of the Bonds issued may be prepaid at par after the 2 nd anniversary of the issuance date.
	Not more than 80% of the initial aggregate principal amount of the Bonds issued may be prepaid at par after the 3 rd anniversary of the issuance date.
	Not more than 90% of the initial aggregate principal amount of the Bonds issued may be prepaid at par after the 4 th anniversary of the issuance date.
	Amounts in excess of the above, may be prepaid as follows:
	On 10/1/2019 but prior to 10/1/2020, @ 104%
	On 10/1/2020 but prior to 10/1/2021 @ 103%,
	On 10/1/2021 but prior to 10/1/2022 @ 102%
	On 10/1/2022 but prior to 10/1/2023 @ 101%
	On or after 10/1/2023 @ 100%
Prepayment Notice	Five Business Days in advance of prepayment date
Interest Payment Dates	April 1 & October 1 each year, commencing October 1, 2018
Day Count	Actual/360
<u>Terms and Covenants</u>	
Transaction Documentation	Documentation (inter-creditor agreement, if deemed necessary) to provide Lender with security on a parity with the 2016 and 2017 SPBC Bonds, Loan Agreement, Financing Agreement/Lease, Sublease, Project Note and Assignments of Lease and Sublease ("Loan Documents"). In addition to the Loan Documents, the authorization documents, a bond counsel opinion acceptable to the Lender as to the validity and enforceability and tax-exemption of the Loan/Notes and each of the Issuer's Loan Documents. An opinion of Bond Counsel or State Agency's Counsel to the effect that that the Sublease is secured on a parity with the pledge under the SPBC Lease of the Agency's General Receipts and rentals, opinions of other participant counsel acceptable to Lender's Counsel as to the validity and enforceability of the Loan Documents, as appropriate, against the State Agency, Cabinet, and SPBC.
Conditions & Representations	<ul style="list-style-type: none">• Customary for Loan/Notes of this type, including but not limited to no material litigation or Event of Default and cross default to defaults under the Original Lease.• Customary Events of Default and Remedies in Loan Documents• Delivery of all required legal opinions including opinions of Bond Counsel and State Agency's Counsel in form and substance satisfactory to Lender(s) and their counsel• Delivery of executed or certified copies, as applicable, of all Transaction Documents• Delivery of a certificate evidencing that (a) no Default or Event of Default shall have occurred, (b) all representations, warranties, and covenants shall be true and correct, (c) no material litigation is pending or threatened and (d) no material adverse change has occurred with respect to the Borrower
Covenants	<ul style="list-style-type: none">• Borrower covenants to pay the principal and interest on the Loan pursuant to the

Kentucky Community and Technical College System Tax-Exempt Variable Rate Notes Preliminary Terms and Conditions for Purchase

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	Transaction Documents				
	<ul style="list-style-type: none">• Similar to existing documents in Original Lease for parity obligations				
Due Diligence	Lender shall be given the opportunity to conduct due diligence of the Borrower				
Municipal Advisor	<p>(a) Morgan Stanley & Co. LLC ("Morgan Stanley") is not recommending an action to you; (b) Morgan Stanley is not acting as an advisor to you and does not owe a fiduciary duty pursuant to Section 15B of the Exchange Act to you with respect to the information and material contained in this communication; (c) Morgan Stanley is acting for its own interests; (d) you should discuss any information and material contained in this communication with any and all internal or external advisors and experts that you deem appropriate before acting on this information or material; and (e) Morgan Stanley seeks to serve as an investor or an underwriter on a future transaction and not as a financial advisor or municipal advisor. The information provided is for discussion purposes only in anticipation of being engaged to serve as an investor or underwriter. The primary role of an underwriter is to purchase securities with a view to distribution in an arm's-length commercial transaction with the issuer. The underwriter has financial and other interests that differ from those of the issuer and obligated persons.</p> <p>Any non-historical interest rates used herein are hypothetical and take into consideration conditions in today's market and other factual information such as the issuer's or obligated person's credit rating, geographic location and market sector. As such, these rates should not be viewed as rates that Morgan Stanley guarantees to achieve for the transaction should we be selected to act as underwriter. Any information about interest rates and terms for SLGS is based on current publically available information and treasury or agency rates for open-market escrows are based on current market interest rates for these types of credits and should not be seen as costs or rates that Morgan Stanley guarantees to achieve for the transaction should we be selected to act as underwriter.</p>				
Transfer Restrictions	Transfer is limited to bank's affiliates, commercial banks or other Qualified Institutional Buyers unless Issuer consents.				
Confidentiality	This document is intended for the internal use of the recipient only and may not be distributed externally or reproduced for external distribution in any form without express written permission from Morgan Stanley or as required by law and with notice to the Lender.				
<u>Counsel and Documents</u>					
Acceptance of Terms	<p>The pricing and terms indicated herein remains subject to market conditions until the Term Sheet is executed by both the Borrower and the Lender.</p> <p>The proposal remains subject to additional due diligence and credit approval of the Lender. Upon acceptance of the proposal by both the Borrower and the Lender, documentation will be created which will include these terms and conditions as well as warranties and covenants specific to this transaction. The contents herein provide an indication of terms and are not a contract, commitment or intent to be bound.</p>				
Lender's Counsel	Katten Muchin Rosenman LLP				
Legal Fees	The State Agency shall be responsible for all reasonable fees incurred by the Lender with respect to Lender's Counsel, capped at \$25,000.				
Contacts:	<table><tr><td>Morgan Stanley & Co, LLC 440 South LaSalle St. Chicago, IL 60605</td><td>Morgan Stanley & Co, LLC 1585 Broadway, 2nd Floor New York, NY 10036</td></tr><tr><td>Bill Mack Executive Director Phone: 312.706.4266 William.Mack@morganstanley.com</td><td>Chris Cost Executive Director Phone: 212.761.6928 Christopher.Cost@morganstanley.com</td></tr></table>	Morgan Stanley & Co, LLC 440 South LaSalle St. Chicago, IL 60605	Morgan Stanley & Co, LLC 1585 Broadway, 2 nd Floor New York, NY 10036	Bill Mack Executive Director Phone: 312.706.4266 William.Mack@morganstanley.com	Chris Cost Executive Director Phone: 212.761.6928 Christopher.Cost@morganstanley.com
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Governor

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WILLIAM M. LANDRUM III
Secretary

RYAN BARROW
Executive Director

October 24, 2018

William E. Summers, V
Chairman
Kentucky Housing Corporation
1231 Louisville Road
Frankfort, KY 40601-6191

Dear Chairman Summers:

This letter will advise that the Office of Financial Management ("OFM") of the Finance and Administration Cabinet has reviewed and is hereby approving the issuance of the Kentucky Housing Corporation Multifamily Housing Revenue Bonds (J.O. Blanton House Project), Series 2018 in a principal amount of \$17,000,000 (the "Bonds"). The Bonds, by its terms, provide that payment of principal and interest thereon are not an obligation of the Commonwealth of Kentucky or its departments or agencies.

Pursuant to OAG 83-453, OFM has restricted its review and approval process to reviewing certain documents incidental to the issue and to obtaining assurance that the documents include language which provides that the Notes and interest thereon shall not be deemed to constitute a debt, liability or obligation of the Kentucky Housing Corporation ("KHC") or the Commonwealth of Kentucky or any political subdivision thereof. OFM notes that the material was submitted to the Capital Projects and Bond Oversight Committee ("CPBOC") for review at the meeting scheduled for May 15, 2018. The meeting was cancelled, therefore the Secretary of the Finance and Administration Cabinet decided to proceed with the transaction in a letter to the Committee dated May 17, 2018. The attached includes a finalized listing of costs related to the issuance of the Notes pursuant to KRS 45.816.

Sincerely,

Ryan Barrow
Executive Director

Attachments

FINAL BOND ISSUE REPORT

Name of Bond Issue: Kentucky Housing Corporation Tax-Exempt Conduit Multifamily Housing Revenue Bonds (J.O. Blanton House Project), Series 2018

Purpose of Issue: The bonds will be used to finance the acquisition, rehabilitation and equipping of a multifamily residential rental facility containing 256 units (including two (2) manager units), located in Louisville, Kentucky, at 850 W. Muhammed Ali Boulevard (the "Project"). The Kentucky Housing Corporation has conducted a public hearing concerning the proposed project on Tuesday, April 10, 2018 following the delivery of notice to the public on Sunday, March 25, 2018.

Name of Project: J.O. Blanton House

Date of Sale: October 11, 2018

Date of Issuance: October 19, 2018

Ratings: Moody's Investors Service – MIG-I

Net Proceeds: \$17,000,000

Cost of Issuance: \$312,050 (Issuance costs will be paid from equity)

Bond Discount: \$0

Debt Service Reserve Fund: None

Insurance Premium: N/A

Total Project Cost: \$51,111,778

Net Interest Rate: 2.45%

Term: 30 months (4/1/2021)

Average Debt Service: \$416,500/year (est.)

Gross Debt Service: \$1,041,250 over 30 mo. (est.)

First Call Date: Mandatory Tender 10/1/2020, no optional redemptions expected

Premium at First Call: No premium

Method of Sale: Public Offering/Negotiation

Bond Counsel: Dinsmore & Shohl LLP

Underwriter: The Sturges Company

Underwriter Counsel: Tiber Hudson LLC

Financial Advisor: N/A

Trustee: The Huntington National Bank

Sources of Funds:

Short-Term Tax-Exempt Bonds	\$	17,000,000
FHA Insured Mortgage Loan		7,300,000
Seller Note		14,033,636
LIHTC Equity		10,573,241
Existing Reserves		494,134
Accrued Seller Note Construction Interest		635,715
Deferred Development Fee		<u>1,075,052</u>
TOTAL	\$	51,111,778

Uses of Funds:

Redemption Short-term Bonds	\$	17,000,000
Acquisition		14,820,000
Hard Costs & Contingency		10,037,001
Developer Fees		5,685,290
Reserves		1,517,550
Soft Costs		<u>2,051,947</u>
TOTAL	\$	51,111,788

Costs of Issuance:

Bond Counsel	\$	58,500
Issuer Counsel		12,500
Underwriter Counsel		40,000
Issuer Fee		67,250
Underwriter Fee		112,500
Printing, Rating, Trustee, Misc.		<u>21,300</u>
TOTAL	\$	312,050