Kentucky Association of Counties Leasing Trust and Subsidiary

Consolidated Financial Statements

Years Ended June 30, 2010 and 2009

Kentucky Association of Counties Leasing Trust and Subsidiary

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Mountjoy
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Independent Auditor's Report on Consolidated Financial Statements

To the Board of Trustees
Kentucky Association of Counties Leasing Trust

We have audited the accompanying consolidated statements of financial position of Kentucky Association of Counties Leasing Trust and Subsidiary (a County Interlocal Cooperation Agreement Trust) ("the Trust") as of June 30, 2010 and 2009, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

Except as discussed below, we conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In 2009, the Trust was unable to obtain from a third party, the fair value of the interest rate swaps for the 1989 trust estate, therefore we have been unable to obtain sufficient audit evidence to satisfy ourselves regarding the fair value to be recorded in the consolidated financial statements for the year ended June 30, 2009 for the 1989 trust estate. The value presented at June 30, 2009 represents the fair value of the 1989 trust estate swaps at June 30, 2008.

In our opinion, except for the effect of such adjustment, if any, as might have been determined to be necessary had we been able to satisfy ourselves regarding the fair value of the interest rate swaps for the 1989 trust estate at June 30, 2009, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kentucky Association of Counties Leasing Trust as of June 30, 2010 and 2009, and the results of its activities and changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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Kentucky Association of Counties Leasing Trust and Subsidiary
Consolidated Statements of Financial Position
June 30, 2010 and 2009

	2010	2009
Assets		
Cash and cash equivalents	$ 3,899,468	$ 3,026,482
Trust estate investments		
Cash and cash equivalents	12,031,116	6,043,905
Investment contracts	118,514,572	136,714,169
U.S. government money market funds	8,364,603	5,629,933
Certificates of deposit	7,500,000	7,500,000
Leases receivable	308,447,828	318,697,565
Leases receivable - unrealized depreciation in fair value	(15,708,827)	(7,913,069)
Other receivables	26,712,000	26,712,000
Notes receivable	183,503	212,757
Other investments	3,682,322	4,046,715
Accrued interest receivable	472,596	575,282
Other assets		
Costs of debt issuance, net of accumulated amortization of $3,664,746 and $3,501,140	1,868,591	2,032,197
Other	190,595	32,154
Total Assets	$ 476,158,367	$ 503,310,090
Liabilities and Net Assets		
Liabilities		
Accrued interest payable	$ 306,254	$ 354,501
Interest rate exchanges	(15,708,827)	(7,913,069)
Other accrued expenses	4,828,179	3,829,893
Accrued arbitrage rebate	988,231	782,709
Bonds payable	472,670,000	493,210,000
Total Liabilities	463,083,837	490,264,034
Commitments and Contingencies		
Net Assets, unrestricted	13,074,530	13,046,056
Total Liabilities and Net Assets	$ 476,158,367	$ 503,310,090

The accompanying notes are an integral part of these consolidated financial statements.

Kentucky Association of Counties Leasing Trust
and Subsidiary
Consolidated Statements of Activities
and Changes in Net Assets
Years Ended June 30, 2010 and 2009

	2010	2009
Revenues		
Investment income	$ 1,584,383	$ 4,770,812
Income from leases receivable	14,057,087	12,592,886
Premium income	924,192	904,040
Net realized and unrealized gains (losses) on other investments	505,955	(759,481)
Total Revenues	17,071,617	17,508,257
Expenses		
Interest	8,019,009	9,452,038
Amortization of deferred financing costs	163,606	433,152
Credit fees	2,769,027	1,999,659
Administrative and other fees	2,082,411	2,001,377
Remarketing fees	433,137	451,017
Legal fees	563,024	629,123
Trustee fees	242,103	177,839
Sponsoring agency fees	216,731	53,121
Lease rebates	2,106,748	1,498,677
Arbitrage rebate	205,522	349,973
Reinsurance expense	-	1,950
Claims expense	230,311	204,160
Provision for income taxes	11,514	11,482
Total Expenses	17,043,143	17,263,568
Changes in Net Assets	28,474	244,689
Net Assets at Beginning of Year	13,046,056	12,801,367
Net Assets at End of Year	$ 13,074,530	$ 13,046,056

The accompanying notes are an integral part of these consolidated financial statements.

Kentucky Association of Counties Leasing Trust and Subsidiary
Consolidated Statements of Cash Flows
Years Ended June 30, 2010 and 2009

	2010	2009
Cash Flows from Operating Activities		
Changes in net assets	$ 28,474	$ 244,689
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Amortization of debt issuance costs	163,606	433,152
Net realized and unrealized (gains) losses on other investments	(505,955)	759,481
Changes in:		
Accrued interest receivable	102,686	1,911,920
Other assets	(158,441)	55,779
Accrued interest payable	(48,247)	(541,583)
Other accrued expenses	998,286	1,342,998
Accrued arbitrage rebate	205,522	265,973
Net Cash Provided by Operating Activities	785,931	4,472,409
Cash Flows from Investing Activities		
Net proceeds from trust estate investments	9,477,716	25,531,883
Leases executed, net of repayments	10,249,737	(47,146,719)
Net proceeds from (purchases of) other investments	870,348	(206,453)
Issuance of other receivables	-	(26,712,000)
Repayments of notes receivable, net	29,254	18,655
Net Cash Provided (Used) by Investing Activities	20,627,055	(48,514,634)

Kentucky Association of Counties Leasing Trust and Subsidiary
Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2010 and 2009

	2010	2009
Cash Flows from Financing Activities		
Bond issuance cost	-	(470,821)
Proceeds from bond issuance	-	75,000,000
Payments on bonds	(20,540,000)	(30,885,000)
Net Cash (Used) Provided by Financing Activities	(20,540,000)	43,644,179
Increase (Decrease) in Cash and Cash Equivalents	872,986	(398,046)
Cash and Cash Equivalents at Beginning of Year	3,026,482	3,424,528
Cash and Cash Equivalents at End of Year	$ 3,899,468	$ 3,026,482
Supplemental Disclosure:		
Cash paid for interest	$ 8,067,256	$ 9,993,621
Non-cash investing and financing activities:		
Change in fair value of lease receivables and related interest rate exchanges	(7,795,758)	(3,669,123)

The accompanying notes are an integral part of these consolidated financial statements.

Kentucky Association of Counties Leasing Trust
and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2010 and 2009

Note A - Nature of Organization and Operations

1. General: The Kentucky Association of Counties Leasing Trust ("the Leasing Trust") is a County Interlocal Cooperation Agreement Trust sponsored by the Kentucky Association of Counties ("KACo"), an association comprised of 120 Kentucky counties. KACo's purpose is to assist Kentucky county governments and special districts in fulfilling certain obligations to their constituencies. Each Kentucky county is eligible for membership in KACo. KACo's Board of Directors is made up of elected officials. CoLT was organized on November 9, 1988 to make funds available for capital improvement projects and equipment purchases by Kentucky county governments and special districts. Any public agency is eligible to participate in the Leasing Trust.

   During the fiscal year ended June 30, 2006, the Leasing Trust formed a wholly-owned subsidiary Commonwealth Insurance Company, Inc. ("the Subsidiary"), a Kentucky domiciled captive insurance company. The Subsidiary provides county bond insurance to members of KACo.

   The accompanying consolidated financial statements include the accounts of the Kentucky Association of Counties Leasing Trust and its Subsidiary. All significant intercompany accounts and transactions have been eliminated. They are collectively referred to as "CoLT".

   CoLT is controlled by a Board of Trustees whose members are appointed by the Board of Directors of KACo. Management is of the opinion that both KACo and CoLT are limited to transactions that would be legal for one or more Kentucky counties.

2. The Trust Estates: CoLT maintains ten separate trust estates ("the Trusts" or "the Trust Estates") to provide funds for CoLT's business purposes as specified in the trust indenture agreements. The trust agreements also provide for financing by contributions from participating members, if necessary. The bonds are formally issued as Money Market Municipal Multi-County Lease Revenue Bonds.

   The funds can be summarized as follows:

Series	Date of Issuance	Sponsor	Issuance Amount
1989 Series	March 1989	Pendleton County	$ 200,000,000
1993 Series	March 1993	Pendleton County	100,000,000
1999 Series	December 1999	Breckinridge County	50,000,000
2001 Series	February 2001	Breckinridge County	50,000,000
2002 Series	January 2002	Breckinridge County	100,000,000
2004 Series	September 2004	Shelby County	100,000,000
2007 Series	April 2007	Christian County	50,000,000
2007B Series	August 2007	Christian County	70,000,000
2008 Series	June 2008	Christian County	30,000,000
2008 A2 Series	December 2008	Trimble County	75,000,000

Note A - Nature of Organization and Operations (Continued)

3. Basis of Presentation: The accompanying consolidated financial statements present the combined financial position, activities and changes in net assets and cash flows for the 1989, 1993, 1999, 2001, 2002, 2004, 2007, 2007B, 2008, and 2008 A2 Trust Estates, the Subsidiary, and Program Administration. Common costs are paid from discretionary funds provided by the Trust Estates as follows:

	2010	2009
1989 Series	$ 87,171	$ 262,500
1993 Series	-	-
1999 Series	224,512	46,390
2001 Series	109,923	43,020
2002 Series	319,450	80,705
2004 Series	476,639	154,516
2007 Series	185,931	56,136
2007B Series	482,194	153,027
2008 Series	94,445	35,516
2008 A2 Series	238,428	19,353
Subsidiary	82,493	137,949
	$ 2,301,186	$ 989,112

In June 2009, the Financial Accounting Standards Board ("FASB") issued SFAS No. 168, entitled The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles ("GAAP"). In substance, SFAS No. 168 makes the FASB Accounting Standards Codification ("ASC") the sole source of authoritative accounting technical literature for nongovernmental entities. All accounting guidance that is not included in the ASC now is considered to be non-authoritative. The ASC is effective for interim and annual reporting periods ending after September 15, 2009. CoLT adopted the ASC during fiscal year 2010, with no material impact to the consolidated financial statements.

Note A - Nature of Organization and Operations (Continued)

3. Basis of Presentation (Continued): Under the ASC, CoLT is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There are no donor-imposed restrictions on the net assets of CoLT, and thus the net assets of CoLT are considered "unrestricted" as defined by the ASC.

4. Parity: "Parity", as defined by the 1989 trust indenture, is a condition which is deemed to exist when the value of the 1989 Trust Estate assets equals or exceeds the outstanding principal amount of the bonds plus accrued interest. On September 1 of each year in which Parity exists, the excess of the value of the 1989 Trust Estate assets over the outstanding principal and accrued interest on the bonds may be transferred to the Program Discretionary Account for use at the discretion of CoLT's Board of Trustees, subject to certain conditions as specified in a letter of credit agreement with JP Morgan Chase Bank N.A. ("Chase"). During fiscal 2010 and 2009 Parity computations provided to Chase by CoLT indicated that CoLT had maintained Parity in the 1989 Trust Estate.

5. Distributions on Termination: Upon ultimate termination of the Trusts (no later than March 1, 2019 for the 1989 and 1993 Trusts, no later than December 1, 2029 for the 1999 Trust Estate, no later than March 1, 2031 for the 2001 Trust Estate, no later than February 1, 2032 for the 2002 Trust Estate, no later than September 1, 2034 for the 2004 Trust Estate, no later than April 1, 2037 for the 2007 Trust Estate, no later than August 1, 2037 for the 2007B Trust Estate, no later than June 1, 2038 for the 2008 Trust Estate, and no later than December 1, 2038 for the 2008 A2 Trust Estate), any assets remaining after satisfaction of all liabilities will be returned to participating county governments and special districts on a pro rata basis.

Note B - Contractual Agreements

1. Credit Facility:

   1989 Trust Estate - Effective July 3, 2006, CoLT and Chase became parties to a letter of credit and reimbursement agreement dated July 3, 2006, and extended through May 31, 2011, under which Chase guarantees payment of all principal and interest related to the 1989 Bonds. Concurrent with the agreement, Chase issued an irrevocable letter of credit in favor of CoLT (approximately $105,310,000 at June 30, 2010 and 2009), which is used by CoLT to facilitate redemption of the 1989 Bonds immediately prior to their remarketing (see Note B, Bond Remarketing).

   Draws on the letter of credit are made by the paying agent, Chase, to fund payments of principal and interest on the 1989 Bonds. Principal draws used for redemption of 1989 Bonds are repaid to Chase by CoLT or by the remarketing agent with the proceeds from resale of the 1989 Bonds. Interest draws are repaid by CoLT.

   In return for the replacement letter of credit and reimbursement agreement, CoLT pays Chase an annual commitment fee of .4% for each investment classification, a disbursement fee of $35 per disbursement made by Chase, and a fee of $3,000 for the issuance of each substitute letter of credit by Chase.

Note B - Contractual Agreements (Continued)

1. Credit Facility (Continued):

1999 Trust Estate - CoLT and U.S. Bank National Association ("US Bank") are parties to a letter of credit and reimbursement agreement dated December 1, 1999, and extended through December 15, 2011, under which US Bank guarantees payment of all principal and interest related to the 1999 Bonds. Concurrent with the agreement, US Bank issued an irrevocable letter of credit in favor of CoLT (approximately $21,640,000 and $22,199,000 at June 30, 2010 and 2009, respectively), which is used by CoLT to facilitate the redemption of the 1999 Bonds immediately prior to their remarketing (see Note B, Bond Remarketing).

In return for the letter of credit and reimbursement agreement, CoLT paid US Bank a one-time establishment fee of $10,000. CoLT also pays US Bank an annual letter of credit fee of .4% of the available bond amount in quarterly installments, a disbursement fee of $50 per disbursement made by US Bank, and a fee of $2,500 for the issuance of each substitute letter of credit by US Bank.

2001 Trust Estate - CoLT and US Bank are parties to a letter of credit and reimbursement agreement dated February 1, 2001, and extended through February 15, 2013, under which US Bank guarantees payment of all principal and interest related to the 2001 Bonds. Concurrent with the agreement, US Bank issued an irrevocable letter of credit in favor of CoLT (approximately $22,594,000 and $23,366,000 at June 30, 2010 and 2009, respectively), which is used by CoLT to facilitate the redemption of the 2001 Bonds immediately prior to their remarketing (see Note B, Bond Remarketing).

In return for the letter of credit and reimbursement agreement, CoLT paid US Bank a one-time establishment fee of $10,000. CoLT also pays US Bank an annual letter of credit fee of .4% of the available bond amount in quarterly installments, a disbursement fee of $50 per disbursement made by US Bank, and a fee of $2,500 for the issuance of each substitute letter of credit by US Bank.

2002 Trust Estate - CoLT and US Bank are parties to a letter of credit and reimbursement agreement dated January 31, 2002, and extended through February 15, 2011, under which US Bank guarantees payment of all principal and interest related to the 2002 Bonds. Concurrent with the agreement, US Bank issued an irrevocable letter of credit in favor of CoLT (approximately $40,125,000 and $41,916,000 at June 30, 2010 and 2009, respectively), which is used by CoLT to facilitate the redemption of the 2002 Bonds immediately prior to their remarketing (see Note B, Bond Remarketing).

In return for the letter of credit and reimbursement agreement, CoLT paid US Bank a one-time establishment fee of $10,000. CoLT also pays US Bank an annual letter of credit fee of .4% of the available bond amount in quarterly installments, a disbursement fee of $50 per disbursement made by US Bank, and a fee of $2,500 for the issuance of each substitute letter of credit by US Bank.

Note B - Contractual Agreements (Continued)

1. Credit Facility (Continued):

2004 Trust Estate - CoLT and US Bank are parties to a letter of credit and reimbursement agreement dated September 29, 2004, and extended through September 15, 2013, under which US Bank guarantees payment of all principal and interest related to the 2004 Bonds. Concurrent with the agreement, US Bank issued an irrevocable letter of credit in favor of CoLT (approximately $66,839,000 and $73,902,000 at June 30, 2010 and 2009, respectively), which is used by CoLT to facilitate the redemption of the 2004 Bonds immediately prior to their remarketing (see Note B, Bond Remarketing).

In return for the letter of credit and reimbursement agreement, CoLT paid US Bank a one-time establishment fee of $10,000. CoLT also pays US Bank an annual letter of credit fee of .4% of the available bond amount in quarterly installments, a disbursement fee of $50 per disbursement made by US Bank, and a fee of $2,500 for the issuance of each substitute letter of credit by US Bank.

2007 Trust Estate - CoLT and US Bank are parties to a letter of credit and reimbursement agreement dated April 1, 2007, and extended through April 16, 2013, under which US Bank guarantees payment of all principal and interest related to the 2007 Bonds. Concurrent with the agreement, US Bank issued an irrevocable letter of credit in favor of CoLT (approximately $43,222,000 and $46,909,000 at June 30, 2010 and 2009, respectively), which is used by CoLT to facilitate the redemption of the 2007 Bonds immediately prior to their remarketing (see Note B, Bond Remarketing).

In return for the letter of credit and reimbursement agreement, CoLT paid US Bank a one-time establishment fee of $10,000. CoLT also pays US Bank an annual letter of credit fee of .4% of the available bond amount in quarterly installments, a disbursement fee of $50 per disbursement made by US Bank, and a fee of $2,500 for the issuance of each substitute letter of credit by US Bank.

2007B Trust Estate - CoLT and US Bank are parties to a letter of credit and reimbursement agreement dated August 1, 2007, and extended through August 15, 2013, under which US Bank guarantees payment of all principal and interest related to the 2007B Bonds. Concurrent with the agreement, US Bank issued an irrevocable letter of credit in favor of CoLT (approximately $66,647,000 and $69,615,000 at June 30, 2010 and 2009, respectively), which is used by CoLT to facilitate the redemption of the 2007B Bonds immediately prior to their remarketing (see Note B, Bond Remarketing).

In return for the letter of credit and reimbursement agreement, CoLT paid US Bank a one-time establishment fee of $10,000. CoLT also pays US Bank an annual letter of credit fee of .4% of the available bond amount in quarterly installments, a disbursement fee of $50 per disbursement made by US Bank, and a transfer fee of $2,500 for the issuance of each substitute letter of credit by US Bank.

Note B - Contractual Agreements (Continued)

1. Credit Facility (Continued):

   2008 Trust Estate - CoLT and US Bank are parties to a letter of credit and reimbursement agreement dated June 1, 2008, and extended through June 15, 2011, under which US Bank guarantees payment of all principal and interest related to the 2008 Bonds. Concurrent with the agreement, US Bank issued an irrevocable letter of credit in favor of CoLT (approximately $27,014,000 and $29,666,000 at June 30, 2010 and 2009, respectively), which is used by CoLT to facilitate the redemption of the 2008 Bonds immediately prior to their remarketing (see Note B, Bond Remarketing).

   In return for the letter of credit and reimbursement agreement, CoLT paid US Bank a one-time establishment fee of $10,000. CoLT also pays US Bank an annual letter of credit fee of .4% of the available bond amount in quarterly installments, a disbursement fee of $50 per disbursement made by US Bank, and a transfer fee of $2,500 for the issuance of each substitute letter of credit by US Bank.

   2008 A2 Trust Estate - CoLT and US Bank are parties to a letter of credit and reimbursement agreement dated December 1, 2008, and extended through December 15, 2012, under which US Bank guarantees payment of all principal and interest related to the 2008 A2 Bonds. Concurrent with the agreement, US Bank issued an irrevocable letter of credit in favor of CoLT (approximately $74,283,000 and $76,110,000 at June 30, 2010 and 2009, respectively), which is used by CoLT to facilitate the redemption of the 2008 A2 Bonds immediately prior to their remarketing (see Note B, Bond Remarketing).

   In return for the letter of credit and reimbursement agreement, CoLT paid US Bank a one-time establishment fee of $37,500. CoLT also pays US Bank an annual letter of credit fee of .4% of the available bond amount in quarterly installments, a disbursement fee of $50 per disbursement made by US Bank, and a transfer fee of $2,500 for the issuance of each substitute letter of credit by US Bank.

2. Administrative Services:

   During fiscal year 2010, KACo provided administrative services to CoLT pursuant to a contract that became effective on July 1, 2009 and expired June 30, 2010. The agreement can be renewed or extended upon mutual agreement of the parties. The administrative services include management, marketing, and administrative services necessary for the orderly and proper administration of CoLT. KACo bills CoLT quarterly for the cost of providing these services. This contract was renewed for one year effective July 1, 2010.

   During fiscal year 2009, KACo provided administrative services to CoLT pursuant to a contract that became effective on February 1, 1999 and expired June 30, 2009. The administrative services include professional, administrative and financial functions (including providing personnel) necessary for the orderly and proper administration of CoLT.

   The costs for administrative services are a component of administrative and other fees in the accompanying consolidated statements of activities and changes in net assets.

Note B - Contractual Agreements (Continued)

3. Bond Remarketing:

1989 Trust Indenture - As further discussed in Note P, the 1989 Bonds, in their Money Market form, as originally issued, ("the Money Market Bonds") mature in varying periods not greater than six months in term and are convertible, by CoLT, into Fixed Rate Bonds.

Under the terms of a remarketing agreement, Lehman Brothers ("LB") has agreed to use its best efforts to remarket the matured Money Market Bonds and Fixed Rate Bonds (collectively, "the 1989 Bonds"). The Money Market Bonds are to be resold at the most favorable interest rates and terms that will result in a sale price equal to the face amount of the bonds sold. Proceeds from the remarketing of the bonds are used to repay draws on the letter of credit (see Note B, Credit Facility).

LB receives annual remarketing fees (payable quarterly) equal to .125% of the principal amount of Money Market Bonds outstanding.

Due to bankruptcy of LB in 2008, Barclays Capital Inc. assumed the remarketing agreement effective September 22, 2008.

1999 Trust Indenture - As further discussed in Note P, the 1999 Bonds, in the Variable Rate Bond form, are considered Weekly Rate Bonds with the ability to be converted to Adjustable Rate Bonds or Fixed Rate Bonds.

Under the terms of a remarketing agreement, Merrill Lynch ("ML") has agreed to use its best efforts to remarket the Variable Rate Bonds and Fixed Rate Bonds. These 1999 bonds are to be resold at the most favorable interest rates and terms that will result in a sale price equal to the face amount of the bonds sold. Proceeds from the remarketing of the bonds are used to repay draws on the letter of credit (see Note B, Credit Facility).

CoLT paid ML a one-time establishment fee of $212,500. ML also receives annual remarketing fees (payable quarterly) equal to .08% of the principal amount of 1999 Bonds outstanding.

2001 Trust Indenture - As further discussed in Note P, the 2001 Bonds, in the Variable Rate Bond form, are considered Weekly Rate Bonds with the ability to be converted to Adjustable Rate Bonds or Fixed Rate Bonds.

Under the terms of a remarketing agreement, ML has agreed to use its best efforts to remarket the Variable Rate Bonds and Fixed Rate Bonds. These 2001 bonds are to be resold at the most favorable interest rates and terms that will result in a sale price equal to the face amount of the bonds sold. Proceeds from the remarketing of the bonds are used to repay draws on the letter of credit (see Note B, Credit Facility).

CoLT paid ML a one-time establishment fee of $250,000. ML also receives annual remarketing fees (payable quarterly) equal to .08% of the principal amount of 2001 Bonds outstanding.

Note B - Contractual Agreements (Continued)

3. Bond Remarketing (Continued):

2002 Trust Indenture - As further discussed in Note P, the 2002 Bonds, in the Variable Rate Bond form, are considered Daily Rate Bonds with the ability to be converted to Weekly Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds.

Under the terms of a remarketing agreement, J. P. Morgan Securities Inc. ("JPM") has agreed to use its best efforts to remarket the Variable Rate Bonds and Fixed Rate Bonds. These 2002 bonds are to be resold at the most favorable interest rates and terms that will result in a sale price equal to the face amount of the bonds sold. Proceeds from the remarketing of the bonds are used to repay draws on the letter of credit (see Note B, Credit Facility).

CoLT paid JPM a one-time establishment fee of $250,000. JPM also receives annual remarketing fees (payable quarterly) equal to .10% of the principal amount of 2002 Bonds outstanding.

2004 Trust Indenture - As further discussed in Note P, the 2004 Bonds, in the Variable Rate Bond form, are considered Daily Rate Bonds with the ability to be converted to Weekly Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds.

Under the terms of a remarketing agreement, JPM has agreed to use its best efforts to remarket the Variable Rate Bonds and Fixed Rate Bonds. These 2004 bonds are to be resold at the most favorable interest rates and terms that will result in a sale price equal to the face amount of the bonds sold. Proceeds from the remarketing of the bonds are used to repay draws on the letter of credit (see Note B, Credit Facility).

CoLT paid JPM a one-time establishment fee of $350,000. JPM also receives annual remarketing fees (payable quarterly) equal to .08% of the principal amount of Weekly Rate 2004 Bonds and .10% of the Daily Rate 2004 Bonds outstanding.

2007 Trust Indenture - As further discussed in Note P, the 2007 Bonds, in the Variable Rate Bond form, are considered Daily Rate Bonds with the ability to be converted to Weekly Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds.

Under the terms of a remarketing agreement, JPM has agreed to use its best efforts to remarket the Variable Rate Bonds and Fixed Rate Bonds. These 2007 bonds are to be resold at the most favorable interest rates and terms that will result in a sale price equal to the face amount of the bonds sold. Proceeds from the remarketing of the bonds are used to repay draws on the letter of credit (see Note B, Credit Facility).

CoLT paid JPM a one-time establishment fee of $100,000. JPM also receives annual remarketing fees (payable quarterly) equal to .07% of the principal amount of Weekly Rate 2007 Bonds and .085% of the Daily Rate 2007 Bonds outstanding.

Note B - Contractual Agreements (Continued)

3. Bond Remarketing (Continued):

2007B Trust Indenture - As further discussed in Note P, the 2007B Bonds, in the Variable Rate Bond form, are considered Daily Rate Bonds with the ability to be converted to Weekly Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds.

Under the terms of a remarketing agreement, JPM has agreed to use its best efforts to remarket the Variable Rate Bonds and Fixed Rate Bonds. These 2007B bonds are to be resold at the most favorable interest rates and terms that will result in a sale price equal to the face amount of the bonds sold. Proceeds from the remarketing of the bonds are used to repay draws on the letter of credit (see Note B, Credit Facility).

CoLT paid JPM a one-time establishment fee of $140,000. JPM also receives annual remarketing fees (payable quarterly) equal to .07% of the principal amount of Weekly Rate 2007B Bonds and .085% of the Daily Rate 2007B Bonds outstanding.

2008 Trust Indenture - As further discussed in Note P, the 2008 Bonds, in the Variable Rate Bond form, are considered Daily Rate Bonds with the ability to be converted to Weekly Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds.

Under the terms of a remarketing agreement, JPM has agreed to use its best efforts to remarket the Variable Rate Bonds and Fixed Rate Bonds. These 2008 bonds are to be resold at the most favorable interest rates and terms that will result in a sale price equal to the face amount of the bonds sold. Proceeds from the remarketing of the bonds are used to repay draws on the letter of credit (see Note B, Credit Facility).

CoLT paid JPM a one-time establishment fee of $60,000. JPM also receives annual remarketing fees (payable quarterly) equal to .07% of the principal amount of Weekly Rate 2008 Bonds and .085% of the Daily Rate 2008 Bonds outstanding.

2008 A2 Trust Indenture - As further discussed in Note P, the 2008 A2 Bonds, in the Variable Rate Bond form, are considered Daily Rate Bonds with the ability to be converted to Weekly Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds.

Under the terms of a remarketing agreement, JPM has agreed to use its best efforts to remarket the Variable Rate Bonds and Fixed Rate Bonds. These 2008 A2 bonds are to be resold at the most favorable interest rates and terms that will result in a sale price equal to the face amount of the bonds sold. Proceeds from the remarketing of the bonds are used to repay draws on the letter of credit (see Note B, Credit Facility).

CoLT paid JPM a one-time establishment fee of $170,946. JPM also receives annual remarketing fees (payable quarterly) equal to .1% of the principal amount of Weekly Rate 2008 A2 Bonds and .125% of the Daily Rate 2008 A2 Bonds outstanding.

Note B - Contractual Agreements (Continued)

4. Trustee Arrangements:

1989 Trust Indenture - Under the terms of a trust indenture dated March 1, 1989, Bank of New York Mellon acts as trustee for the 1989 Trust Estate and, as such, holds investments, receives payments of interest and principal on leases and loans, conducts other transactions as directed by CoLT, and maintains appropriate books and records to account for all funds established under the trust indenture. In return for the trustee's services, CoLT pays an annual trust administration fee based on the number of leases outstanding, up to $50,000 per year, a paying agent fee of $2 per check, and an annual investment fee equal to .25% of the market value of investments payable on each anniversary date.

1993 Trust Indenture - Under terms of a separate trust indenture dated February 15, 1993, Bank of New York Mellon acts as trustee, paying agent and registrar for the 1993 Trust Estate and, as such, holds investments, receives payments of interest and principal on leases and loans, writes checks on the 1993 Trust Estate to pay interest and principal as it becomes due on the 1993 Bonds, and maintains appropriate books and records to account for all funds established under the trust indenture. In return for these services, the trustee is paid an annual fee of $15,000, plus other fees based on services provided.

1999 Trust Indenture - Under terms of a separate trust indenture dated December 1, 1999, US Bank, acts as trustee, paying agent and registrar for the 1999 Trust Estate and, as such, holds investments, receives payments of interest and principal on leases and loans, writes checks on the 1999 Trust Estate to pay interest and principal as it becomes due on the 1999 Bonds, and maintains appropriate books and records to account for all funds established under the trust indenture. In return for these services, the trustee is paid an annual fee of $10,000, plus other fees based on services provided.

2001 Trust Indenture - Under terms of a separate trust indenture dated February 1, 2001, US Bank, acts as trustee, paying agent and registrar for the 2001 Trust Estate and, as such, holds investments, receives payments of interest and principal on leases and loans, writes checks on the 2001 Trust Estate to pay interest and principal as it becomes due on the 2001 Bonds, and maintains appropriate books and records to account for all funds established under the trust indenture. In return for these services, the trustee is paid an annual fee of $10,000, plus .25% on funds invested in government money market funds and other fees based on services provided.

2002 Trust Indenture - Under terms of a separate trust indenture dated January 1, 2002, US Bank, acts as trustee, paying agent and registrar for the 2002 Trust Estate and, as such, holds investments, receives payments of interest and principal on leases and loans, writes checks on the 2002 Trust Estate to pay interest and principal as it becomes due on the 2002 Bonds, and maintains appropriate books and records to account for all funds established under the trust indenture. In return for these services, the trustee is paid an annual fee of $10,000, plus $200 per lease outstanding.

Note B - Contractual Agreements (Continued)

4. Trustee Arrangements (Continued):

2004 Trust Indenture - Under terms of a separate trust indenture dated September 2004, US Bank, acts as trustee, paying agent and registrar for the 2004 Trust Estate and, as such, holds investments, receives payments of interest and principal on leases and loans, writes checks on the 2004 Trust Estate to pay interest and principal as it becomes due on the 2004 Bonds, and maintains appropriate books and records to account for all funds established under the trust indenture. In return for these services, the trustee is paid an annual fee of $10,000 plus $200 per lease outstanding.

2007 Trust Indenture - Under terms of a separate trust indenture dated April 2007, US Bank, acts as trustee, paying agent and registrar for the 2007 Trust Estate and, as such, holds investments, receives payments of interest and principal on leases and loans, writes checks on the 2007 Trust Estate to pay interest and principal as it becomes due on the 2007 Bonds, and maintains appropriate books and records to account for all funds established under the trust indenture. In return for these services, the trustee is paid an annual fee of $10,000 plus $200 per lease outstanding.

2007B Trust Indenture - Under terms of a separate trust indenture dated August 2007, US Bank, acts as trustee, paying agent and registrar for the 2007B Trust Estate and, as such, holds investments, receives payments of interest and principal on leases and loans, writes checks on the 2007B Trust Estate to pay interest and principal as it becomes due on the 2007B Bonds, and maintains appropriate books and records to account for all funds established under the trust indenture. In return for these services, the trustee is paid an annual fee of $10,000 plus $200 per lease outstanding.

2008 Trust Indenture - Under terms of a separate trust indenture dated June 2008, US Bank, acts as trustee, paying agent and registrar for the 2008 Trust Estate and, as such, holds investments, receives payments of interest and principal on leases and loans, writes checks on the 2008 Trust Estate to pay interest and principal as it becomes due on the 2008 Bonds, and maintains appropriate books and records to account for all funds established under the trust indenture. In return for these services, the trustee is paid an annual fee of $10,000 plus $200 per lease outstanding.

2008 A2 Trust Indenture - Under terms of a separate trust indenture dated December 2008, US Bank, acts as trustee, paying agent and registrar for the 2008 A2 Trust Estate and, as such, holds investments, receives payments of interest and principal on leases and loans, writes checks on the 2008 A2 Trust Estate to pay interest and principal as it becomes due on the 2008 A2 Bonds, and maintains appropriate books and records to account for all funds established under the trust indenture. In return for these services, the trustee is paid an annual fee of $10,000 plus $200 per lease outstanding.

Note B - Contractual Agreements (Continued)

5. Financial Computation Services:

Lawrenson Services, Inc. ("LSI") performs certain financial computations with respect to the 1989, 1993, 1999, 2001, 2002, 2004, 2007, 2007B, 2008, and 2008 A2 Trust Estates pertaining to lease terms and payments. LSI also performs computations of "Parity" (see Note A) for the 1989 Trust Estate as defined by the trust indenture, for the purpose of determining the amount of the 1989 Trust Estate's earnings that are available for use at the discretion of CoLT's Board of Trustees. Fees paid to LSI are included in administrative fees in the accompanying consolidated statements of activities and changes in net assets.

Note C - Summary of Significant Accounting Policies

1. 1989 Trust Estate: The following presents a summarized description of the primary funds currently used to account for assets in the 1989 Trust Estate as more fully described in the trust indenture:

Revenue Fund - This fund is used to receive investment income from the Revolving Funds and the Debt Service Reserve Fund and all non-principal payments from leases and loans, with such funds being subsequently used with others, if necessary, to reimburse draws against the letter of credit made by the paying agent for the payment of interest on the 1989 Bonds or, after such draws have been reimbursed, to pay certain expenses of CoLT. If "Parity", as defined, does not exist, any amounts then remaining will be transferred to a Revolving Fund. If "Parity" does exist, such remaining amounts may be transferred to the Program Discretionary Fund for use at the discretion of the Board of Trustees.

Revolving Funds - These funds are used to receive payments of principal from lessees to be held for use in new leases and loans. As described in Note P, Revolving Funds are established on six-month intervals. Unless an appropriate opinion of bond counsel is received which would require the funds to be investment-yield-restricted, any amounts remaining in a Revolving Fund for more than three years must be used to redeem the 1989 Bonds.

Debt Service Reserve Fund - This fund is used for the deposit of $20,000,000 of the proceeds from the initial bond sale, which amount is the Debt Service Requirement to be maintained while the 1989 Bonds remain outstanding. Amounts on deposit in the Debt Service Reserve Fund will be applied for the purposes of satisfying Revenue Fund obligations, should amounts in the Revenue Fund be insufficient for those purposes. Any amounts in the Debt Service Reserve Fund that are in excess of the Debt Service Requirement are periodically transferred to the Revenue Fund.

Program Discretionary Fund - This fund is used to receive amounts transferred out of any other funds upon the existence of "Parity", as defined, for use at the discretion of CoLT's Board of Trustees. At June 30, 2010 and 2009, the balance is $658,164.

Note C - Summary of Significant Accounting Policies (Continued)

2. 1993 Trust Estate: The following presents a summarized description of the primary funds currently used to account for assets in the 1993 Trust Estate as more fully described in the trust indenture:

    Project Fund - This fund is currently used to hold the proceeds of the bond issue until the monies are utilized to make leases or loans, or are transferred to other funds as outlined in the trust indenture ("Bond Proceeds Account"). Other accounts within this fund may be utilized at a later date as leases or loans are executed.

    Revenue Fund - This fund is used to hold Available Monies and Non-Available Monies, as defined in the trust indenture, not otherwise required to be transferred to other funds, and disburse such deposits predominantly to pay interest on the 1993 Bonds and fiduciary and administrative expenses in excess of amounts in the Expense Fund, described below.

    Expense Fund - This fund was used to hold an original deposit of $1,310,208 of the initial proceeds from the bond sale for the payment of administrative and fiduciary expenses until such funds are exhausted. At June 30, 2010 and 2009, the balance is $138,547 and $144,047, respectively.

    Debt Service Reserve Fund - This fund is used for the deposit of $8,775,000 (purchase price of related investment agreement with a face value of $10 million,) to be maintained while the 1993 Bonds remain outstanding and to be used to satisfy Revenue Fund obligations, if such amounts in the Revenue Fund are insufficient.

3. 1999 Trust Estate: The following presents a summarized description of the primary funds currently used to account for assets in the 1999 Trust Estate as more fully described in the trust indenture:

    Project Fund - This fund is used to hold proceeds of the bond issue for the acquisition or construction of projects to be leased. Any remaining funds are transferred to the Revenue Fund.

    Redemption Fund - This fund receives transfers from other funds and when funds are available this fund will redeem the applicable bonds on certain interest payment dates.

    Revenue Fund - This fund is used to collect lease payments from lessees and hold monies not otherwise required to be transferred into other accounts. The fund disburses such monies predominantly to pay interest on the 1999 Bonds and fiduciary and administrative fees in excess of amounts in the Expense Fund, described below.

    Expense Fund - This fund is used to hold monies as designated by CoLT for the cost of issuing bonds and, afterward, fiduciary and administrative fees until exhausted.

Note C - Summary of Significant Accounting Policies (Continued)

3. 1999 Trust Estate (Continued):

Program Discretionary Fund - This fund is used to receive any excess monies upon the existence of investment assets exceeding investment liabilities. Any amount transferred into this fund can be used at CoLT's discretion. As of June 30, 2010 and 2009, no amounts have been deposited into this fund.

Prepayment Fund - This fund is used to hold lessees' optional lease prepayments. The principal component of each payment will be transferred to the Redemption Fund to redeem the portion of the bonds associated with the lessees' prepayment.

Debt Service Reserve Fund - This fund is used to apply money to the Revenue Fund to pay interest, or to the Redemption Fund to redeem bonds. At June 30, 2010 and 2009, $5,000,000 exists in this fund.

4. 2001 Trust Estate: The following presents a summarized description of the primary funds currently used to account for assets in the 2001 Trust Estate as more fully described in the trust indenture:

Project Fund - This fund is used to hold proceeds of the bond issue for the acquisition or construction of projects to be leased. Any remaining funds are transferred to the Revenue Fund.

Redemption Fund - This fund receives transfers from other funds and when funds are available this fund will redeem the applicable bonds on certain interest payment dates.

Revenue Fund - This fund is used to collect lease payments from lessees and hold monies not otherwise required to be transferred into other accounts. The fund disburses such monies predominantly to pay interest on the 2001 Bonds and fiduciary and administrative fees in excess of amounts in the Expense Fund, described below.

Expense Fund - This fund is used to hold monies as designated by CoLT for the cost of issuing bonds and, afterward, fiduciary and administrative fees until exhausted.

Program Discretionary Fund - This fund is used to receive any excess monies upon the existence of investment assets exceeding investment liabilities. Any amount transferred into this fund can be used at CoLT's discretion. As of June 30, 2010 and 2009, no amounts have been deposited into this fund.

Prepayment Fund - This fund is used to hold lessees' optional lease prepayments. The principal component of each payment will be transferred to the Redemption Fund to redeem the portion of the bonds associated with the lessees' prepayment.

Note C - Summary of Significant Accounting Policies (Continued)

4. 2001 Trust Estate (Continued):

   Debt Service Reserve Fund - This fund is used to apply money to the Revenue Fund to pay interest, or to the Redemption Fund to redeem bonds. At June 30, 2010 and 2009, $5,000,000 exists in this fund.

5. 2002 Trust Estate: The following presents a summarized description of the primary funds currently used to account for assets in the 2002 Trust Estate as more fully described in the trust indenture:

   Project Fund - This fund is used to hold proceeds of the bond issue for the acquisition or construction of projects to be leased. Any remaining funds are transferred to the Revenue Fund.

   Redemption Fund - This fund receives transfers from other funds and when funds are available this fund will redeem the applicable bonds on certain interest payment dates.

   Revenue Fund - This fund is used to collect lease payments from lessees and hold monies not otherwise required to be transferred into other accounts. The fund disburses such monies predominantly to pay interest on the 2002 Bonds and fiduciary and administrative fees in excess of amounts in the Expense Fund, described below.

   Expense Fund - This fund is used to hold monies as designated by CoLT for the cost of issuing bonds and, afterward, fiduciary and administrative fees until exhausted.

   Program Discretionary Fund - This fund is used to receive any excess monies upon the existence of investment assets exceeding investment liabilities. Any amount transferred into this fund can be used at CoLT's discretion. As of June 30, 2010 and 2009, no amounts have been deposited into this fund.

   Prepayment Fund - This fund is used to hold lessees' optional lease prepayments. The principal component of each payment will be transferred to the Redemption Fund to redeem the portion of the bonds associated with the lessees' prepayment.

   Debt Service Reserve Fund - This fund is used to apply money to the Revenue Fund to pay interest, or to the Redemption Fund to redeem bonds. At June 30, 2010 and 2009, $10,000,000 exists in this fund.

Note C - Summary of Significant Accounting Policies (Continued)

6. 2004 Trust Estate: The following presents a summarized description of the primary funds currently used to account for assets in the 2004 Trust Estate as more fully described in the trust indenture:

   Project Fund - This fund is used to hold proceeds of the bond issue for the acquisition or construction of projects to be leased. Any remaining funds are transferred to the Revenue Fund.

   Redemption Fund - This fund receives transfers from other funds and when funds are available this fund will redeem the applicable bonds on certain interest payment dates.

   Revenue Fund - This fund is used to collect lease payments from lessees and hold monies not otherwise required to be transferred into other accounts. The fund disburses such monies predominantly to pay interest on the 2004 Bonds and fiduciary and administrative fees in excess of amounts in the Expense Fund, described below.

   Expense Fund - This fund is used to hold monies as designated by CoLT for the cost of issuing bonds and, afterward, fiduciary and administrative fees until exhausted.

   Program Discretionary Fund - This fund is used to receive any excess monies upon the existence of investment assets exceeding investment liabilities. Any amount transferred into this fund can be used at CoLT's discretion. As of June 30, 2010 and 2009, no amounts have been deposited into this fund.

   Prepayment Fund - This fund is used to hold lessees' optional lease prepayments. The principal component of each payment will be transferred to the Redemption Fund to redeem the portion of the bonds associated with the lessees' prepayment.

   Debt Service Reserve Fund - This fund is used to apply money to the Revenue Fund to pay interest, or to the Redemption Fund to redeem bonds. At June 30, 2010 and 2009, $10,000,000 exists in this fund.

7. 2007 Trust Estate: The following presents a summarized description of the primary funds currently used to account for assets in the 2007 Trust Estate as more fully described in the trust indenture:

   Project Fund - This fund is used to hold proceeds of the bond issue for the acquisition or construction of projects to be leased. Any remaining funds are transferred to the Revenue Fund.

   Redemption Fund - This fund receives transfers from other funds and when funds are available this fund will redeem the applicable bonds on certain interest payment dates.

Note C - Summary of Significant Accounting Policies (Continued)

7. 2007 Trust Estate (Continued):

   Revenue Fund - This fund is used to collect lease payments from lessees and hold monies not otherwise required to be transferred into other accounts. The fund disburses such monies predominantly to pay interest on the 2007 Bonds and fiduciary and administrative fees in excess of amounts in the Expense Fund, described below.

   Expense Fund - This fund is used to hold monies as designated by CoLT for the cost of issuing bonds and, afterward, fiduciary and administrative fees until exhausted.

   Program Discretionary Fund - This fund is used to receive any excess monies upon the existence of investment assets exceeding investment liabilities. Any amount transferred into this fund can be used at CoLT's discretion. As of June 30, 2010 and 2009, no amounts have been deposited into this fund.

   Prepayment Fund - This fund is used to hold lessees' optional lease prepayments. The principal component of each payment will be transferred to the Redemption Fund to redeem the portion of the bonds associated with the lessees' prepayment.

   Debt Service Reserve Fund - This fund is used to apply money to the Revenue Fund to pay interest, or to the Redemption Fund to redeem bonds. At June 30, 2010 and 2009, $5,000,000 exists in this fund.

8. 2007B Trust Estate: The following presents a summarized description of the primary funds currently used to account for assets in the 2007B Trust Estate as more fully described in the trust indenture:

   Project Fund - This fund is used to hold proceeds of the bond issue for the acquisition or construction of projects to be leased. Any remaining funds are transferred to the Revenue Fund.

   Redemption Fund - This fund receives transfers from other funds and when funds are available this fund will redeem the applicable bonds on certain interest payment dates.

   Revenue Fund - This fund is used to collect lease payments from lessees and hold monies not otherwise required to be transferred into other accounts. The fund disburses such monies predominantly to pay interest on the 2007B Bonds and fiduciary and administrative fees in excess of amounts in the Expense Fund, described below.

   Expense Fund - This fund is used to hold monies as designated by CoLT for the cost of issuing bonds and, afterward, fiduciary and administrative fees until exhausted.

Note C - Summary of Significant Accounting Policies (Continued)

8. 2007B Trust Estate (Continued):

   Program Discretionary Fund - This fund is used to receive any excess monies upon the existence of investment assets exceeding investment liabilities. Any amount transferred into this fund can be used at CoLT's discretion. As of June 30, 2010 and 2009, no amounts have been deposited into this fund.

   Prepayment Fund - This fund is used to hold lessees' optional lease prepayments. The principal component of each payment will be transferred to the Redemption Fund to redeem the portion of the bonds associated with the lessees' prepayment.

   Debt Service Reserve Fund - This fund is used to apply money to the Revenue Fund to pay interest, or to the Redemption Fund to redeem bonds. At June 30, 2010 and 2009, $7,000,000 exists in this fund.

9. 2008 Trust Estate: The following presents a summarized description of the primary funds currently used to account for assets in the 2008 Trust Estate as more fully described in the trust indenture:

   Project Fund - This fund is used to hold proceeds of the bond issue for the acquisition or construction of projects to be leased. Any remaining funds are transferred to the Revenue Fund.

   Redemption Fund - This fund receives transfers from other funds and when funds are available this fund will redeem the applicable bonds on certain interest payment dates.

   Revenue Fund - This fund is used to collect lease payments from lessees and hold monies not otherwise required to be transferred into other accounts. The fund disburses such monies predominantly to pay interest on the 2008 Bonds and fiduciary and administrative fees in excess of amounts in the Expense Fund, described below.

   Expense Fund - This fund is used to hold monies as designated by CoLT for the cost of issuing bonds and, afterward, fiduciary and administrative fees until exhausted.

   Program Discretionary Fund - This fund is used to receive any excess monies upon the existence of investment assets exceeding investment liabilities. Any amount transferred into this fund can be used at CoLT's discretion. As of June 30, 2010 and 2009, no amounts have been deposited into this fund.

   Prepayment Fund - This fund is used to hold lessees' optional lease prepayments. The principal component of each payment will be transferred to the Redemption Fund to redeem the portion of the bonds associated with the lessees' prepayment.

   Debt Service Reserve Fund - This fund is used to apply money to the Revenue Fund to pay interest, or to the Redemption Fund to redeem bonds. At June 30, 2010 and 2009, $3,000,000 exists in this fund.

Note C - Summary of Significant Accounting Policies (Continued)

10. 2008 A2 Trust Estate: The following presents a summarized description of the primary funds currently used to account for assets in the 2008 A2 Trust Estate as more fully described in the trust indenture:

    Project Fund - This fund is used to hold proceeds of the bond issue for the acquisition or construction of projects to be leased. Any remaining funds are transferred to the Revenue Fund.

    Redemption Fund - This fund receives transfers from other funds and when funds are available this fund will redeem the applicable bonds on certain interest payment dates.

    Revenue Fund - This fund is used to collect lease payments from lessees and hold monies not otherwise required to be transferred into other accounts. The fund disburses such monies predominantly to pay interest on the 2008 A2 Bonds and fiduciary and administrative fees in excess of amounts in the Expense Fund, described below.

    Expense Fund - This fund is used to hold monies as designated by CoLT for the cost of issuing bonds and, afterward, fiduciary and administrative fees until exhausted.

    Program Discretionary Fund - This fund is used to receive any excess monies upon the existence of investment assets exceeding investment liabilities. Any amount transferred into this fund can be used at CoLT's discretion. As of June 30, 2010 and 2009, no amounts have been deposited into this fund.

    Prepayment Fund - This fund is used to hold lessees' optional lease prepayments. The principal component of each payment will be transferred to the Redemption Fund to redeem the portion of the bonds associated with the lessees' prepayment.

    Debt Service Reserve Fund - This fund is used to apply money to the Revenue Fund to pay interest, or to the Redemption Fund to redeem bonds. At June 30, 2010 and 2009, $7,500,000 exists in this fund.

11. Trust Estate Investments: Investment contracts included in the Trust Estates are held for long-term investment purposes and are stated at cost and adjusted for accretion of discounts computed on the interest yield method over the estimated lives of the investments. At June 30, 2010 and 2009, investment contracts with the 1993 Trust Estate had net remaining discounts of approximately $204,000 and $236,000, respectively.

Note C - Summary of Significant Accounting Policies (Continued)

11. Trust Estate Investments (Continued):

The ASC requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the financial statements of not-for-profit organizations. Accordingly, CoLT's investments are stated at fair value.

12. Interest Rate Exchange Agreements: The Trust accounts for interest rate exchange agreements in accordance with the ASC. The ASC establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the statement of financial position as either an asset or liability measured at its fair value.

CoLT utilizes interest rate swaps to provide fixed rate leases out of its Trust Estates (excluding the 1993 Trust Estate) without bearing interest rate risk. Under the terms of the agreements, CoLT pays to the swap counterparty the agreed to fixed rate and receives interest based upon an agreed to variable indexed rate (see below). These interest rate swap agreements have been designated by CoLT as fair value hedges of the underlying changes in the fair value of the leases receivable. The terms of the swap agreement are established to exactly match those of the underlying lease instruments (including notional amounts, payment dates, variable interest rates, etc.). Net payments made (received) under the swap agreements (settlements) are included as a component of interest expense (income). Changes in the fair value of the swap instruments, as well as changes in the fair value of the underlying lease instruments, are included as components of interest income, net. The following outlines the swap agreements in place as of June 30, 2010 and 2009.

1989 Trust Estate

As of June 30, 2010, CoLT has outstanding swap contracts under a master swap agreement, executed with Commonwealth Bank of Australia in fiscal 1991, on which CoLT currently pays weighted average fixed rates, and receives a variable rate tied to the BMA Index. For the years ended June 30, 2010 and 2009, CoLT made settlement payments of approximately $28,200 and $21,000, respectively, under this agreement.

1999 Trust Estate

As of June 30, 2010, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in December 1999, of $4,410,366 on which CoLT pays fixed rates ranging from 4.99% to 6.42%, and receives a variable rate tied to the BMA Index. For the years ended June 30, 2010 and 2009, CoLT made settlement payments of approximately $229,500 and $186,200, respectively, under this agreement.

Note C - Summary of Significant Accounting Policies (Continued)

12. Interest Rate Exchange Agreements (Continued):

2001 Trust Estate

As of June 30, 2010, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in February 2001, of $11,378,147 on which CoLT pays fixed rates ranging from 3.91% to 5.62%, and receives a variable rate tied to the BMA Index. For the years ended June 30, 2010 and 2009, CoLT made settlement payments of approximately $529,100 and $419,300, respectively, under this agreement.

2002 Trust Estate

As of June 30, 2010, CoLT has outstanding swap contracts under a master swap agreement, executed with Chase in June 2002, of $13,120,009 on which CoLT pays fixed rates ranging from 3.08% to 4.65%, and receives a variable rate tied to the One Day Municipal Paper Market rates. For the years ended June 30, 2010 and 2009, CoLT made settlement payments of approximately $503,200 and $377,400, respectively, under this agreement.

2004 Trust Estate

As of June 30, 2010, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in September 2004 of $36,073,068 on which CoLT pays fixed rates ranging from 3.33% to 6.22%, and receives a variable rate tied to the BMA Index. For the years ended June 30, 2010 and 2009, CoLT made settlement payments of approximately $1,451,300 and $1,071,100, respectively, under this agreement.

2007 Trust Estate

As of June 30, 2010, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in May 2007 of $28,083,052 on which CoLT pays fixed rates ranging from 3.20% to 5.46%, and receives a variable rate tied to the BMA Index. For the years ended June 30, 2010 and 2009, CoLT made settlement payments of approximately $1,078,500 and $597,200, respectively, under this agreement.

Note C - Summary of Significant Accounting Policies (Continued)

12. Interest Rate Exchange Agreements (Continued):

    2007B Trust Estate

    As of June 30, 2010, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in August 2007 of $35,377,221 on which CoLT pays fixed rates ranging from 2.18% to 5.28%, and receives a variable rate tied to the BMA Index. For the years ended June 30, 2010 and 2009, CoLT made settlement payments of approximately $1,208,900 and $776,600, respectively, under this agreement.

    2008 Trust Estate

    As of June 30, 2010, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in August 2008 of $8,059,230 on which CoLT pays fixed rates ranging from 3.69% and 4.51%, and receives a variable rate tied to the BMA Index. For the years ended June 30, 2010 and 2009, CoLT made settlement payments of approximately $279,600 and $153,400, respectively, under this agreement.

    2008 A2 Trust Estate

    As of June 30, 2010, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in December 2008 of $35,332,000 on which CoLT pays fixed rates ranging from 4.10% to 4.39%, and receives a variable rate tied to the BMA Index. For the years ended June 30, 2010 and 2009, CoLT made settlement payments of approximately $1,032,500 and $264,200, respectively, under this agreement.

    CoLT is exposed to credit losses in the event of non-performance by the counterparties to such interest rate exchange agreements. CoLT anticipates, however, that counterparties will be able to satisfy any obligations under the agreements. CoLT does not obtain collateral or other security to support such derivative financial instruments subject to credit risk, but the trustees monitor the credit standing of the counterparties.

13. Cash and Cash Equivalents: CoLT considers all short-term investments with an original maturity of three months or less when purchased to be cash equivalents. CoLT typically maintains cash on deposit at banks in excess of federally insured limits. Accordingly, at various times during the years ended June 30, 2010 and 2009, balances were uninsured and uncollateralized.

Note C - Summary of Significant Accounting Policies (Continued)

14. Other Assets: Costs of the 1993, 1999, 2001, 2002, 2004, 2007, 2007B, 2008, and 2008 A2 debt issuances have been capitalized and are being amortized to interest expense on the effective interest method as follows:

    Costs of issuance on the 1993 Bonds were allocated pro rata between the $90,000,000 Series A Bonds and the $10,000,000 Series B Bonds. Costs of the Series A issue were being amortized over the life of the related contract in which these proceeds are invested (through September 1, 2008). During the fiscal year ended June 30, 2006, the Series A Bonds were retired and the balance of the cost of issuance of $215,340 was expensed. Costs of the Series B issue are being amortized over the term of those bonds (through March 1, 2019).

    Cost of issuance of the 1999 Bonds are being amortized over the term of the related bonds (through December 1, 2029).

    Cost of issuance of the 2001 Bonds are being amortized over the term of the related bonds (through March 1, 2031).

    Cost of issuance of the 2002 Bonds are being amortized over the term of the related bonds (through February 1, 2032).

    Cost of issuance of the 2004 Bonds are being amortized over the term of the related bonds (through September 1, 2034).

    Cost of issuance of the 2007 Bonds are being amortized over the term of the related bonds (through April 1, 2037).

    Cost of issuance of the 2007B Bonds are being amortized over the term of the related bonds (through August 1, 2037).

    Cost of issuance of the 2008 Bonds are being amortized over the term of the related bonds (through June 1, 2038).

    Cost of issuance of the 2008 A2 Bonds are being amortized over the term of the related bonds (through December 1, 2038).

Note C - Summary of Significant Accounting Policies (Continued)

15. Use of Estimates: The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

16. Reclassifications: Certain reclassifications were made to the June 30, 2009 consolidated financial statements to conform to the June 30, 2010 presentation.

17. Subsequent Events: Subsequent events for CoLT have been considered through the date of the Independent Auditor's Report, which represents the date which the financial statements were available to be issued.

Note D - 1989 Trust Estate Investments

1. Lehman Brothers (LB) Contract: As of June 30, 2010 and 2009, a portion of the balances of the Debt Service Reserve Fund ($20,000,000 for both years), the Revolving Funds ($28,766,651 for both years) and the Revenue Fund ($1,807,675 for both years) of the 1989 Trust Estate are held by the Trustee in the Trustee's name on behalf of CoLT pursuant to the terms of the guaranteed investment contract with LB ("the LB Contract"), which also serves as the remarketer of the Money Market Bonds (see Note B).

   The LB Contract specifies that the collateral for the investment contracts, which is held by the trustee, consists of the following types of investments at the discretion of LB:

   - Obligations of the United States of America ("U.S. Treasury Securities")
   - Obligations of the following agencies and instrumentalities of the United States of America:
     - Government National Mortgage Association ("GNMA")
     - Veterans Administration
     - Federal Housing Administration
     - Export-Import Bank
     - Overseas Private Investment Corporation
     - Commodity Credit Corporation
     - Small Business Administration
   - Obligations of the Federal Home Loan Mortgage Corporation ("FHLMC") or the Federal National Mortgage Association ("FNMA")
   - Repurchase agreements with FDIC insured banks chartered or located in the state of Kentucky meeting certain financial requirements (provided such repurchase agreements are collateralized at 103% by securities of any of the above entities delivered to or registered in the name of the trustee or its designee)
   - Other investments as may be approved by Chase (see Note B)

Note D - 1989 Trust Estate Investments (Continued)

1. Lehman Brothers (LB) Contract (Continued): Pursuant to the terms of the LB Contract, the 1989 Trust Estate receives investment income equal to the interest cost of outstanding 1989 Bonds plus: 1) 2.40% for Debt Service Reserve Fund investments and 2) 2.50% for all other investments. These interest rate spreads are guaranteed by LB. Any deficiency in actual earnings (including capital gains and losses) as compared to the guaranteed earnings of the 1989 Trust is borne by LB, while any excess is retained by LB as compensation for risks assumed and services rendered.

   The LB Contract includes a security agreement that provides for LB to transfer additional securities to the trustee, as collateral (collateral securities), if the market value of the investment securities drops below cost. In such event, the market value of the collateral securities transferred plus the market value of the investment securities must equal at least 103% of the investment contracts balance.

   As of June 30, 2010 and 2009, LB's obligation under the LB Contract was secured by U.S. Government Agency Securities and consisted of securities of FHLMC and FNMA. Actions related to the LB bankruptcy have created uncertainty as to the ownership of a portion of the collateral. If the LB contract is modified by bankruptcy proceedings, the 1989 Trust Estate may not have sufficient funds to pay amounts due on the related bonds. CoLT has no obligation to pay any deficiency. Furthermore, the bonds are secured by a letter of credit and CoLT expects all bond payments to be made in the normal course of business with draws on the letter of credit.

2. Money Market Funds: As of June 30, 2010 and 2009 $1,829,806 and $2,010,785, respectively, of the 1989 Trust Estate was invested in securities of JP Morgan U.S. Treasury Securities Money Market Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

3. Cash and Cash Equivalents: As of June 30, 2010 and 2009, $11,976,423 and $6,037,617 of the 1989 Trust Estate was invested in cash and cash equivalents.

Note E - 1993 Trust Estate Investments

1. Assured Return Management Corporation Contract: In connection with the issuance of the 1993 Series A Bonds, CoLT signed an agreement with Assured Return Management Corporation ("ARMC", an affiliate of Lehman Government Securities, Inc.) dated September 1, 1995, to invest $90 million. In July 2005, CoLT redeemed the $90 Million ARMC Contract with the proceeds of the redemption paying down the 1993 bonds (see Note P).

2. TransAmerica Contracts: The Debt Service Reserve Fund is invested in a guaranteed investment contract ("GIC") with TransAmerica. This GIC was purchased at a discounted price of $8,775,000 on March 10, 1993, has a par value of $10,000,000, bears an interest rate of 6.4% payable semiannually, and has a March 1, 2019 maturity date. Funds may, however, be withdrawn to cure payment defaults under eligible leases or loans or if TransAmerica's S&P credit rating falls below a credit rating of "AA-", unless TransAmerica takes certain actions specified in the contract which would generally secure or guarantee the contract value. At June 30, 2010 and 2009, respectively, the balance in this investment contract was $9,958,282 and $9,926,269, which is net of any unaccreted discounts.

Note E - 1993 Trust Estate Investments (Continued)

3. LaSalle National Bank: All of the Expense Fund as of June 30, 2010 and 2009, $138,547 and $144,047, respectively (which includes accrued interest), is invested in a time deposit with LaSalle National Bank bearing interest at 5.18%, payable annually, with a maturity date of February 1, 2018. The trustee may withdraw funds periodically to pay certain administrative and fiduciary fees as outlined in the trust indenture.

4. Money Market Funds: As of June 30, 2010 and 2009, $1,722 of the 1993 Trust Estate was invested in the Blackrock U.S. Treasury Money Market Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

Note F - 1999 Trust Estate Investments

1. Bayerische Contract: As of June 30, 2010 and 2009, the Debt Service Reserve Fund ($5,000,000 for both years), a portion of the Redemption Fund ($1,361,020 and $241,223, respectively), and a portion of the Revenue Fund ($328,339 and $270,724, respectively) of the 1999 Trust Estate are held by the Trustee in the Trustee's name on behalf of CoLT pursuant to the terms of the guaranteed investment contract with Bayerische.

   Pursuant to the terms of the Bayerische Contract, the 1999 Trust Estate receives investment income equal to the interest cost of the outstanding 1999 Bonds plus: 1) 1.41% on Project Fund investments and 2) .77% on the combined balance of Debt Service Reserve Fund, Revenue Fund and Redemption Fund investments. The Expense Fund earns 5.08%. These interest rate spreads are guaranteed by Bayerische. Any deficiency in actual earnings (including capital gains and losses) as compared to the guaranteed earnings of the 1999 Trust is borne by Bayerische, while any excess is retained by Bayerische as compensation for risks assumed and services rendered.

2. Money Market Funds: As of June 30, 2010 and 2009, $119,248 and $77,029, respectively, of the 1999 Trust Estate was invested in securities of The American Government Obligation Fund, a diversified mutual funds investing exclusively in U.S. Treasury obligations.

Note G - 2001 Trust Estate Investments

1. Trinity Plus Funding Contract: As of June 30, 2010 and 2009, the Debt Service Reserve Fund ($5,000,000 for both years), a portion of the Revenue Fund ($580,723 and $516,794, respectively), and a portion of the Redemption Fund ($1,964,708 and $483,060, respectively) of the 2001 Trust Estate are held by the Trustee in the Trustee's name on behalf of CoLT pursuant to the terms of the guaranteed investment contract with Trinity Plus Funding.

Note G - 2001 Trust Estate Investments (Continued)

1. Trinity Plus Funding Contract (Continued): Pursuant to the terms of the Trinity Plus Funding Contract, the 2001 Trust Estate receives investment income equal to the interest cost of the outstanding 2001 Bonds plus: 1) 1.40% on Project Fund investments, 2) 1.05% on the combined balance of Debt Service Reserve Fund, Revenue Fund and Redemption Fund investments and 3) 1.40% on Expense Fund investments. These interest rate spreads are guaranteed by Trinity Plus Funding. Any deficiency in actual earnings (including capital gains and losses) as compared to the guaranteed earnings of the 2001 Trust is borne by Trinity Plus Funding, while any excess is retained by Trinity Plus Funding as compensation for risks assumed and services rendered.

2. Money Market Funds: As of June 30, 2010 and 2009, $53,877 and $45,658, respectively, of the 2001 Trust Estate was invested in securities of The American Government Obligation Fund, a diversified mutual funds investing exclusively in U.S. Treasury obligations.

3. Cash and Cash Equivalents: As of June 30, 2010 and 2009, $13,150 and $0 of the 2001 Trust Estate was invested in cash and cash equivalents.

Note H - 2002 Trust Estate Investments

1. Bank of America N.A. Contract: As of June 30, 2010 and 2009, the Debt Service Reserve Fund ($10,000,000 for both years), a portion of the Revenue Fund ($826,979 and $887,548, respectively), and a portion of the Redemption Fund ($2,204,792 and $552,580, respectively) of the 2002 Trust Estate are held by the Trustee in the Trustee's name on behalf of CoLT pursuant to the terms of the guaranteed investment contract with Bank of America, N.A.

   Pursuant to the terms of the Bank of America, N.A. Contract, the 2002 Trust Estate receives investment income equal to the interest cost of the outstanding 2002 Bonds plus 0.43% on combined balances of the Debt Service Reserve Fund and Revenue Fund. This interest rate spread is guaranteed by Bank of America, N.A. Any deficiency in actual earnings (including capital gains and losses) as compared to the guaranteed earnings of the 2002 Trust is borne by Bank of America, N.A., while any excess is retained by Bank of America, N.A. as compensation for risks assumed and services rendered.

2. Money Market Funds: As of June 30, 2010 and 2009, $267,204 and $168,011, respectively, of the 2002 Trust Estate was invested in securities of The American Government Obligation Fund, a diversified mutual funds investing exclusively in U.S. Treasury obligations.

3. Cash and Cash Equivalents: As of June 30, 2010 and 2009, $4,572 and $0 of the 2002 Trust Estate was invested in cash and cash equivalents.

Note I - 2004 Trust Estate Investments

1. Capital Corporation Investment Agreement: As of June 30, 2010 and 2009, the Debt Service Fund ($10,000,000 for both years), a portion of the Redemption Fund ($1,914,176 and $924,664, respectively), and a portion of the Revenue Fund ($1,102,095 and $1,161,019, respectively) of the 2004 Trust Estate are held by the trustee in the trustee's name on behalf of CoLT, pursuant to the terms of the guaranteed investment contract with Pallas Capital Corporation.

Note I - 2004 Trust Estate Investments (Continued)

1. Capital Corporation Investment Agreement (Continued): Pursuant to the terms of the contract, the 2004 Trust Estate receives investment income equal to the interest cost of the outstanding 2004 Bonds plus 0.5% on the combined balance of the Revenue Fund and Debt Service Reserve Fund. This interest rate spread is guaranteed by Pallas Capital Corporation. Any deficiency in actual earnings (including capital gains and losses) as compared to the guaranteed earnings of the 2004 Trust is borne by Pallas Capital Corporation, while any excess is retained by Pallas Capital Corporation, as compensation for risks assumed and services rendered.

2. Money Market Funds: As of June 30, 2010 and 2009, $492,558 and $134,806, respectively of the 2004 Trust Estate was invested in securities of The American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

3. Cash and Cash Equivalents: As of June 30, 2010 and 2009, $23,315 and $0 of the 2004 Trust Estate was invested in cash and cash equivalents.

Note J - 2007 Trust Estate Investments

1. DEPFA Bank Investment Agreement: As of June 30, 2010 and 2009, the Debt Service Fund ($5,000,000 for both years), a portion of the Revenue Fund ($1,115,861 and $1,058,702, respectively), and a portion of the Redemption Fund ($553,394 and $317,292, respectively) of the 2007 Trust Estate are held by the trustee in the trustee's name on behalf of CoLT, pursuant to the terms of the guaranteed investment contract with DEPFA Bank.

   Pursuant to the terms of the contract, the 2007 Trust Estate receives interest at the Securities Industry and Financial Markets Association index ("SIFMA ") plus 0.96% related to the Debt Service Fund and the SIFMA index plus 0.50% for the float funds. This interest rate is guaranteed. Any deficiency in actual earnings (including capital gains and losses) as compared to the guaranteed earnings of the 2007 Trust is borne by DEPFA Bank, while any excess is retained by DEPFA Bank, as compensation for risks assumed and services rendered.

2. Transamerica Occidental Life: As of June 30, 2009, a portion of the Fiduciary Fees Account ($50,500) and a portion of the Bond Proceeds Fund ($3,459,649) were held by the trustee in the trustee's name on behalf of CoLT pursuant to the terms of the terms of the guaranteed investment contract with Transamerica Occidental Life. In April 2010, this contract was terminated.

   Pursuant to the terms of the contract, the 2007 Trust Estate received interest at SIFMA plus 1.332%. This interest rate was guaranteed. Any deficiency in actual earnings (including capital gains and losses) as compared to the guaranteed earnings of the 2007 Trust was borne by Transamerica Occidental Life, while any excess was retained by Transamerica Occidental Life, as compensation for risks assumed and services rendered.

3. Money-Market Funds: As of June 30, 2010 and 2009, $246,145 and $152,992, respectively of the 2007 Trust Estate was invested in securities of The American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

4. Cash and Cash Equivalents: As of June 30, 2010 and 2009, $6,141 and $0 of the 2007 Trust Estate was invested in cash and cash equivalents.

Note K - 2007B Trust Estate Investments

1. Capital Corporation Investment Agreement: As of June 30, 2010 and 2009, the Debt Service Fund ($7,000,000 for both years) of the 2007B Trust Estate is held by the trustee in the trustee's name on behalf of CoLT, pursuant to the terms of the guaranteed investment contract with Pallas Capital Corporation.

   Pursuant to the terms of the contract, the 2007B Trust Estate receives investment income equal to the Securities Industry and Financial Markets Association index ("SIFMA") plus 0.85% related to the Debt Service Fund. This interest rate is guaranteed by Pallas Capital Corporation. Any deficiency in actual earnings (including capital gains and losses) as compared to the guaranteed earnings of the 2007B Trust is borne by Pallas Capital Corporation, while any excess is retained by Pallas Capital Corporation, as compensation for risks assumed and services rendered.

2. Bayerische Contract: As of June 30, 2010 and 2009, a portion of the Bond Proceeds Fund ($22,877 for both years), and a portion of the Fiduciary Fees Account ($17,500 and $103,000, respectively) of the 2007B Trust Estate are held by the Trustee in the Trustee's name on behalf of CoLT pursuant to the terms of the guaranteed investment contract with Bayerische.

   Pursuant to the terms of the Bayerische Contract, the 2008 Trust Estate receives investment income equal to the Securities Industry and Financial Markets Association index ("SIFMA ") plus 0.85% related to the Funds. The interest rate is guaranteed by Bayerische. Any deficiency in actual earnings (including capital gains and losses) as compared to the guaranteed earnings of the 2008 Trust is borne by Bayerische, while any excess is retained by Bayerische as compensation for risks assumed and services rendered.

3. Money Market Funds: As of June 30, 2010 and 2009, $2,366,560 and $1,923,311, respectively of the 2007B Trust Estate was invested in securities of The American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

Note L - 2008 Trust Estate Investments

1. DEPFA Bank Investment Agreement: As of June 30, 2010 and 2009, a portion of the Bond Proceeds Fund ($4,764 and $735,770, respectively), and the Fiduciary Fees Account ($76,500 and $136,500, respectively) of the 2008 Trust Estate are held by the trustee in the trustee's name on behalf of CoLT, pursuant to the terms of the guaranteed investment contract with DEPFA Bank.

   Pursuant to the terms of the contract, the 2008 Trust Estate receives interest at the Securities Industry and Financial Markets Association index ("SIFMA ") plus 0.55% for the funds. This interest rate is guaranteed. Any deficiency in actual earnings (including capital gains and losses) as compared to the guaranteed earnings of the 2008 Trust is borne by DEPFA Bank, while any excess is retained by DEPFA Bank, as compensation for risks assumed and services rendered.

Note L - 2008 Trust Estate Investments (Continued)

2. Bayerische Contract: As of June 30, 2010 and 2009, the Debt Service Fund ($3,000,000 for both years), a portion of the Revenue Fund ($478,208 and $368,719, respectively), and a portion of the Redemption Fund ($187,160 and $155,000, respectively) of the 2008 Trust Estate are held by the trustee in the trustee's name on behalf of CoLT, pursuant to the terms of the guaranteed investment contract with Bayerische.

   Pursuant to the terms of the Bayerische Contract, the 2008 Trust Estate receives interest at the Securities Industry and Financial Markets Association index ("SIFMA ") Swap Index plus 0.78% for the float funds and SIMFA Swap Index plus 1.04% for the Debt Service Fund. These interest rates are guaranteed. Any deficiency in actual earnings (including capital gains and losses) as compared to the guaranteed earnings of the 2008 Trust is borne by Bayerische, while any excess is retained by Bayerische as compensation for risks assumed and services rendered.

3. Money Market Funds: As of June 30, 2010 and 2009, $169,228 and $84,830, respectively of the 2008 Trust Estate was invested in securities of The American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

Note M - 2008 A2 Trust Estate Investments

1. Bayerische Contract: As of June 30, 2010 and 2009, a portion of the Bond Proceeds Fund ($18,821 and $19,514,407, respectively), and the Fiduciary Fees Account ($85,500 and $109,500, respectively) of the 2008 A2 Trust Estate are held by the trustee in the trustee's name on behalf of CoLT, pursuant to the terms of the guaranteed investment contract with Bayerische.

   Pursuant to the terms of the Bayerische Contract, the 2008 A2 Trust Estate receives interest at a fixed rate of 1.395% for the Bond Proceeds Fund and the Fiduciary Fees Account. The interest rate is guaranteed. Any deficiency in actual earnings (including capital gains and losses) as compared to the guaranteed earnings of the 2008 A2 Trust is borne by Bayerische, while any excess is retained by Bayerische as compensation for risks assumed and services rendered.

2. Certificate of Deposit: As of June 30, 2010 and 2009, $7,500,000 of the 2008 A2 Trust Estate was invested in a certificate of deposit at US Bank earning a fixed rate of 2.1%.

3. Money Market Funds: As of June 30, 2010 and 2009, $2,818,255 and $1,030,789, respectively of the 2008 A2 Trust Estate was invested in securities of The American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

4. Cash and Cash Equivalents: As of June 30, 2010 and 2009, $7,515 and $0 of the 2008 Trust Estate was invested in cash and cash equivalents.

Note N - Leases Receivable

As explained in Note A, CoLT was organized to make funds available for capital improvement projects and equipment purchases by Kentucky county governments and special districts. The future minimum lease payments receivable under these leases as of June 30, 2010 are as follows:

Year Ending June 30,	Amount
2011	$ 27,015,930
2012	18,620,648
2013	17,769,066
2014	16,927,455
2015	15,385,322
Thereafter	212,729,407
	$ 308,447,828

Interest income on leases is recognized using the effective interest method.

Technically, under Kentucky law, counties cannot commit to long-term debt. Thus, lease payments are subject to annual appropriation. Counties, however, have historically not defaulted or withdrawn from long-term agreements. Management believes certain processes and precedents are in place in state government to provide reasonable assurance that the leases will be honored by the counties as long-term, non-cancelable agreements.

Note O - Other Investments

These funds principally represent accumulated amounts transferred to the Program Discretionary Fund (see Note A).

As of June 30, 2010 and 2009, other investments included investments stated at fair value, as follows:

	Fair Value		Cost	
	2010	2009	2010	2009
Money market funds	$ 116,432	$ 137,178	$ 116,432	$ 137,178
Mutual funds				
Bond funds	-	1,100,423	-	1,110,561
Equity funds	3,565,890	2,809,114	3,980,443	3,943,340
	$ 3,682,322	$ 4,046,715	$ 4,096,875	$ 5,191,079

Note P - Bonds Payable

1. 1989 Series: On March 28, 1989, CoLT, through the County of Pendleton, Kentucky, issued $200,000,000 of Money Market Municipal Multi-County Lease Revenue Bonds (the 1989 Bonds) as described in Note A. In May 1993, $95,000,000 of the 1989 Bonds were permanently retired by CoLT. Substantially all assets of the 1989 Trust Estate are pledged to secure repayment of the 1989 Bonds. Repayment of the bonds has been guaranteed by Chase under the credit facility agreement described in Note B. The 1989 Bonds have various maturities and bear interest at various rates. The average interest rates for the years ended June 30, 2010 and 2009 were 0.29% and 1.27%, respectively.

   When the Bonds mature, they are redeemed, and sold with the assistance of the remarketing agent (see Note B) at the best terms available. The 1989 Bonds have a final maturity date of March 1, 2019, beyond which they may not be remarketed.

   Receipts of principal from leases and loans are deposited into dated Revolving Funds, which are established on six-month intervals. The amount held in each Revolving Fund at the close of the fund (six months after opening) must be used to permanently retire outstanding 1989 Bonds unless used for new leases or loans within three years of the opening of that Revolving Fund, unless an appropriate opinion of bond counsel is received which would require the funds to be investment-yield-restricted (see Note C).

2. 1993 Series: On March 10, 1993, CoLT, through the County of Pendleton, Kentucky, issued $100,000,000 of Multi-County Lease Revenue Bonds ("the 1993 Bonds"), as previously discussed, in two series as follows:

Amount	Interest Rate	Description
$ 90,000,000	6.5%	1993 Series A Bonds - redeemed July 2005
$ 10,000,000	6.4%	1993 Series B Bonds due March 1, 2019

   The 1993 Trust Estate, as defined in the trust indenture, has been pledged to secure repayment of the 1993 Bonds.

   The Series A Bonds were redeemed at par value in July 2005.

   The Series B Bonds are subject to mandatory redemption under either of the following circumstances:

   - On each March 1, in an amount equal to the aggregate principal component of leases due since the prior March 1.
   - Termination of a letter of credit consistent with that noted above for the Series A bonds.

Note P - Bonds Payable (Continued)

3. 1999 Series: On December 14, 1999, CoLT, through the County of Breckinridge, Kentucky, issued $50,000,000 of Bonds. The bonds were initially offered as Weekly Rate Bonds. Weekly Rate Bonds can be converted to Adjustable Rate Bonds or Fixed Rate Bonds. CoLT has the ability to redeem Weekly Rate Bonds on any business day, Adjustable Rate Bonds on any September 1 or March 1 (or, if not a business day, then the next business day), and Fixed Rate Bonds on any interest payment date that is 10 years from the fixed rate conversion date. During the years ended June 30, 2010 and 2009, $550,000 and $2,515,000, respectively, of the 1999 Bonds were permanently retired by CoLT. Substantially all assets of the 1999 Trust Estate are pledged to secure repayment of the 1999 Bonds. Repayment of the bonds has been guaranteed by US Bank under the Credit Facility agreement described in Note B. The average interest rates for the years ended June 30, 2010 and 2009 were 0.24% and 1.39%, respectively.

   When the Weekly Rate Bonds and the Adjustable Rate Bonds are redeemed, they are sold with the assistance of the remarketing agent (see Note B) at the best terms available. The 1999 Bonds have a final maturity date of December 1, 2029, beyond which they may not be remarketed.

4. 2001 Series: On February 8, 2001, CoLT, through the County of Breckinridge, Kentucky, issued $50,000,000 of Bonds. The bonds were initially offered as Weekly Rate Bonds. Weekly Rate Bonds can be converted to Adjustable Rate Bonds or Fixed Rate Bonds. CoLT has the ability to redeem Weekly Rate Bonds on any business day, Adjustable Rate Bonds on any September 1 or March 1 (or, if not a business day, then the next business day), and Fixed Rate Bonds on any interest payment date that is 10 years from the fixed rate conversion date. During the years ended June 30, 2010 and 2009, $760,000 and $4,875,000, respectively, of the 2001 Bonds were permanently retired by CoLT. Substantially all assets of the 2001 Trust Estate are pledged to secure repayment of the 2001 Bonds. Repayment of the bonds has been guaranteed by US Bank under the Credit Facility agreement described in Note B. The average interest rates for the years ended June 30, 2010 and 2009 were 0.24% and 1.37%, respectively.

   When the Weekly Rate Bonds and the Adjustable Rate Bonds are redeemed, they are sold with the assistance of the remarketing agent (see Note B) at the best terms available. The 2001 Bonds have a final maturity date of March 1, 2031, beyond which they may not be remarketed.

5. 2002 Series: On January 1, 2002, CoLT, through the County of Breckinridge, Kentucky, issued $100,000,000 of Bonds. The bonds were initially offered as Daily Rate Bonds. Daily Rate Bonds can be converted to Weekly Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds. CoLT has the ability to redeem Daily Rate Bonds and Weekly Rate Bonds the first business day of each month, Adjustable Rate Bonds on any September 1 or March 1 (or, if not a business day, then the next business day), and Fixed Rate Bonds on any interest payment date that is at least 10 years from the fixed rate conversion date. During the years ended June 30, 2010 and 2009, $1,765,000 and $8,100,000, respectively, of the 2002 Bonds were permanently retired by CoLT. Substantially all assets of the 2002 Trust Estate are pledged to secure repayment of the 2002 Bonds. Repayment of the bonds has been guaranteed by US Bank under the Credit Facility agreement described in Note B. The average interest rates for the years ended June 30, 2010 and 2009 were 0.21% and 0.90%, respectively.

Note P - Bonds Payable (Continued)

5. 2002 Series (Continued): When the Daily Rate Bonds, Weekly Rate Bonds, and the Adjustable Rate Bonds are redeemed, they are sold with the assistance of the remarketing agent (see Note B) at the best terms available. The 2002 Bonds have a final maturity date of February 1, 2032, beyond which they may not be remarketed.

6. 2004 Series: On September 1, 2004, CoLT, through the County of Shelby, Kentucky, issued $100,000,000 of Bonds. The bonds were initially offered as Daily Rate Bonds. Daily Rate Bonds can be converted to Weekly Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds. CoLT has the ability to redeem Daily Rate Bonds and Weekly Rate Bonds the first business day of each month, Adjustable Rate Bonds on any September 1 or March 1 (or, if not a business day, then the next business day), and Fixed Rate Bonds on any interest payment date that is at least 10 years from the fixed rate conversion date. During the fiscal years ended June 30, 2010 and 2009, $6,850,000 and $10,190,000, respectively, of the 2004 Bonds were permanently retired by CoLT. Substantially all assets of the 2004 Trust Estate are pledged to secure repayment of the 2004 Bonds. Repayment of the bonds has been guaranteed by US Bank under the Credit Facility agreement described in Note B. The average interest rates for the years ended June 30, 2010 and 2009 were 0.14% and 1.06%, respectively.

   When the Daily Rate Bonds, Weekly Rate Bonds, and the Adjustable Rate Bonds are redeemed, they are sold with the assistance of the remarketing agent (see Note B) at the best terms available. The 2004 Bonds have a final maturity date of September 1, 2034, beyond which they may not be remarketed.

7. 2007 Series: On April 1, 2007, CoLT, through the County of Christian, Kentucky, issued $50,000,000 of Bonds. The bonds were initially offered as Daily Rate Bonds. Daily Rate Bonds can be converted to Weekly Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds. CoLT has the ability to redeem Daily Rate Bonds and Weekly Rate Bonds the first business day of each month, Adjustable Rate Bonds on any September 1 or March 1 (or, if not a business day, then the next business day), and Fixed Rate Bonds on any interest payment date that is at least 10 years from the fixed rate conversion date. During the fiscal years ended June 30, 2010 and 2009, $3,430,000 and $3,110,000, respectively, of the 2007 Bonds were permanently retired by CoLT. Substantially all assets of the 2007 Trust Estate are pledged to secure repayment of the 2007 Bonds. Repayment of the bonds has been guaranteed by US Bank under the Credit Facility agreement described in Note B. The average interest rates for the years ended June 30, 2010 and 2009 were 0.21% and 1.09%, respectively.

   When the Daily Rate Bonds, Weekly Rate Bonds, and the Adjustable Rate Bonds are redeemed, they are sold with the assistance of the remarketing agent (see Note B) at the best terms available. The 2007 Bonds have a final maturity date of April 1, 2037, beyond which they may not be remarketed.

Note P - Bonds Payable (Continued)

8. 2007B Series: On August 1, 2007, CoLT, through the County of Christian, Kentucky, issued $70,000,000 of Bonds. The bonds were initially offered as Daily Rate Bonds. Daily Rate Bonds can be converted to Weekly Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds. CoLT has the ability to redeem Daily Rate Bonds and Weekly Rate Bonds the first business day of each month, Adjustable Rate Bonds on any September 1 or March 1 (or, if not a business day, then the next business day), and Fixed Rate Bonds on any interest payment date that is at least 10 years from the fixed rate conversion date. During the years ended June 30, 2010 and 2009, $2,765,000 and $1,400,000, respectively, of the 2007B Bonds were permanently retired by CoLT. Substantially all assets of the 2007B Trust Estate are pledged to secure repayment of the 2007B Bonds. Repayment of the bonds has been guaranteed by US Bank under the Credit Facility agreement described in Note B. The average interest rates for the years ended June 30, 2010 and 2009 were 0.21% and 0.99%, respectively.

   When the Daily Rate Bonds, Weekly Rate Bonds, and the Adjustable Rate Bonds are redeemed, they are sold with the assistance of the remarketing agent (see Note B) at the best terms available. The 2007B Bonds have a final maturity date of August 1, 2037, beyond which they may not be remarketed.

9. 2008 Series: On June 1, 2008, CoLT, through the County of Christian, Kentucky, issued $30,000,000 of Bonds. The bonds were initially offered as Daily Rate Bonds. Daily Rate Bonds can be converted to Weekly Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds. CoLT has the ability to redeem Daily Rate Bonds and Weekly Rate Bonds the first business day of each month, Adjustable Rate Bonds on any September 1 or March 1 (or, if not a business day, then the next business day), and Fixed Rate Bonds on any interest payment date that is at least 10 years from the fixed rate conversion date. During the years ended June 30, 2010 and 2009, $2,620,000 and $695,000, respectively, of the 2008 Bonds were permanently retired by CoLT. Substantially all assets of the 2008 Trust Estate are pledged to secure repayment of the 2008 Bonds. Repayment of the bonds has been guaranteed by US Bank under the Credit Facility agreement described in Note B. The average interest rates for the years ended June 30, 2010 and 2009 were 0.21% and 1.07%, respectively.

   When the Daily Rate Bonds, Weekly Rate Bonds, and the Adjustable Rate Bonds are redeemed, they are sold with the assistance of the remarketing agent (see Note B) at the best terms available. The 2008 Bonds have a final maturity date of June 1, 2038, beyond which they may not be remarketed.

Note P - Bonds Payable (Continued)

10. 2008 A2 Series: On December 1, 2008, CoLT, through the County of Trimble, Kentucky, issued $75,000,000 of Bonds. The bonds were initially offered as Daily Rate Bonds. Daily Rate Bonds can be converted to Weekly Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds. CoLT has the ability to redeem Daily Rate Bonds and Weekly Rate Bonds the first business day of each month, Adjustable Rate Bonds on any June 1 or December 1 (or, if not a business day, then the next business day), and Fixed Rate Bonds on any interest payment date that is at least 10 years from the fixed rate conversion date. During the year ended June 30, 2010 $1,800,000 of the 2008 A2 Bonds were permanently retired by CoLT. Substantially all assets of the 2008 A2 Trust Estate are pledged to secure repayment of the 2008 A2 Bonds. Repayment of the bonds has been guaranteed by US Bank under the Credit Facility agreement described in Note B. The average interest rates for the years ended June 30, 2010 and 2009 were 0.21% and 0.46%, respectively.

    When the Daily Rate Bonds, Weekly Rate Bonds, and the Adjustable Rate Bonds are redeemed, they are sold with the assistance of the remarketing agent (see Note B) at the best terms available. The 2008 Bonds have a final maturity date of December 1, 2038, beyond which they may not be remarketed.

Note Q - Fair Value of Financial Instruments

The Financial Accounting Standards Board ("FASB") issued a standard under the ASC which defines fair value and provides a framework for measuring fair value, and expands disclosures required for fair value measurements. The ASC also establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. These levels, in order of highest to lowest priority, are described below:

Level 1 - Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting CoLT's own assumptions.

Note Q - Fair Value of Financial Instruments (Continued)

The fair value standard under the ASC was adopted by CoLT for financial assets and liabilities as of July 1, 2008. Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of investments. The following is a description of the valuation methodologies used for assets measured at fair value:

<u>Short-Term and Variable Rate Financial Instruments</u> - Many of CoLT's financial instruments have short-term maturities or have interest rates which vary in the short-term. These include cash investments (except for fixed rate investment contracts), accrued interest receivable and payable, accrued expenses, and the Bonds. The fair values of such instruments approximate the respective carrying values. The fair value of the Bonds, together with the related swap contracts and leases, approximate the carrying value of these financial instruments (Level 1).

<u>Fixed Rate Investment Contracts and Related Financing</u> - These arrangements included in Notes D through M were negotiated and entered into in connection with specific financing transactions. Due to the uniqueness of these arrangements, the lack of transferability and the fact that the principal amount invested, in most cases, fluctuates over the term of the agreement, no market values are available. However, in management's opinion, the credit risk related to these agreements has not changed. Furthermore, the stated interest rates, terms and principal amounts on the financing obligations and related investment agreements have generally been correlated in such a way that changes in market interest rates should not have a material net impact on values (Level 2).

<u>Letter of Credit Agreement</u> - As described in Note B, CoLT, Chase, and US Bank are parties to letter of credit and reimbursement agreements to provide additional collateral for CoLT's 1989, 1999, 2001, 2002, 2004, 2007, 2007B, 2008, and 2008 A2 Bonds outstanding. These agreements are integral to the bond issue to which they relate and, as such, cannot be marketed separately. It is the opinion of management that any fair value related to these agreements has already been included in the fair values of the related bond issue.

<u>Other Investments</u> - The investments and instruments discussed in Notes D through M and Note O are recorded at fair value based on quoted market prices or values provided by brokerage firms based upon cash flow models (Levels 1 and 2).

Note Q - Fair Value of Financial Instruments (Continued)

The following table summarizes CoLT's assets and liabilities measured at fair value as of June 30, 2010:

Assets

	Level 1	Level 2	Total
Cash Equivalents	$ 20,395,719	$ -	$ 20,395,719
Fixed Rate Investment Contracts	-	118,514,572	118,514,572
Certificates of Deposit	7,500,000	-	7,500,000
Other Investments	3,682,322	-	3,682,322
	$ 31,578,041	$ 118,514,572	$ 150,092,613

Liabilities

	Level 1	Level 2	Total
Interest Rate Exchanges	$ -	$ (15,708,827)	$ (15,708,827)

The following table summarizes CoLT's assets and liabilities measured at fair value as of June 30, 2009:

Assets

	Level 1	Level 2	Total
Cash Equivalents	$ 11,673,838	$ -	$ 11,673,838
Fixed Rate Investment Contracts	-	136,714,169	136,714,169
Certificates of Deposit	7,500,000	-	7,500,000
Other Investments	2,946,292	1,100,423	4,046,715
	$ 22,120,130	$ 137,814,592	$ 159,934,722

Liabilities

	Level 1	Level 2	Total
Interest Rate Exchanges	$ -	$ (7,913,069)	$ (7,913,069)

Note R - Tax Status

The trust agreements state that all funds held are considered to be property of the public agencies participating in the Trusts. The Trusts intend to be instruments of the participating public agencies and only execute essential government functions. The income of the Trusts accrues to the benefit of the participating public agencies. As such, the income of CoLT is exempt from federal and state income taxes. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements related to the Trusts.

Further, under a "Special Section" of the Tax Reform Act of 1986, including technical corrections, CoLT and 12 other similar entities are allowed to retain investment income in excess of tax-exempt interest expense (known as "arbitrage") under certain circumstances, as provided in title trust documents, for use at CoLT's discretion (the Credit Facility Agreement limits such use to circumstances under which "Parity" exists). This Special Section relates to the 1989 Trust Estate only. The other CoLT Bonds are exempt from this Special Section.

The 1999, 2001, 2002, 2004, 2007, 2007B, 2008 and 2008 A2 Bonds are subject to the arbitrage rebate regulations included in the Internal Revenue Code. These regulations require arbitrage earnings be rebated to the United States to prevent a bond issuance from being classified as arbitrage bonds. The regulations include certain exceptions to the rebate payments. Accrued arbitrage rebates at June 30, 2010 and 2009 are $988,231 and $782,709, respectively.

During the year ended June 30, 2008, CoLT appealed the proposed adverse determination, consisting of a transmittal letter by the Internal Revenue Service regarding the taxability of the transactions of the 1993 Trust. An $84,000 settlement was agreed to and subsequently paid by CoLT during the year ended June 30, 2009.

The Subsidiary, for federal income tax purposes, is classified as an insurance company, other than a life insurance company, as described under Internal Revenue Code Section 831. The Subsidiary also qualifies under Code Section 834 for an alternative income tax calculation available to certain electing small insurance companies which have net premium income not exceeding $1,200,000. Under this election, the Subsidiary is taxed only on its net investment income. The Subsidiary is exempt from Kentucky corporate income taxes. Total income tax expense for the year ended June 30, 2010 and 2009 was $11,514 and $11,482, respectively.

The FASB has issued new standards, contained in the ASC, clarifying the accounting for uncertainty in income taxes recognized in an enterprise's financial statements for fiscal years beginning after December 31, 2008. These standards require recognition and measurement of uncertain income tax position using a "more-likely-than-not" approach. The standards also provide guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. CoLT adopted these standards, as required, and determined that no material adjustment for tax exposures or unrecognized tax benefits was required under the recognition and measurement and disclosure guidance of the new standard.

Note S - Concentrations

At June 30, 2010 and 2009, there are leases receivable outstanding of approximately $34,670,000 and $35,925,000 from one county which represents approximately 10% of leases receivable for each year.

Note T - Other Receivables

Other receivables represent additional amounts due under the LB contract (see Note D), but not included in the investment accounts. Amounts related to certain leases maturing June 30, 2009 were not replaced in the 1989 Trustee Estate investment accounts. These amounts are LB's obligation under the LB Contract.

Note U - Notes Receivable

In July 2005, CoLT loaned Bluegrass Water Supply Commission $165,000. This note accrues interest at a rate of 20% of the prime rate (0.65% at June 30, 2010). Payment of all interest and principal was due April 2010, however the terms were extended to make the note due on demand. The note and interest receivable balance was $172,110 as of June 30, 2010 and 2009.

The remaining balance in notes receivable as of June 30, 2010 and 2009 are related party notes, which are discussed in Note V below.

Note V - Related-Party Transactions

As discussed in Note A, CoLT and the Trusts are sponsored by KACo. From time to time in the ordinary course of business, CoLT enters into transactions with KACo affiliates. Members of CoLT's Board are also members of this organization.

For each of the years ended June 30, 2010 and 2009, CoLT paid $2,000 to KACo for licensing fees.

KACo collects management fees from CoLT for providing services necessary for the orderly and proper administration of CoLT. For the years ended June 30, 2010 and 2009, CoLT paid $582,926 and $202,121, respectively, to KACo for management fees.

In the fiscal years ended June 30, 2010 and 2009, CoLT entered into agreements with KACo, in which CoLT pays a quarterly fee to cover all program administration costs paid by KACo. These costs are those that are necessary for the operation of CoLT (management services, marketing services, and administrative services). Cash paid to KACo was $1,144,916 and $1,169,086 for the fiscal years ended June 30, 2010 and 2009, respectively. The related expense was $932,572 and $1,072,904 for the years ended June 30, 2010 and 2009, respectively. Under the agreement, differences between amounts incurred by CoLT and paid by KACo and the quarterly fee will be "trued up" after year end. As of June 30, 2010 and 2009, CoLT has recorded a receivable of $212,344 and $96,182, respectively, related to the "true-up".

Note V - Related-Party Transactions (Continued)

During the fiscal year ended June 30, 2009, CoLT made payments of $50,000 to the KACo guaranty fund, which holds funds for the organizations. In the event that they cannot sustain operations, they can borrow from this fund.

During the year ended June 30, 2009, KACo paid rebates to counties on behalf of CoLT 1989 trust estate in the amount of $100,721. These amounts have not been repaid to KACo, and are included in accrued expenses at June 30, 2010 and 2009.

During the fiscal year ended June 30, 2009, CoLT loaned $12,000,000 to KACo from the 2008 trust estate to construct a new building. As of June 30, 2010 and 2009, CoLT has $10,905,000 and $11,565,000, respectively, recorded as a lease receivable from KACo.

In 1999, CoLT loaned Kentucky Magistrates/Commissioners Association ("KMCA") approximately $20,500 to be used for the acquisition of certain property. In 2002, CoLT loaned KMCA approximately $31,100 for the acquisition of equipment. In 2004, CoLT loaned KMCA $45,260 to be used for the acquisition of equipment. As of June 30, 2010 and 2009, $11,393 and $18,871, respectively, remained outstanding and is reflected in the accompanying balance sheets in notes receivable. Members of CoLT's Board are also members of this organization. These advances are non-interest bearing and are due on demand.

CoLT also advanced member entities $255,000 during the fiscal year ended June 30, 2006. These advances are non-interest bearing and due on demand. These notes were paid in full during 2009.