

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel also is of the opinion that, under existing laws of the Commonwealth of Kentucky, interest on the Notes is excluded from the gross income of the recipients thereof for Kentucky income tax purposes and the Notes are exempt from ad valorem taxes by the Commonwealth of Kentucky and all political subdivisions thereof. See "TAX MATTERS" for a full description of the tax treatment of interest on the Notes.

\$400,000,000**KENTUCKY ASSET/LIABILITY COMMISSION
GENERAL FUND TAX AND REVENUE ANTICIPATION NOTES, 2019 SERIES A****Dated: Date of Delivery****Due: June 25, 2020****Interest Rate: 3.000%****Priced to Yield: 1.400%****CUSIP No.: 491189FY7***

The Kentucky Asset/Liability Commission (the "Commission") is issuing its General Fund Tax and Revenue Anticipation Notes, 2019 Series A (the "Notes") to finance General Fund cash flow requirements of the Commonwealth of Kentucky (the "Commonwealth") for the fiscal year ending June 30, 2020 ("Fiscal Year 2020"). The Notes are issuable only in fully registered form, without coupons, initially in denominations of \$100,000 and any integral multiple of \$5,000 above \$100,000. When issued the Notes will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Notes. Purchasers will not receive certificates representing their ownership interest in the Notes purchased. Accordingly, principal of and interest on the Notes will be paid by Zions Bancorporation, National Association, Pittsburgh, Pennsylvania, as Trustee, Registrar and Paying Agent (in such capacities, the "Trustee," "Registrar" and "Paying Agent"), directly to DTC or Cede & Co., its nominee. DTC will, in turn, remit or direct its nominee to remit such principal and interest to the DTC Participants (as defined herein) for subsequent distribution to the Beneficial Owners (as defined herein) of the Notes. See Exhibit D – BOOK-ENTRY-ONLY SYSTEM herein.

The Notes will bear interest at the annual rate shown above, computed on the basis of a 360-day year and 30-day months, accrued from the date of delivery. Principal of and interest on the Notes are payable at maturity. See "THE NOTES – General Provisions.

The Notes are not subject to redemption prior to their maturity.

The Notes are direct obligations of the General Fund of the Commonwealth and are payable from taxes and certain revenues collected by the Commonwealth during Fiscal Year 2020. The Notes are issued pursuant to a Trust Indenture dated as of July 1, 2019 between the Commission and the Trustee (the "Indenture"). As provided in the Indenture and under Kentucky law, taxes and revenues in amounts sufficient to pay the Notes and interest thereon are required to be deposited into the General Fund, which shall be held by the Finance and Administration Cabinet of the Commonwealth (the "Finance and Administration Cabinet") for the benefit of the Holders of the Notes. The Notes are secured under the Indenture. The holders of the Notes have a priority lien on all taxes and revenues required to be deposited into the General Fund. The Notes are special limited obligations of the Commission and are payable solely from the taxes and revenues pledged thereto. See "SECURITY FOR THE NOTES" herein.

The Notes are also secured by certain other funds and accounts pledged therefor and described herein. See "EXHIBIT B - SUMMARY OF CERTAIN PROVISIONS OF THE 2019 RESOLUTION AND THE INDENTURE" herein for a description of such funds and accounts.

The Notes are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by Kutak Rock LLP, Bond Counsel. Certain legal matters will be passed on for the Underwriter by its counsel, Dinsmore & Shohl LLP, Covington, Kentucky. It is expected that the Notes in definitive form will be available for delivery in New York, New York, on or about July 10, 2019.

J.P. MORGAN

Dated: June 25, 2019.

* Copyright 2019, CUSIP Global Services. CUSIP Global Services. CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by Standard & Poor's Capital IQ. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a Division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed are being provided solely for the convenience of the Noteholders only at the time of issuance of the Notes and the Commission does not make any representations with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Notes as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Notes.

This Official Statement does not constitute an offer to sell the Notes to any person, or the solicitation of an offer from any person to buy the Notes, in any jurisdiction where such offer or such solicitation of an offer to buy would be unlawful. The information set forth herein is provided by the Kentucky Asset/Liability Commission from sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation of the Underwriter. No dealer, salesman, or any other person has been authorized to give any information or to make any representation, other than those contained in this Official Statement, in connection with the offering contained herein, and, if given or made, such information or representation must not be relied upon as having been authorized by the Commonwealth of Kentucky or the Underwriter. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor the sale of any Notes shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date hereof. This Official Statement is submitted in connection with the issuance of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

If and when included in this Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates” and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions, and circumstances, many of which are beyond the control of the Commission. These forward-looking statements speak only as of the date of this Official Statement. The Commission disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Commission’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based.

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON CERTAIN EXEMPTIONS CONTAINED IN SUCH FEDERAL LAWS. THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION OR AUTHORITY, NOR HAS SUCH FEDERAL OR ANY STATE COMMISSION OR AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH TEND TO STABILIZE OR MAINTAIN THE MARKET PRICE FOR THE NOTES ABOVE THE LEVELS WHICH WOULD OTHERWISE PREVAIL. SUCH ACTIVITIES, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

KENTUCKY ASSET/LIABILITY COMMISSION

COMMISSION MEMBERS

William M. Landrum III, Secretary of the Finance and Administration Cabinet, Chair
Andrew G. Beshear, Attorney General
Allison Ball, State Treasurer
Edgar C. Ross, State Controller
John E. Chilton, State Budget Director

SECRETARY TO THE COMMISSION

Ryan Barrow, Executive Director of the Office of Financial Management

TRUSTEE

Zions Bancorporation, National Association
Pittsburgh, Pennsylvania

BOND COUNSEL

Kutak Rock LLP
Omaha, Nebraska

UNDERWRITER'S COUNSEL

Dinsmore & Shohl LLP
Covington, Kentucky

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SUMMARY

The following information is furnished solely to provide limited introductory information regarding the Kentucky Asset/Liability Commission (the “Commission”), and the Notes and does not purport to be comprehensive. Such information is qualified in its entirety by reference to the more detailed information and descriptions appearing elsewhere in this Official Statement and should be read together therewith. The terms used in this Summary and not otherwise defined shall have the respective meanings assigned to them elsewhere in this Official Statement. The offering of the Notes is made only by means of the entire Official Statement, including the Exhibits hereto. No person is authorized to make offers to sell, or solicit offers to buy, the Notes unless the entire Official Statement is delivered in connection therewith.

The Commission The Commission is an independent agency of the Commonwealth of Kentucky (the “Commonwealth”). See “THE KENTUCKY ASSET/LIABILITY COMMISSION” herein.

The Offering The Commission is offering its General Fund Tax and Revenue Anticipation Notes 2019 Series A in an aggregate principal amount of \$400,000,000 (the “Notes”). See “THE NOTES” herein.

Issuance Authority The Notes are being issued pursuant to Section 56.860 *et seq.* of the Kentucky Revised Statutes (the “Act”), a Resolution adopted by the Commission on May 15, 2019, the Trust Indenture dated as of July 1, 2019 (the “Indenture”), between the Commission and Zions Bancorporation, National Association, Pittsburgh, Pennsylvania, as trustee (the “Trustee”).

Use of Proceeds The proceeds of the Notes will be used by the Commonwealth to discharge expenditure demands on the General Fund of the Commonwealth (the “General Fund”) for the fiscal year ending June 30, 2020 (“Fiscal Year 2020”) in anticipation of taxes and revenues to be collected during Fiscal Year 2020 and to pay the costs of issuance of the Notes.

Security The Notes are not subject to appropriation and are direct obligations of the General Fund, payable from taxes and revenues collected by the Commonwealth. Under the Act, the Commonwealth is required to deposit collected taxes and revenues in amounts sufficient to pay the Notes and interest thereon into the General Fund. The Act provides that Revenues to be deposited to the General Fund shall be pledged for the repayment of Notes so long as any Notes remain outstanding. The Holders of the Notes shall have a priority lien on and security interest in all taxes and revenues required to be deposited into the General Fund. The lien on and security interest in taxes and revenues created by the Act and the Indenture is prior and superior to any other lien or security interest created by law or otherwise.

The Notes are also secured by certain other funds and accounts pledged therefor and described herein. See “EXHIBIT B - SUMMARY OF CERTAIN PROVISIONS OF THE 2019 RESOLUTION AND THE INDENTURE.”

THE NOTES ARE SPECIAL AND LIMITED OBLIGATIONS OF THE COMMISSION AND ARE PAYABLE SOLELY FROM THE TAXES AND REVENUES PLEDGED THERETO.

The Notes	The Notes will bear interest at the annual rate shown on the cover page hereof, computed on the basis of a 360-day year and 30-day months, accrued from the date of delivery. Principal of and interest on the Notes are payable at maturity. See “THE NOTES – General Provisions” herein.
Redemption	The Notes are <u>not</u> subject to redemption prior to their maturity.
Book-Entry Only	The Notes are issuable only as fully registered Notes, without coupons. The Notes are being offered in the authorized denominations of \$100,000 or any integral multiple of \$5,000 above \$100,000, at the rates shown on the cover page hereof. The Notes, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Notes. Purchasers will not receive certificates representing their ownership interest in the Notes purchased. So long as DTC or its nominee is the registered owner of the Notes, payments of the principal of and interest due on the Notes will be made directly to DTC. It is expected that delivery of the Notes will be made on or about July 10, 2019, through the facilities of DTC, against payment therefor.
Tax Status	In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Furthermore, Bond Counsel for the Notes is of the opinion that interest on the Notes is exempt from income taxation by the Commonwealth and the Notes are exempt from ad valorem taxation by the Commonwealth and any of its political subdivisions. See "TAX MATTERS" and Exhibit C – FORM OF BOND COUNSEL OPINION FOR THE NOTES.
Continuing Disclosure	The Notes are subject to Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended (the “Rule”). Subsections (b)(5)(C) and (d)(3) of the Rule generally prohibits an underwriter from purchasing or selling municipal securities with a maturity of less than eighteen (18) months in an initial offering unless it has determined that the issuer of such securities has committed to provide notice of certain listed events. To enable the purchaser to comply with the provisions of Rule 15c2-12, the Commission will enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) with the Trustee.
CUSIP No.	The CUSIP No. for the Notes is 491189FY7*.

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General

This Official Statement speaks only as of its date, and the information contained herein is subject to change. All summaries of documents and agreements in this Official Statement are qualified in their entirety by reference to such documents and agreements, copies of which are available from the Office of Financial Management.

Information

Information regarding the Notes is available by contacting the Office of Financial Management, 702 Capital Avenue, Suite 76, Frankfort, Kentucky 40601 (502) 564-2924 or the Representative of the Underwriter, J.P. Morgan Securities LLC, 383 Madison Avenue, New York, NY 10179, (212) 622-7000.

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OFFICIAL STATEMENT

\$400,000,000

KENTUCKY ASSET/LIABILITY COMMISSION GENERAL FUND TAX AND REVENUE ANTICIPATION NOTES, 2019 SERIES A

INTRODUCTION

This Official Statement, which includes the cover page, is being distributed by the Kentucky Asset/Liability Commission (the “Commission”) to furnish pertinent information to the purchasers of \$400,000,000 aggregate principal amount of its General Fund Tax and Revenue Anticipation Notes, 2019 Series A (the “Notes”). The Notes are being issued pursuant to Section 56.860 et seq. of the Kentucky Revised Statutes (the “Act”), a Resolution adopted by the Commission on May 15, 2019 (the “2019 Resolution”) and the Trust Indenture dated as of July 1, 2019 (the “Indenture”), between the Commission and Zions Bancorporation, National Association, Pittsburgh, Pennsylvania, as trustee (the “Trustee”).

The proceeds of the Notes will be used by the Commonwealth of Kentucky (the “Commonwealth”) to discharge expenditure demands on the General Fund of the Commonwealth (the “General Fund”) for the fiscal year ending June 30, 2020 (“Fiscal Year 2020”) in anticipation of taxes and revenues to be collected during Fiscal Year 2020 and to pay the costs of issuance of the Notes.

The Notes are payable as described under the caption “THE NOTES” herein. The Notes are secured by the sources discussed under the caption “SECURITY FOR THE NOTES” herein.

The summaries and references to the Act, the Indenture and the Notes included in this Official Statement do not purport to be comprehensive or definitive, and such summaries and references are qualified in their entirety by reference to each such document, copies of which are available for inspection at the Office of Financial Management (“OFM”), 702 Capital Avenue, Room 76, Frankfort, Kentucky 40601, (502) 564-2924 or, during the initial offering period, at the office of J.P. Morgan Securities LLC, 383 Madison Avenue, New York, NY 10179, (212) 622-7000.

Capitalized terms used in this Official Statement and not otherwise defined will have the meanings given them under the caption “DEFINITIONS” herein, in the 2019 Resolution or in the Indenture.

THE NOTES

General Provisions

The Notes will bear interest at the annual rate shown on the cover page hereof, computed on the basis of a 360-day year and 30-day months, accrued from the date of delivery. Principal of and interest on the Notes will be payable at the maturity date shown on the cover hereof.

The Notes will be issued in fully registered form, without coupons, initially in denominations of \$100,000 and integral multiples of \$5,000 above \$100,000. Principal of and interest on the Notes are payable in lawful money of the United States to the registered holder of the Notes, Cede & Co., as nominee of The Depository Trust Company (“DTC”) in New York, New York. See Exhibit D – BOOK-ENTRY-ONLY SYSTEM.

Redemption

The Notes are not subject to redemption prior to their maturity.

Authorization

The Notes are being issued pursuant to the Act. The Commission held a meeting on May 15, 2019 and at that meeting adopted the 2019 Resolution, which (i) authorized the Indenture and (ii) authorized and approved the issuance of up to \$400,000,000 in outstanding principal amount of Notes, subject to approval by a representative of OFM acting as authorized officer of the Commission (the “Authorized Officer”).

Book-Entry-Only System

The Notes will be issued as fully registered notes, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Notes. Purchasers will not receive certificates representing their ownership interest in the Notes purchased. So long as DTC or its nominee is the registered owner of the Notes, payments of the principal of and interest due on the Notes will be made directly to DTC. For a description of the book-entry-only system, see Exhibit D hereto.

SECURITY FOR THE NOTES

General

The Notes are direct obligations of the General Fund of the Commonwealth and are payable from taxes and revenues collected by the Commonwealth. Under the Act, the Commonwealth is required to deposit collected taxes and revenues in amounts sufficient to pay the Notes and interest thereon into the General Fund. The Act provides that Revenues to be deposited to the General Fund shall be pledged for the repayment of Notes so long as any Notes remain outstanding. The Act further provides that the lien on and security interest in taxes and revenues created by the Act and Indenture is prior and superior to any other lien or security interest created by law or otherwise.

Repayment of the Notes is not subject to appropriation of funds by the General Assembly, but solely from the taxes and revenues pledged thereto.

The Notes are also secured by certain other funds and accounts pledged therefor and described herein. See “EXHIBIT B - SUMMARY OF CERTAIN PROVISIONS OF THE 2019 RESOLUTION AND THE INDENTURE” herein for a description of such funds and accounts.

Limited Obligations of the Commission

The Notes are special and limited obligations of the Commission. The Notes are payable solely from the taxes and revenues pledged thereto, as described above.

Estimated Taxes and Revenues

The Commonwealth utilizes a consensus forecasting process as prescribed by KRS Chapter 48.115 to develop detailed revenue estimates as defined in the Act (the “Estimated Revenues”) for the General Fund. The Biennial Budget of the Commonwealth is based upon the Official Estimate as determined by the Consensus Forecasting Group (the “CFG”). The CFG is comprised of six individuals jointly nominated by the Executive Branch and the Legislative Branch. The forecast is provided on a preliminary basis by October 15 of each odd numbered year and in final form by the fifteenth legislative day of each even numbered year session of the General Assembly. The Legislative Research Commission or the State Budget Director can convene the CFG as the need arises to review and revise the forecast. On December 15, 2017 the CFG met and determined the Official Estimate for the General Fund of \$11,290,000,000 for Fiscal Year 2020. Tax reform measures from the 2019 General Assembly increased

the legislatively enacted estimate to \$11,487,500,000. See “THE COMMONWEALTH - Consensus Forecasting Group; Official Revenue Forecasts” herein.

The Governor’s Office for Economic Analysis has day-to-day responsibility for monitoring receipts activity. The staff prepares the monthly receipts report that is required by law and also prepares the Quarterly Economic and Revenue Report (the “Report”). The Report provides a review of the most recently concluded quarter of activity and also contains a staff analysis of the expected receipts for a period nine months into the future. This information is distributed to the executive, judicial and legislative branches of state government and others.

Table 1 shows General Fund Total Receipts since Fiscal Year 2009-10. Table 2 shows Projected General Fund Revenues & Expenditures by month for Fiscal Year 2020 prepared by OFM, which has a projected maximum cumulative cashflow deficit for the General Fund for Fiscal Year 2020 occurring in August 2019 of \$1,185,215,775 (excluding Note proceeds). Table 3 shows General Fund Revenues & Expenditures by month for Fiscal Year 2019 (June is an estimate). The cumulative cashflow deficit calculation is based upon ten years of historical daily General Fund cash balance data. The Commission has sized the issue of Notes with the expectation that the applicable requirements of the Code and the Treasury Regulations promulgated thereunder will be achieved.

Table 1
General Fund Total Receipts

<u>Fiscal Year</u>	<u>Total Receipts</u>	<u>Percent Change</u>
2018-19	\$11,402,866,370 ¹	5.2%
2017-18	10,838,200,084	3.4
2016-17	10,477,848,874	1.3
2015-16	10,338,884,795	3.7
2014-15	9,966,630,897	5.3
2013-14	9,462,035,017	1.2
2012-13	9,348,326,000	2.8
2011-12	9,090,954,546	3.8
2010-11	8,759,442,646	6.5
2009-10	8,225,127,620	-2.4

¹ Actual Fiscal Year-to-date 2019 receipts plus an OFM estimate for June 2019.

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TABLE 2

FY 2020 PROJECTED GENERAL FUND REVENUES & EXPENDITURES

Beginning Undesignated Cash Balance	\$193,133,396 ¹	\$(86,442,647)	\$(871,658,422)	\$(547,942,597)	\$(892,064,369)	\$(737,951,254)	\$(92,313,974)	\$(297,125,412)	\$(305,674,063)	\$(226,151,156)	\$(244,215,082)	\$(169,949,860)	
Revenue Source	July	August	September	October	November	December	January	February	March	April	May	June	Total
Sales Tax	\$358,514,852	\$319,289,156	\$337,941,763	\$339,128,367	\$333,789,772	\$344,773,161	\$396,274,198	\$269,898,801	\$301,127,118	\$364,957,918	\$327,412,719	\$362,907,175	\$4,056,015,000
Corporate Income Tax	31,900,139	6,288,217	163,680,574	30,086,633	10,092,211	148,272,534	21,786,122	3,297,025	49,804,911	115,499,267	4,203,096	182,689,272	767,600,000
Individual Income Tax	346,201,315	337,651,240	453,511,238	359,259,136	325,361,592	442,130,156	433,480,798	411,533,764	195,545,293	635,212,608	270,222,663	451,090,197	4,661,200,000
Coal Severance Tax	6,212,457	5,963,710	6,188,028	5,616,412	4,951,804	4,929,017	5,424,553	6,136,259	4,610,875	4,956,537	4,456,480	5,653,868	65,100,000
Cigarette Tax	23,739,894	31,753,179	25,671,883	23,615,193	24,477,921	27,065,882	21,115,575	23,891,216	27,811,674	22,962,413	28,225,222	31,669,948	312,000,000
Property Tax	14,585,868	26,300,333	13,961,970	13,674,656	182,282,823	174,277,043	83,537,365	29,099,576	26,725,498	25,338,381	24,813,028	20,503,459	635,100,000
Lottery	17,707,510	18,719,368	19,225,296	20,237,154	21,249,012	20,743,083	19,731,225	20,237,154	20,237,154	20,743,083	21,249,012	35,920,949	256,000,000
Misc. Taxes and Revenues	44,935,227	31,121,824	66,140,950	56,047,927	57,598,384	36,234,584	32,380,579	70,801,900	161,000,051	33,293,041	71,028,619	48,416,914	709,000,000
TRAN Proceeds	400,000,000												400,000,000
TRAN Interest Earnings													8,471,667
Total General Fund Revenues	\$1,243,797,262	\$777,087,027	\$1,086,321,702	\$847,665,478	\$959,803,518	\$1,198,425,460	\$1,013,730,415	\$834,895,696	\$786,862,574	\$1,222,963,248	\$751,610,839	\$1,147,323,448	\$11,870,486,667
General Fund Expenditures	July	August	September	October	November	December	January	February	March	April	May	June	Total
Postsecondary Education	\$154,556,785	\$102,141,945	\$114,964,960	\$149,536,628	\$53,975,548	\$45,879,720	\$212,162,438	\$73,866,210	\$46,991,787	\$130,425,046	\$23,661,526	\$29,541,905	\$1,137,704,500
Education	476,360,061	316,246,711	268,158,994	393,066,999	301,015,404	280,093,448	382,893,798	309,926,992	284,892,897	398,050,688	358,910,872	354,637,636	4,124,254,500
Health and Family Services	427,368,772	300,656,095	228,670,073	291,626,352	293,670,871	97,177,814	273,692,253	282,399,698	227,005,860	262,871,239	144,656,864	41,541,907	2,871,337,800
Other Government	465,087,686	843,258,051	150,811,850	357,557,271	157,028,579	129,637,197	349,793,364	177,251,448	148,449,123	449,680,200	150,116,354	88,885,978	3,467,557,100
TRAN Principal Repayment													400,000,000
TRAN Interest Repayment													8,471,667
Total Expenditures	\$1,523,373,305	\$1,562,302,802	\$762,605,877	\$1,191,787,250	\$805,690,402	\$552,788,180	\$1,218,541,854	\$843,444,348	\$707,339,667	\$1,241,027,174	\$677,345,616	\$923,079,093	\$12,009,325,567
Revenue Less Expenditures	\$(279,576,043)	\$(785,215,775)	\$323,715,825	\$(344,121,772)	\$154,113,115	\$645,637,280	\$(204,811,438)	\$(8,548,651)	\$79,522,907	\$(18,063,926)	\$74,265,223	\$224,244,356	\$(138,838,900)
General Fund Other													
Interfund Transfers ²													315,851,900
Continuing Appropriation Changes ³													(91,577,217)
Abandoned Property													(2,000,000)
Total Other	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$222,274,684
Ending Undesignated Cash Balance	\$(86,442,647)	\$(871,658,422)	\$(547,942,597)	\$(892,064,369)	\$(737,951,254)	\$(92,313,974)	\$(297,125,412)	\$(305,674,063)	\$(226,151,156)	\$(244,215,082)	\$(169,949,860)	\$276,569,179	\$276,569,179

¹ FY 2020 Beginning Undesignated Cash Balance is the estimated ending Undesignated Cash Balance from FY 2019 and does not include any ending FY 2019 Budget Reserve Trust Fund amount or General Fund cash reserved for Continuing Appropriations.

² Net transfers between the General Fund and State Agency accounts.

³ General Fund dollars reserved at the end of a fiscal year for appropriation in the next fiscal year and is represented in this table as the net change within a fiscal year.

TABLE 3

FY 2019 GENERAL FUND REVENUES & EXPENDITURES

Beginning Undesignated Cash Balance													
	\$ 29,040,350 ¹	\$(1,090,843,815)	\$(1,184,628,946)	\$(927,492,591)	\$(1,276,779,363)	\$(1,098,197,041)	\$(622,913,081)	\$(968,038,822)	\$(905,214,545)	\$(615,239,597)	\$(607,220,646)	\$(562,534,428)	
Revenue Source	(Actual) July	(Actual) August	(Actual) September	(Actual) October	(Actual) November	(Actual) December	(Actual) January	(Actual) February	(Actual) March	(Actual) April	(Actual) May	(Projected) June	Total
Sales Tax	\$330,846,618	\$324,742,902	\$321,742,093	\$311,318,456	\$336,159,243	\$338,661,526	\$386,784,682	\$256,984,500	\$284,412,927	\$364,240,491	\$339,929,310	\$348,421,295	\$3,944,244,043
Corporate Income Tax	33,807,984	5,837,438	155,142,468	26,607,492	11,168,787	134,430,790	12,697,799	(4,743,754)	66,928,239	174,364,589	10,834,713	138,376,723	765,453,268
Individual Income Tax	343,869,817	318,162,864	453,905,768	351,334,229	318,285,776	398,750,917	345,584,347	443,083,561	216,558,801	625,825,017	306,529,955	436,603,599	4,558,494,651
Coal Severance Tax	5,184,928	7,765,577	7,003,868	6,998,810	6,413,584	6,392,468	6,246,161	10,480,432	9,427,169	8,923,113	8,869,042	7,006,881	90,712,033
Cigarette Tax	39,449,272	36,170,698	36,303,697	27,473,593	33,900,377	24,939,242	29,415,826	27,948,865	26,383,850	31,318,140	32,174,283	28,815,826	374,293,669
Property Tax	12,553,323	17,463,298	18,557,126	21,598,333	180,654,921	179,987,981	86,859,892	28,526,940	28,110,076	28,640,550	27,703,052	19,633,465	650,288,957
Lottery	18,000,000	19,000,000	19,500,000	20,500,000	24,646,017	21,000,000	19,500,000	20,000,000	21,500,000	21,500,000	21,500,000	35,353,983	262,000,000
Misc. Taxes and Revenues	46,524,807	30,714,265	65,181,085	60,166,916	61,340,441	26,966,169	37,461,703	77,165,678	166,755,378	35,131,825	102,442,073	47,529,408	757,379,748
Total General Fund Revenue	\$830,236,749	\$759,857,042	\$1,077,336,105	\$825,997,829	\$972,569,146	\$1,131,129,093	\$924,550,410	\$859,446,222	\$820,076,440	\$1,289,943,725	\$849,982,428	\$1,061,741,181	\$11,402,866,370
General Fund Expenditures	July	August	September	October	November	December	January	February	March	April	May	June	Total
Postsecondary Education	\$177,677,278	\$98,709,812	\$84,846,227	\$187,754,280	\$37,243,523	\$36,358,447	\$224,274,543	\$68,214,983	\$30,230,595	\$135,733,057	24,777,972	\$53,633,500	\$1,159,454,216
Education	490,324,414	302,569,412	304,387,938	333,860,178	306,530,202	273,124,746	377,368,672	307,477,495	266,744,675	395,141,342	364,702,306	365,514,300	4,087,745,680
Health and Family Services	275,982,987	270,190,067	264,949,054	272,946,376	282,988,926	199,081,727	264,486,918	256,802,123	83,840,586	248,449,191	248,972,249	85,434,900	2,754,125,104
Other Government	1,006,136,235	182,172,882	166,016,530	380,723,767	167,224,173	147,280,213	403,546,018	164,127,344	149,285,636	502,601,185	166,843,683	133,317,861	3,569,275,528
Total Expenditures	\$1,950,120,915	\$853,642,173	\$820,199,750	\$1,175,284,601	\$793,986,824	\$655,845,133	\$1,269,676,151	\$796,621,945	\$530,101,492	\$1,281,924,774	\$805,296,210	\$637,900,561	\$11,570,600,528
Revenue Less Expenditures	\$(1,119,884,166)	\$(93,785,131)	\$257,136,355	\$(349,286,772)	\$178,582,322	\$475,283,960	\$(345,125,741)	\$62,824,277	\$289,974,948	\$8,018,951	\$44,686,218	\$423,840,620	\$(167,734,158)
General Fund Other													
Interfund Transfers ²	-	-	-	-	-	-	-	-	-	-	-	\$303,570,100	\$303,570,100
Continuing Appropriation Changes ³	-	-	-	-	-	-	-	-	-	-	-	30,257,104	30,257,104
Abandoned Property	-	-	-	-	-	-	-	-	-	-	-	(2,000,000)	(2,000,000)
Total Other												\$331,827,204	\$331,827,204
Ending Undesignated Cash Balance													
	\$(1,090,843,815)	\$(1,184,628,946)	\$(927,492,591)	\$(1,276,779,363)	\$(1,098,197,041)	\$(622,913,081)	\$(968,038,822)	\$(905,214,545)	\$(615,239,597)	\$(607,220,646)	\$(562,534,428)	\$193,133,396	\$193,133,396

¹ FY 2019 Beginning Undesignated Cash Balance of \$29,040,350 is the ending Undesignated Cash Balance from FY 2018 and does not include the ending FY 2018 Budget Reserve Trust Fund amount of \$93,779,983 or General Fund cash reserved for Continuing Appropriations.

² Net transfers between the General Fund and State Agency accounts.

³ General Fund dollars reserved at the end of a fiscal year for appropriation in the next fiscal year and is represented in this table as the net change within a fiscal year.

SOURCES AND USES OF FUNDS

Sources and Uses of Funds

The sources and uses of funds are to be applied as follows:

Sources

Par Amount of Notes	\$400,000,000.00
Net Original Issue Premium	<u>6,052,000.00</u>
Total Sources	\$406,052,000.00

Uses

Deposit to Proceeds Fund	\$405,348,360.00
Cost of Issuance ¹	<u>703,640.00</u>
Total Uses	\$406,052,000.00

¹ Includes underwriter's discount, legal fees, printing costs, rating agency fees, trustee fees, and other expenses of the issuance and offering of the Notes.

THE COMMONWEALTH

The Commonwealth of Kentucky, nicknamed the Bluegrass State, was the first state west of the Alleghenies to be settled by pioneers. Kentucky is bounded by the Ohio River to the north and the Mississippi River to the west, and is bordered by the States of Illinois, Indiana, Ohio, West Virginia, Tennessee, Missouri and the Commonwealth of Virginia.

The Kentucky economy has become a diversified, modern, international economy illustrated by the fact that Kentucky's international exports reached an all-time high for a fourth consecutive year with \$31.76 billion in goods and services shipped abroad from the Commonwealth in 2018, and recessionary employment declines in these sectors were more muted in Kentucky than the national equivalent. The Commonwealth's parks, horse breeding and racing industry, symbolized by the Kentucky Derby, play an important role in branding and expanding the tourism industry in the Commonwealth.

As indicated in the Commonwealth of Kentucky Quarterly Economic & Revenue Report Third Quarter Fiscal Year 2019, Kentucky personal income grew 4.5 percent during the third quarter of Fiscal Year 2019, which is above the national growth of 4.2 percent. Transfer receipts income was the fastest growing personal income component while dividends, interest and rent was the slowest growing component. Transfer receipts income growth has been "high" for multiple quarters, growing 7.0 percent over the third quarter of Fiscal Year 2018. Supplements to wages and salaries grew by 3.4 percent in the third quarter of Fiscal Year 2019.

Kentucky non-farm employment grew by 1.1 percent in the third quarter of Fiscal Year 2019. This represents a net gain of 21,500 seasonally adjusted jobs. Adjacent-quarter growth has increased steadily over the last seven quarters. All employment sectors in Kentucky contributed to job gains in the third quarter except information services and government which produced a decline of 1,800 jobs. Government employment contraction was expected and has followed classic counter cyclic trends following the 2007 recession recovery. Information services employment is the second smallest employment sector in Kentucky, making up only 1.2 percent of total non-farm employment.

The Commonwealth's economic outlook reflects a positive trajectory for the remaining quarter of Fiscal Year 2019 and into the first half of Fiscal Year 2020. The wages and salaries component of

personal income is expected to grow 4.5 percent in the fourth quarter of Fiscal Year 2019 compared to the same period in the prior year. Looking ahead, wages and salaries are expected to increase 4.7 percent in the first half of Fiscal Year 2020. The continued rise in personal income, in combination with low unemployment, indicates the recent trend of economic stability is likely to continue in the near term.

Financial Information Regarding the Commonwealth

Information regarding debt issuing authorities of the Commonwealth is included in EXHIBIT A.

The Commonwealth annually publishes The Kentucky Comprehensive Annual Financial Report (the “CAFR”) with respect to the Fiscal Year of the Commonwealth most recently ended. The CAFR includes certain financial statements of the Commonwealth, as well as general financial information pertaining to the Accounting System and Budgetary Controls, Debt Administration, Cash Management, Risk Management, General Fund Budgetary Basis and Governmental Funds GAAP Basis. In addition, the Notes to Financial Statements as set forth in the CAFR contain information regarding the basis of preparation of the Commonwealth’s financial statements, Funds and Pension Plans. The “Statistical Section” of the CAFR includes information on Commonwealth revenue sources, Commonwealth expenditures by function, taxes and tax sources, taxable property, assessed and estimated values, property tax, levies and collections, demographic statistics (population, per capita income and unemployment rate), construction and bank deposits, sources of personal income and largest Commonwealth manufacturers.

Certain Financial Information Incorporated by Reference

The CAFR for the Fiscal Year ended June 30, 2018 is incorporated herein by reference. The Commonwealth has filed the CAFR for the Fiscal Year ended June 30, 2018 with the following Nationally Recognized Municipal Securities Information Repository (“NRMSIR”) in accordance with Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”):

Municipal Securities Rulemaking Board
Electronic Municipal Market Access System (“EMMA”)
Internet: <http://emma.msrb.org>

A copy of the CAFR for the Fiscal Year ended June 30, 2018 may be obtained from EMMA. Additionally, the CAFR for the Fiscal Year ended June 30, 2018 and certain other fiscal years may be found on the Internet:

<http://finance.ky.gov/services/statewideacct/Pages/ReportsandPublications.aspx>

Only information contained on the Internet web page identified above is incorporated herein and no additional information that may be reached from such page by linking to any other page should be considered to be incorporated herein.

The Commission will enter into a Continuing Disclosure Agreement (as hereinafter defined) in order to enable the Underwriter to comply with the provisions of Rule 15c2-12. See “CONTINUING DISCLOSURE” and “EXHIBIT E – FORM OF CONTINUING DISCLOSURE AGREEMENT” herein. In addition, ongoing financial disclosure regarding the Commonwealth will be available through the filing by the Commonwealth of two documents entitled *The Kentucky Comprehensive Annual Financial Report* and *Supplementary Information to the Kentucky Comprehensive Annual Financial Report* (or successor reports) with EMMA as required under Rule 15c2-12.

Fiscal Year 2016

The Commonwealth’s combined net position (governmental and business-type activities) totaled (\$14.6) billion at the end of Fiscal Year 2016, as compared to (\$14) billion at the end of the previous year.

The largest portion of the Commonwealth's net position, \$22.2 billion, is net investment in capital assets (e.g. land, infrastructures, buildings and improvements, and machinery and equipment), minus any related debt, which is still outstanding and used to acquire those assets. The Commonwealth uses these capital assets to provide services to its citizens; therefore these assets are not available for future spending.

The second largest portion of the Commonwealth's net position, totaling \$1.2 billion, is restricted and represents resources that are subject to either external restrictions or legislative restrictions on how they may be used. The remaining balance is unrestricted net position. The unrestricted net position, if it has a positive value, could be used at the Commonwealth's discretion. However, the unrestricted balance is (\$38) billion; therefore funds are not available for discretionary purposes. A contributing factor to the negative balance is that liabilities are recognized on the government-wide statement of net position when the obligation is incurred. Accordingly, the Commonwealth recognizes long-term liabilities (such as general bonded debt, compensated absences, unfunded employer pension cost, and contingent liabilities) on the statement of net position.

The Commonwealth received program revenues of \$15 billion and general revenues (including transfers) of \$12.1 billion for total revenues of \$27.1 billion during Fiscal Year 2016. Expenses for the Commonwealth during Fiscal Year 2016 were \$27.6 billion, which resulted in a total decrease of the Commonwealth's net position in the amount of \$553.6 million, net of contributions, transfers and special items.

The change in net position resulted in a decrease from the previous year. The decrease in net position of governmental activities was (\$922.2) million or 6.52 percent. Approximately 47.5 percent of the governmental activities' total revenue came from taxes, while 44.2 percent resulted from grants and contributions (including federal aid). Overall, program revenues were insufficient to cover program expenses for governmental activities. Therefore, the net program expenses of these governmental activities were supported by general revenues, mainly taxes.

As of the close of Fiscal Year 2016, the Commonwealth's governmental funds reported combined ending fund balances of \$2.3 billion, a net decrease of \$301.6 million in comparison with the prior year. \$96.9 million is nonspendable and is comprised of inventories, notes receivables, cash with fiscal agents, and restricted cash that must remain intact. \$1.8 billion is restricted for certain purposes and is not available to fund current operations. \$402.6 million is considered unrestricted (committed, assigned, or unassigned). When the unrestricted balance is positive it is available for spending either at the government's discretion or upon legislative approval.

The General Fund balance at June 30, 2016, was \$355 million. The balance reported reflects an increase of \$250.6 million from the previously reported amount, which represents an increase of 240 percent. The major factor for the increase in fund balance is an increase in revenues of \$346 million or 3.4 percent.

The General Fund balance is segregated into nonspendable and spendable amounts with the spendable amounts further segregated as restricted, committed, assigned, and unassigned. Inventory of \$5.5 million represents the nonspendable amount. The unrestricted had a balance of \$349.6 million, therefore is available for spending at the government's discretion or upon legislative approval.

The major special revenue funds experienced normal cyclical changes in revenues and expenditures, except for the Federal Fund, which experienced an increase in intergovernmental revenues of \$684.2 million. Expenditures increased by very small amounts across a majority of all functions, except for the Cabinet for Health and Family Services (CHFS) which experienced an increase in expenditures of \$587.8 million. The federal receipts and expenditures for CHFS were approximately \$9 billion resulting in a 5.8 percent increase in expenditures for total federal expenditures which is within a

normal change for an agency of this size. The Transportation Fund experienced a slight decrease in revenues due to decreased tax receipts and an increase in expenditures, resulting in a decrease in fund balance of \$114.3 million.

The Commonwealth's bonded debt increased by \$340.2 million to \$6.5 billion, a 5.5 percent increase during Fiscal Year 2016. The major factors in this increase are the issuance of new debt to advance refund debt outstanding to reduce future interest cost and the issuance of new debt to fund new projects authorized during Fiscal Year 2016. No general obligation bonds were authorized or outstanding at June 30, 2016.

Fiscal Year 2017

The Commonwealth's combined net position (governmental and business-type activities) totaled (\$15.8) billion at the end of Fiscal Year 2017, as compared to (\$14.6) billion at the end of the previous year.

The largest portion of the Commonwealth's net position, \$23 billion, is net investment in capital assets (e.g. land, infrastructures, buildings and improvements and machinery and equipment), minus any related debt, which is still outstanding and used to acquire those assets. The Commonwealth uses these capital assets to provide services to its citizens; therefore, these assets are not available for future spending. The second largest portion of the Commonwealth's net position, totaling \$1.5 billion, is restricted and represents resources that are subject to either external restrictions or legislative restrictions on how they may be used. The remaining balance is unrestricted net position. The unrestricted net position, if it has a positive value, could be used at the Commonwealth's discretion. However, the unrestricted balance is (\$40.2) billion; therefore, funds are not available for discretionary purposes. A contributing factor to the negative balance is that liabilities are recognized on the government-wide statement of net position when the obligation is incurred. Accordingly, the Commonwealth recognizes long-term liabilities (such as general bonded debt, compensated absences, unfunded employer pension cost, and contingent liabilities-shown in Note 15 to the financial statements) on the statement of net position.

The Commonwealth received program revenues of \$14.9 billion and general revenues (including transfers) of \$12.3 billion for total revenues of \$27.2 billion during Fiscal Year 2017. Expenses for the Commonwealth during Fiscal Year 2017 were \$28.4 billion, which resulted in a total decrease of the Commonwealth's net position in the amount of \$1.2 billion, net of contributions, transfers and special items.

The change in net position resulted in a decrease from the previous year. The decrease in net position of governmental activities was \$1.45 billion or 9.6 percent. Approximately 47.8 percent of the governmental activities' total revenue came from taxes, while 43.7 percent resulted from grants and contributions (including federal aid). Overall, program revenues were insufficient to cover program expenses for governmental activities. Therefore, the net program expenses of these governmental activities were supported by general revenues, mainly taxes.

At June 30, 2017, the Commonwealth's governmental funds reported combined ending fund balances of \$2.1 billion, a net decrease of \$232.6 million in comparison with the prior year. \$97 million is non-spendable and is comprised of inventories, notes receivables, cash with fiscal agents, and restricted cash that must remain intact. The \$1.9 billion is restricted for certain purposes and is not available to fund current operations. The \$91.2 million is considered unrestricted (committed, assigned, or unassigned). When the unrestricted balance is positive it is available for spending either at the government's discretion or upon legislative approval.

The General Fund balance at June 30, 2017, was \$6.2 million. The balance reported reflects a decrease of \$349 million from the previously reported amount, which represents a decrease of 98.3%. The major factor for the decrease in fund balance is an increase in expenditures of \$880 million or 9.2%.

The General Fund balance is segregated into non-spendable and spendable amounts with the spendable amounts further segregated as restricted, committed, assigned, and unassigned. Inventory of \$6.2 million represents the non-spendable amount. The unrestricted had a balance of \$55 thousand, therefore is available for spending at the government's discretion or upon legislative approval.

The major special revenue funds experienced normal cyclical changes in revenues and expenditures. The revenues increased by \$120.2 million from the previous year, a change of less than 1 percent. Expenditures increased by \$247.5 million from the previous year, a change of 1.8 per cent. The Transportation Fund experienced a slight increase in revenues and a small decrease in expenditures, resulting in an increase in fund balance of \$76.5 million.

The Commonwealth's bonded debt increased by \$64.7 million to \$6.6 billion, a 1.0% increase during the current fiscal year. The major factors in this increase are the issuance of new debt to advance refund debt outstanding to reduce future interest cost and the issuance of new debt to fund new projects authorized during Fiscal Year 2017. No general obligation bonds were authorized or outstanding at June 30, 2017.

Fiscal Year 2018

The Commonwealth's combined net position (governmental and business-type activities) totaled (\$16.8) billion at the end of fiscal year 2018, as compared to (\$15.8) billion at the end of the previous year.

The largest portion of the Commonwealth's net position, \$24 billion, is net investment in capital assets (e.g. land, infrastructures, buildings and improvements and machinery and equipment), minus any related debt, which is still outstanding and used to acquire those assets. The Commonwealth uses these capital assets to provide services to its citizens; therefore, these assets are not available for future spending. The second largest portion of the Commonwealth's net position, totaling \$1.9 billion, is restricted and represents resources that are subject to either external restrictions or legislative restrictions on how they may be used. The remaining balance is unrestricted net position. The unrestricted net position, if they have a positive value, could be used at the Commonwealth's discretion. However, the unrestricted balance is (\$42.4) billion; therefore, funds are not available for discretionary purposes. A contributing factor to the negative balance is that liabilities are recognized on the government-wide statement of net position when the obligation is incurred. Accordingly, the Commonwealth recognizes long-term liabilities (such as general bonded debt, compensated absences, unfunded employer pension cost, and contingent liabilities-shown in Note 16 to the financial statements) on the statement of net position.

The Commonwealth received program revenues of \$15.1 billion and general revenues (including transfers) of \$12.8 billion for total revenues of \$27.8 billion during fiscal year 2018. Expenses for the Commonwealth during fiscal year 2018 were \$29.2 billion, which resulted in a total decrease of the Commonwealth's net position in the amount of \$1.4 billion, net of contributions, transfers and special items.

The change in net position resulted in a decrease from the previous year. The decrease in net position of governmental activities was \$1.6 billion. Approximately 48.1 percent of the governmental activities' total revenue came from taxes, while 40.1 percent resulted from grants and contributions (including federal aid). Overall, program revenues were insufficient to cover program expenses for

governmental activities. Therefore, the net program expenses of these governmental activities were supported by general revenues, mainly taxes.

At June 30, 2018, the Commonwealth's governmental funds reported combined ending fund balances of \$2.4 billion, a net increase of \$325.5 million in comparison with the prior year. \$112 million is non-spendable and is comprised of inventories, notes receivables, cash with fiscal agents, and restricted cash that must remain intact. The \$2.2 billion is restricted for certain purposes and is not available to fund current operations. The \$84 million is considered unrestricted (committed, assigned, or unassigned). When the unrestricted balance is positive it is available for spending either at the government's discretion or upon legislative approval.

The General Fund balance at June 30, 2018, was negative \$59 million. The balance reported reflects a decrease of \$65.9 million from the previously reported amount. The major factor for the decrease in fund balance was increased spending in Medicaid and criminal justice although spending in other areas decreased.

The General Fund balance is segregated into non-spendable and spendable amounts with the spendable amounts further segregated as restricted, committed, assigned, and unassigned. Inventory of \$5.8 million represents the non-spendable amount.

The major special revenue funds experienced normal cyclical changes in revenues and expenditures. The revenues increased by \$209 million from the previous year, a change of 1.5 percent. Expenditures increased by \$247.5 million from the previous year, a change of 1.8 percent. The Transportation Fund experienced a slight increase in revenues and a small decrease in expenditures, resulting in an increase in fund balance of \$72.8 million.

The Commonwealth's bonded debt increased by \$42 million to \$6.7 billion, a 1.0% increase during the current fiscal year. The major factors in this increase is the issuance of new debt to advance refund debt outstanding to reduce future interest cost and the issuance of new debt to fund new projects authorized during fiscal year 2018. No general obligation bonds were authorized or outstanding at June 30, 2018.

Fiscal Year 2019 (Unaudited)

As reported by the Office of the State Budget Director on June 10, 2019, the May 2019 General Fund receipts climbed 20.9 percent compared to the same month of the previous Fiscal Year. Total revenues for the month were \$850.0 million, compared to \$703.1 million collected in May 2018, an increase of \$146.9 million. The official General Fund revenue estimate for Fiscal Year 2019 calls for revenue to grow 3.3 percent compared to Fiscal Year 2018 actual receipts. Based on May's receipts, General Fund revenues could fall 20.6 percent for the remainder of the fiscal year to meet the official estimate. Compared to last year, Road Fund receipts rose 6.1 percent in May 2019 to \$143.8 million. The official Road Fund revenue estimate calls for revenues to decline 0.3 percent for the fiscal year. Based on year-to-date tax collections, revenues can fall 42.0 percent in June and still hit the official forecast.

Budgetary Process in the Commonwealth

General. The General Assembly is required by the Kentucky Constitution to adopt measures providing for the state's revenues and appropriations for each fiscal year. The Governor is required by law to submit a biennial State Budget (the "State Budget") to the General Assembly during the legislative session held in each even numbered year. State Budgets have generally been adopted by the General Assembly during those legislative sessions, which end in mid-April, to be effective upon the Governor's signature for appropriations commencing for a two year period beginning the following July 1.

In the absence of a legislatively enacted budget, the Supreme Court has ruled that the Governor has no authority to spend money from the state treasury except where there is a statutory, constitutional or federal mandate and the Commonwealth may be prevented from expending funds for certain state governmental functions, including the ability to pay principal of, premium, if any, and interest, when due, on obligations that are subject to appropriation. The Notes are not subject to appropriation.

Consensus Forecasting Group; Official Revenue Forecasts

The Consensus Forecasting Group (“CFG”), in conjunction with the Office of the State Budget Director (“OSBD”), is statutorily charged with the responsibility of developing budget planning reports, preliminary revenue estimates, and official revenue estimates for each branch of government and the General and Road funds, pursuant to KRS 48.120 and KRS 48.115. The CFG is staffed by the Legislative Research Commission (“LRC”) but receives econometric and modeling support from the Governor’s Office for Economic Analysis, an organizational unit of the OSBD. Members of the CFG are jointly selected by the State Budget Director and the LRC.

Subject to modification by the General Assembly, appropriations made in the branch budget bills enacted for each branch of government shall be based upon the official revenue estimates presented to the General Assembly by the OSBD in conjunction with the CFG. The enacted estimates shall become the official revenue estimates of the Commonwealth upon the branch budget bills becoming law, and shall remain the official revenue estimates of the Commonwealth until revised by the CFG, as provided in KRS 48.115(2).

The 2018 Regular Session of the General Assembly adopted House Bills 75, 366 and 487 which, among other changes, included tax rate and tax base changes by (1) moving to a flat 5% income tax for individuals and corporations; (2) broadening the sales tax base to include sales tax on certain services; and (3) increasing the cigarette tax by \$0.50 per pack to a total of \$1.10. The income tax changes are estimated to reduce revenues by \$237 million over the biennium while the base broadening and cigarette tax are estimated to generate revenue of \$486 million and \$240 million respectively over the biennium. As a follow up to those changes, the 2019 Regular Session of the General Assembly adopted House Bills 354 and 458, referred to as “Tax Clean Up Bills,” that are projected to have an estimated \$21.9 million negative impact on General Fund revenues in FY 20 and \$110.2 million in FY 21. However, revisions if any to the officially enacted revenue estimates of the CFG will not take place until December 2019.

The Office of the State Budget Director makes available on its website the CFG official, enacted and revised revenue estimates for the General and Road Funds. **THE NOTES ARE NOT PAYABLE FROM AND HAVE NO CLAIM UPON REVENUES HELD IN OR ASSOCIATED WITH THE ROAD FUNDS.**

The official revenue estimates, as adopted by the CFG, legislatively enacted by the General Assembly, revised by the CFG and compared to actual General and Road Fund totals for Fiscal Years 2015 through 2020 are represented below:

<u>Fiscal Year</u>	<u>General Fund</u>			
	<u>Adopted</u>	<u>Enacted</u>	<u>Revised</u>	<u>Actual</u>
2015	\$9,794,300,000	\$9,973,800,000	N/A	\$9,966,600,000
2016	10,046,600,000	10,067,200,000	\$10,289,900,000	10,338,900,000
2017	10,617,200,000	10,616,375,000	N/A	10,477,800,000
2018	10,875,500,000	10,874,400,000	10,718,400,000	10,838,200,084
2019 +	11,005,900,000	11,198,200,000	N/A	N/A
2020 +	11,290,000,000	11,487,500,000	N/A	N/A

+ General Fund enacted revenues for Fiscal Years 2019 and 2020 include modifications resulting from tax reform legislation enacted during the 2018 Regular Session of the Kentucky General Assembly, specifically House Bills 75, 366 and 487. These changes include (1) moving to a flat 5% income tax for individuals and corporations; (2) broadening the sales tax base to include sales tax on certain services; and (3) increasing the cigarette tax by \$0.50 per pack to a total of \$1.10.

Road Fund

<u>Fiscal Year</u>	<u>Adopted</u>	<u>Enacted</u>	<u>Revised</u>	<u>Actual</u>
2015	\$1,546,700,000	\$1,584,870,600	N/A	\$1,526,700,000
2016	1,558,400,000	1,559,396,800	\$1,445,900,000	1,482,500,000
2017	1,456,900,000	1,456,900,000	N/A	1,508,000,000
2018	1,478,200,000	1,478,200,000	1,503,300,000	1,511,003,520
2019	1,505,300,000	1,505,300,000	N/A	N/A
2020	1,508,500,000	1,508,500,000	N/A	N/A

The actual Phase 1 Tobacco Master Settlement Agreement payments for Fiscal Year 2018 were \$102.6 million. The CFG official revenue estimate as adopted for the Phase 1 Tobacco Master Settlement Agreement payments is \$119.5 million in Fiscal Year 2019 and \$118.1 million in Fiscal Year 2020.

The Office of the State Budget Director makes available on its website monthly updates to the General Fund receipts and the Road Fund receipts. When published, the updates can be found at www.osbd.ky.gov.

Investment Policy

The Commonwealth's investments are governed by KRS 42.500 et seq. and KAR Title 200 Chapter 14. The State Investment Commission ("SIC"), comprised of the Governor, the Treasurer, Secretary of the Finance and Administration Cabinet and two gubernatorial appointees from the Kentucky Banker's Association and Bluegrass Community Bankers Association, is charged with the oversight of the Commonwealth's investment activities. The Commission is required to meet at least quarterly, and delegates day-to-day investment management to the Office of Financial Management.

On May 31, 2019, the Commonwealth's operating portfolio was approximately \$4.131 billion in cash and securities. The composition of investments was as follows: U.S. Treasury securities (38.4%); securities issued by agencies and instrumentalities of the United States Government (18.6%); mortgage-backed securities and collateralized mortgage obligations (7.8%); repurchase agreements collateralized by the aforementioned (13.0%); municipal securities (0.0%); and corporate and asset-backed securities, including money market securities (22.2%). The portfolio had a current yield of 2.20% and an effective duration of 0.59 years.

The Commonwealth's investments are currently categorized into three investment pools; the Short Term, Limited Term, and the Intermediate Term Pools. The purpose of these pools is to provide economies of scale that enhance yield, ease administration and increase accountability and control. The Short Term Pool consists primarily of the General Fund and related accounts. The Limited Term Pool is a money market like pool which focuses on principal protection for certain agency funds. The Intermediate Term Pool represents a combination of Agency Fund investments, state held component unit funds, fiduciary funds held for the benefit of others, and also bond proceeds for capital construction projects, held until spent for their intended purpose. Bond proceeds were previously invested separately until July 2010 when they were added into the Intermediate Term Pool to provide additional economies of scale.

The Commonwealth engages in selective derivative transactions. These transactions are entered into only with an abundance of caution and for specific hedge applications to minimize yield volatility in the portfolio. The SIC expressly prohibits the use of margin or other leveraging techniques. The Commonwealth executes a variety of transactions which may be considered derivative transactions, which include: the securities lending program, over the counter treasury options, interest rate swaps, mortgage-backed securities, collateralized mortgage obligations and asset-backed securities.

The Commonwealth has had a securities lending program since the mid-1980s. The Commonwealth is able to enter into either a principal relationship or an agent relationship. In a principal relationship the Commonwealth reverses its treasury and agency securities in exchange for 102 percent of “Eligible Collateral,” marked to market daily. “Eligible Collateral” is defined as securities authorized for purchase pursuant to KRS 42.500. In an agent program the agent, Deutsche Bank, lends the Commonwealth’s treasuries and agencies, takes the cash received from the loan and invests it in Eligible Collateral authorized for purchase pursuant to KRS 42.500. The income generated by these transactions is split between the agent and the Commonwealth.

KAR Title 200 Chapter 14 provides, among other things that: corporate securities, inclusive of Commercial Paper, Banker’s Acceptances and Certificates of Deposit are limited to \$25 million per issuer and a stated final maturity of five years or less. Money market securities rated A1 P1 or higher are limited to 20 percent of the investment pools. Asset-Backed Securities (“ABS”) are limited to 20 percent of the investment pools. Mortgage-Backed Securities (“MBS”) and Collateralized Mortgage Obligations (“CMO”) are also limited to a maximum of 25 percent of the investment pools. ABS, MBS and CMO must have a weighted average life of four years or less at time of purchase. Changes have been proposed for these regulations which generally would tighten the securities eligible for purchase while allowing a larger position in certain of those security types.

Interest Rate Swaps

Historically, the Commonwealth utilized interest rate swaps for the purpose of hedging certain of its current or projected interest-sensitive assets and interest-sensitive liabilities. The Commission is the agency with specific statutory authority to enter into and manage interest rate swaps and other similar vehicles. As of the date of this Official Statement, the Commission had one interest rate swap outstanding with a total notional amount outstanding of \$151,555,000. This swap transaction consists of a series of four amortizing “cost of funds” interest rate swaps that totaled \$243.08 million at the time of execution and having maturity dates beginning November 1, 2017 through November 1, 2027. This transaction is integrated as part of the issuance of the Commission’s 2007 \$243.08 million General Fund Floating Rate Project Notes.

State Retirement Systems

Following is information about the Commonwealth’s retirement system, including pension plans and other post-employment benefits. Capitalized terms used under this heading and not otherwise defined shall have the respective meanings given by the CAFRs, as herein defined.

Retirement Plans. Eligible state employees may participate in one of two provided multi-employer benefit plans: the Kentucky Retirement Systems and the Teachers’ Retirement System of Kentucky (“TRS”). The Kentucky Retirement Systems is comprised of five retirement plans, KERS Non-Hazardous, KERS Hazardous, County Employees Retirement System (“CERS”) Non-Hazardous, CERS Hazardous, and the State Police Retirement System (“SPRS”). Each retirement plan is state supported, except for the CERS plans, which have been excluded from the Kentucky Retirement Systems information provided herein. The Kentucky Retirement Systems and TRS (collectively, the “Retirement Plans”) provide both retirement and Other Post-Employment Benefits (“OPEB”) to state employees and teachers based upon their age, hire date, years of service and retirement date. Most retirement benefits are subject to a statutory inviolable contract under which the benefits shall not, with limited exceptions, be reduced or impaired by alteration, amendment or repeal. Kentucky Employees Retirement System (“KERS”) eligible employees hired January 1, 2014 and thereafter, are no longer party to the inviolable contract and the General Assembly can amend, suspend or reduce benefits with future legislation. The Kentucky Public Employees’ Deferred Compensation Authority (the “KDC”) additionally provides administration of tax-deferred supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate. The available

deferred compensation plans include a 457(b) Plan and a 401(k) Plan. The Retirement Plans and KDC are component units of the Commonwealth for financial reporting purposes and are included in The Kentucky Comprehensive Annual Financial Report. For a brief description of the Retirement Plans and of the Retirement Plans' assets and liabilities, see The Kentucky Comprehensive Annual Financial Report for Fiscal Year 2018 Note 8 beginning on page 90. Additional information regarding the Kentucky Retirement Systems and TRS can be found on their respective web sites at <https://kyret.ky.gov> and <https://trs.ky.gov>, including their respective Comprehensive Annual Financial Reports (collectively, the "CAFRs") and the accompanying actuarial studies, described under Other Post-Employment Benefits. Only information contained on the Internet web page identified above is incorporated herein and no additional information that may be reached from such page by linking to any other page should be considered to be incorporated herein.

The following schedules are descriptions of plan benefits by hire date for employees who participate in the KERS Non-Hazardous and TRS benefit tiers.

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Kentucky Employees' Retirement System
Governance KRS 61.510 through KRS 61.705
Cost Sharing Multiple Employer Defined Benefit Non-Hazardous

	Tier 1 Participation Prior to 9/1/2008	Tier 2 Participation 9/1/2008 through 12/31/2013	Tier 3 Participation on or after 1/1/2014
Covered Employees:	Substantially all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, or any agency directed by Executive Order to participate in the system		
Benefit Formula:	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
Final Compensation:	Average of the highest 5 fiscal years (must contain at least 48 months). Includes lump-sum compensation payments (before and at retirement).	5 complete fiscal years immediately preceding retirement; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No Final Compensation
Benefit Factor:	1.97%, or 2.0% for those retiring with service for all months between 1/1998 and 1/1999.	10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years).	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
Cost of Living Adjustment (COLA):	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
Unreduced Retirement Benefit:	Any age with 27 years of service. Age 65 with 48 months of service. Money Purchase for age 65 with less than 48 months based on contributions and interest.	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service. No Money Purchase calculations.	
Reduced Retirement Benefit:	Any age with 25 years of service. Age 55 with 5 years of service.	Age 60 with 10 years of service. Excludes purchased service (exception: refunds, omitted, free military).	No reduced retirement benefit

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Teachers' Retirement System
Governance KRS 161.220 through KRS 161.990
Cost Sharing Multiple Employer Defined Benefit with Special Funding

	Tier 1 Participation prior to 7/1/2008	Tier 2 Participation on or after 7/1/2008
Covered Employees:	Provides pension plan coverage for local school districts and other educational agencies in the state.	
Benefit Formula:	Final Compensation X Benefit Factor X Years of Service	
Final Compensation:	Average of the highest 5 annual salaries reduced 5% per year from the earlier of age 60 or the date 27 years of service would have been completed. Average of the highest 3 annual salaries if age 55 with 27 or more years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.	Average of the highest 5 annual salaries reduced 6% per year from the earlier of age 60 or the date 27 years of service would have been completed. Average of the highest 3 annual salaries if age 55 with 27 or more years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.
Benefit Factor:	Non-University members: 2.00% for service prior to 7/1/1983; 2.50% for service after 7/1/1983; 2.00% if participation after 7/1/2002 and less than 10 years; 2.50% if participation after 7/1/2002 and more than 10 years; 3.00% if retire after 7/1/2004 with more than 30 years. University members: 2.0% for each year of service.	Non-University members: 1.70% if less than 10 years; 2.00% if greater than 10 years, but no more than 20 years; 2.30% if greater than 20 years, but no more than 26 years; 2.50% if greater than 26 years, but no more than 30 years; 3.00% for service greater than 30 years. University members: 1.50% if less than 10 years; 1.70% if greater than 10 years, but less than 20 years; 1.85% if greater than 20 years, but less than 27 years; 2.00% if greater than 27 years.
Cost of Living Adjustment (COLA):	1.5% annually additional ad hoc increases must be authorized by the General Assembly.	
Unreduced Retirement Benefit:	Any age with 27 years of Kentucky service. Age 55 with 5 years of Kentucky service.	Any age with 27 years of Kentucky service. Age 60 with 5 years of Kentucky service. Age 55 with 10 years of Kentucky service.
Reduced Retirement Benefit:	Must be retired for service or disability to be eligible. Retired members are given a supplement based upon a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement.	

Pension Funding. The Commonwealth's enacted budget for fiscal years 2019 and 2020 included the full Actuarially Determined Employer Contribution ("ADEC") for the assumed rates of return found on the following pages for the Kentucky Retirement Systems and TRS. Certain "Quasi" government agencies which participate in the KERS non-hazardous system were permitted to retain the FY 2018 contribution rate of 49.47% for FY 2019. Based upon the assumptions employed in the Retirement Plans' June 30, 2018 actuarial valuation reports used in preparing the associated Retirement Plans' 2018 CAFRs, the Kentucky Retirement Systems had a state supported pension Unfunded Actuarial Accrued Liability (the "UAAL") of \$14,889 million. TRS, assuming a 7.5 percent investment return, had a pension UAAL

of \$14,300 million. Unlike Fiscal Year 2017, TRS was not required to report the pension liability in accordance with GASB 67. The state supported portion of the Retirement Plans for the Fiscal Year ended June 30, 2018 had funding percentages of 16.43 percent for the Kentucky Retirement Systems and 57.69 percent for TRS. These funding percentages compare to 16.92, and 56.41 percent respectively for the Fiscal Year ended June 30, 2017. The funding ratios have declined due to a variety of factors including, changes to the discount rate, lower than projected investment returns and other variances from actuarial assumptions. The Kentucky Retirement Systems' state supported ADEC for pension benefits for the Fiscal Year ended June 30, 2018 was \$701.2 million; \$779.7 million was contributed. The TRS state supported pension ADEC for the Fiscal Year ended June 30, 2018 was \$1,080.9 million; \$1,048.7 million was contributed.

The deposits to the Kentucky Permanent Pension Fund which was established by House Bill 238 (2016 Regular Session), was appropriated by the 2018 budget bill and transferred to the individual retirement plans' assets.

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SCHEDULE OF FUNDING - KENTUCKY RETIREMENT SYSTEMS RETIREMENT FUNDS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll
<i>Kentucky Employees Retirement System (KERS)</i>					
<u>Non-Hazardous</u>					
6/30/2014	\$2,423,956,716	\$11,550,110,224	\$9,126,153,508	21.0%	\$1,577,496,447
6/30/2015 ⁺⁺	2,350,989,940	12,359,672,849	10,008,682,909	19.0	1,544,234,409
6/30/2016 ⁺⁺⁺	2,112,286,498	13,224,698,427	11,112,411,929	16.0	1,529,248,873
6/30/2017 ⁺⁺⁺⁺	2,123,623,157	15,591,641,083	13,468,017,926	13.6	1,602,396,000
6/30/2018	2,019,278,000	15,675,232,000	13,655,954,000	12.9	1,509,955,000
<u>Hazardous</u>					
6/30/2014	\$527,897,261	\$816,850,063	\$288,952,802	64.6%	\$129,076,038
6/30/2015 ⁺⁺	556,687,757	895,433,387	338,745,630	62.2	128,680,130
6/30/2016 ⁺⁺⁺	559,487,184	936,706,126	377,218,942	56.0	147,563,457
6/30/2017 ⁺⁺⁺⁺	607,158,871	1,121,419,836	514,260,965	54.1	178,511,000
6/30/2018	639,262,000	1,151,923,000	512,661,000	55.5	152,936,000
<i>State Police Retirement System (SPRS)</i>					
6/30/2014	\$242,741,735	\$681,118,402	\$438,376,667	35.6%	\$44,615,885
6/30/2015 ⁺⁺	248,387,946	734,156,446	485,768,500	33.8	45,764,515
6/30/2016 ⁺⁺⁺	234,567,536	775,160,294	540,592,758	28.1	45,551,469
6/30/2017 ⁺⁺⁺⁺	261,320,225	967,144,667	705,824,442	27.0	54,065,000
6/30/2018	268,259,000	989,528,000	721,269,000	27.1	50,346,000
<i>Kentucky Retirement Systems Summary (Includes KERS Non-Hazardous, KERS Hazardous and SPRS)</i>					
6/30/2014	\$3,194,595,712	\$13,048,078,689	\$9,853,482,977	24.5%	\$1,751,188,370
6/30/2015	3,156,065,643	13,989,262,682	10,833,197,039	22.6	1,718,679,054
6/30/2016	2,906,341,218	14,936,564,847	12,030,223,629	19.5	1,722,363,799
6/30/2017	2,992,102,253	17,680,205,586	14,688,103,333	16.9	1,834,972,000
6/30/2018	2,926,799,000	17,816,683,000	14,889,884,000	16.4	1,713,237,000
<i>Judicial Retirement Plan (JRP) & Legislator's Retirement Plan (LRP)</i>					
6/30/2014	\$255,517,906	\$413,310,123	\$157,792,217	61.8%	\$37,917,899
6/30/2015	383,464,411	513,844,487	130,198,076	74.6	34,476,745
6/30/2016	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
6/30/2017	457,704,218	509,499,416	51,795,198	89.8	31,096,555
6/30/2018	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹

+This schedule does not include data pertaining to the County Employees Retirement System (CERS); the data for 6/30/14-6/30/18 in this schedule is as presented in the CAFR of the pension plan for the Fiscal Years Ended June 30, 2014 through June 30, 2018.

++Discount rate changed from 7.75 percent to 7.50 percent as of 7/2014.

+++Discount rate changed from 7.50 percent to 6.75 percent as of 7/2015.

++++Discount rate changed from 6.75 percent to 5.25 percent as of 7/2017.

+++++Discount rate changed from 7.50 percent to 6.25 percent as of 7/2017.

¹ JRP and LRP only perform actuarial valuations every 2 years for benefits.

SCHEDULE OF FUNDING - TEACHERS' RETIREMENT SYSTEM - KENTUCKY

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll
<i>Retirement Funds</i>					
6/30/2014 ⁺⁺	\$16,174,199,000	\$30,184,404,000	\$14,010,205,000	53.6%	\$3,486,327,000
6/30/2015	17,219,520,000	31,149,962,000	13,930,442,000	55.3	3,515,113,000
6/30/2016	17,496,894,000	32,028,227,000	14,531,333,000	54.6	3,537,226,000
6/30/2017	18,514,638,000	32,819,887,000	14,305,249,000	56.4	3,563,584,000
6/30/2018	19,496,056,000	33,795,671,000	14,299,615,000	57.69	3,605,116,000

+The data for 6/30/14-6/30/18 in this schedule is as presented in the CAFR of the Teachers' Retirement System for the Fiscal Years Ended June 30, 2014 through June 30, 2018.

++Reflects change in assumptions and/or methods

Other Post-Employment Benefits. The Commonwealth's CAFR for the fiscal year ended 6/30/2017 was prepared in compliance with Governmental Accounting Standards Board (GASB) Statement 45 ("Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pensions"). The Commonwealth adopted GASB Statement 75 ("Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions") for CAFR reporting for the fiscal year ending 6/30/2018 and after.

The Commonwealth is obligated to provide healthcare benefits to certain retired state employees and teachers. The Retirement Plans administer two multi-employer defined benefit healthcare plans (collectively, the "Health Plans") for which the Commonwealth pays a portion of the cost of the benefits of the retired employees. As of January 1, 2006, the Commonwealth commenced self-funding of healthcare benefits for state employees. The Kentucky Retirement Systems also adopted, on January 1, 2006, a self-funding health care plan for Medicare Eligible Retirees. TRS became self-insured for post-retirement healthcare costs for Medicare Eligible Retirees on July 1, 1991. Beginning January 1, 1997, TRS offered non-Medicare Eligible Retirees insurance through the state health insurance program, which has since become self-insured. Beginning January 1, 2007, TRS offered its Medicare Eligible Retirees an insured Medicare Advantage Plan and, beginning July 1, 2010, offered this group an insured Employer Group Waiver Drug Plan. The TRS Board requires retirees not eligible for Medicare to pay the equivalent for the Medicare Part B program towards their cost of health coverage.

The Retirement Plans commission actuarial studies, which provide results for consideration, under certain actuarial funding methods and sets of assumptions. A five-year experience study covering the period from July 1, 2013 to June 30, 2018 for the Kentucky Retirement Systems, was dated April of 2019. Similarly, a five-year experience study covering the period from July 1, 2010 to June 30, 2015 for the TRS Board was dated September 15, 2016. The Kentucky Retirement System experience study included a recommendation to update the base mortality table (and other less material categories) which are expected to increase the required employer contribution, as a percentage of payroll for Fiscal Years 2021 and 2022. In addition to the experience studies, annual actuarial reports are performed on both retirement systems. Pursuant to their respective actuarial studies, the OPEB UAAL as of June 30, 2018 was estimated at \$1,505.0 million for the Kentucky Retirement Systems and \$2,145.5 million for TRS. These estimates represent the present value of the amount of healthcare benefits under the respective Health Plans, payable over future periods and allocated by the actuarial cost method, as of June 30, 2018. The actuarial estimates for the Kentucky Retirement Systems' OPEB liabilities decreased from the \$1,881.7 million reported in the Kentucky Retirement Systems' 2017 CAFR. The actuarial estimates for TRS decreased from the \$2,719.4 million reported in their 2017 CAFR.

The Kentucky Retirement Systems' state supported OPEB Annual Required Contribution for Fiscal Year ended June 30, 2018 was \$144.0 million; \$151.1 million was contributed. The TRS state supported OPEB Annual Required Contribution for the Fiscal Year ended June 30, 2018 was \$119.9 million; \$188.2 million was contributed. The state supported portion of the OPEB for the Fiscal Year ended June 30, 2018 had funding percentages of 51.31 percent for the Kentucky Retirement Systems and 37.87 percent for TRS.

**SCHEDULE OF FUNDING - KENTUCKY RETIREMENT SYSTEMS OTHER POST
EMPLOYMENT BENEFITS (OPEB)**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll
<i>Kentucky Employees Retirement System (KERS)</i>					
<u>Non-Hazardous</u>					
6/30/2014	\$621,236,646	\$2,226,759,925	\$1,605,523,279	27.9%	\$1,577,496,447
6/30/2015	695,018,262	2,413,705,252	1,718,686,990	28.8	1,544,234,409
6/30/2016	743,270,060	2,456,677,964	1,713,407,904	30.3	1,529,248,873
6/30/2017	823,917,560	2,683,496,055	1,859,578,495	30.7	1,593,097,000
6/30/2018	887,121,000	2,435,506,000	1,548,385,000	36.4	1,573,898,000
<u>Hazardous</u>					
6/30/2014	\$419,395,867	\$396,986,820	(\$22,409,047)	105.6	129,076,038
6/30/2015	451,514,191	374,904,234	(76,609,957)	120.4	128,680,130
6/30/2016	473,160,173	377,745,230	(95,414,943)	125.3	147,563,457
6/30/2017	493,458,367	419,439,652	(74,018,715)	117.7	171,087,000
6/30/2018	511,441,000	393,481,000	(117,960,000)	130.0	190,317,000
<i>State Police Retirement System (SPRS)</i>					
6/30/2014	\$155,594,760	\$234,271,127	\$78,676,367	66.4%	\$44,615,885
6/30/2015	167,774,940	254,838,710	87,063,770	65.8	45,764,515
6/30/2016	172,703,691	257,197,259	84,493,568	67.2	45,551,469
6/30/2017	180,463,820	276,641,361	96,177,541	65.2	48,873,000
6/30/2018	187,535,000	262,088,000	74,553,000	71.6	50,064,000
<i>Kentucky Retirement Systems Summary (Includes KERS Non-Hazardous, KERS Hazardous, SPRS)</i>					
6/30/2014	\$1,196,230,273	\$2,858,017,872	\$1,661,787,599	41.9%	\$1,751,188,370
6/30/2015	1,314,307,393	3,043,448,196	1,729,140,803	43.2	1,718,679,054
6/30/2016	1,389,133,924	3,091,620,453	1,702,486,529	44.9	1,722,363,799
6/30/2017	1,497,839,747	3,379,576,978	1,881,737,231	44.3	1,813,057,000
6/30/2018	1,586,097,000	3,091,075,000	1,504,978,000	51.3	1,814,279,000
<i>Judicial Retirement Plan (JRP) & Legislators' Retirement Plan (LRP)</i>					
6/30/2014	\$82,779,429	\$80,687,607	(\$2,091,822)	102.6%	\$37,917,899
6/30/2015	94,241,652	88,150,481	(6,091,171)	106.9	34,476,745
6/30/2016	104,138,383	93,292,111	(10,846,272)	111.6	34,476,745
6/30/2017	115,102,561	74,112,837	(40,989,724)	155.3	31,096,555
6/30/2018	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹

+ This schedule does not include data pertaining to the County Employees Retirement System (CERS); the data for 6/30/14-6/30/18 in this schedule is as presented in the CAFR of the pension plan for the Fiscal Years Ended June 30, 2014 through June 30, 2018.

¹ JRP and LRP only perform actuarial valuations every 2 years for benefits.

SCHEDULE OF FUNDING - TEACHERS' RETIREMENT SYSTEM OTHER POST-EMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll
<i>Other Post-Employment Benefits (OPEB)</i>					
6/30/2014	\$605,043,000	\$3,292,043,000	\$2,687,000,000	18.4%	\$3,486,327,000
6/30/2015	735,025,000	3,624,323,000	2,889,298,000	20.3	3,515,113,000
6/30/2016	895,324,000	3,740,132,000	2,844,808,000	23.9	3,537,226,000
6/30/2017	1,081,424,000	3,800,788,000	2,719,364,000	28.5	3,563,584,000
6/30/2018	1,307,726,000	3,453,180,000	2,145,454,000	37.9	3,605,115,000

+The data for 6/30/14-6/30/18 in this schedule is as presented in the CAFR of the Teachers' Retirement System for the Fiscal Years Ended June 30, 2014 through June 30, 2018.

++Reflects change in assumptions and/or methods

Recent Changes to State Retirement Systems. House Bill 358 from the 2019 Regular Session of the General Assembly was delivered to the Governor on March 28, 2019. House Bill 358 addressed the way in which a quasi-governmental entity could choose to remain a participant or to exit the Kentucky Employees Retirement System and froze the employer contribution rate for the quasi-governmental entities for FY 2020 at an amount less than the full ADEC. However, the Governor vetoed House Bill 358 on April 9, 2019 and publicly stated a special session may be called to address the matter.

Senate Bill 151 from the 2018 Regular Session of the General Assembly was signed into law by the Governor on April 10, 2018. The bill modified the funding structure of the Retirement Plans from a percent-of-payroll method to a level-dollar method, provided reform to the TRS plan, further modified benefits under the Kentucky Retirement System plans, and replaced prior legislation for opt-out provisions for quasi-governmental agencies wishing to exit the Kentucky Retirement System plans. On December 13, 2018, the Kentucky Supreme Court ruled Senate Bill 151 unconstitutional.

Some of the 2018 pension reforms were based on a PFM Group Consulting, LLC three part report dated August 2017, May 2017 and December 2016, respectively. The report developed a range of analyses that illustrated the current and projected financial condition of the retirement systems, and provided options and recommendations for improvement and reform. The report and other selected pension reform related information may be viewed at www.osbd.ky.gov.

In May and July of 2017, the Kentucky Retirement Systems Board voted to make the following assumption changes which were used for the Fiscal Year 2017 Actuarial Report as well as used in determining the Fiscal Year 2019 and 2020 employer contributions:

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		Assumed Rate of Return		Inflation		Payroll Growth	
		To	From	To	From	To	From
KERS-N ⁽¹⁾	Pension	5.25%	6.75%	2.30%	3.25%	0.00%	4.00%
KERS-N ⁽¹⁾	OPEB	6.25	6.75	2.30	3.25	0.00	4.00
KERS-H ⁽²⁾	Pension	6.25	7.50	2.30	3.25	0.00	4.00
KERS-H ⁽²⁾	OPEB	6.25	7.50	2.30	3.25	0.00	4.00
SPRS	Pension	5.25	6.75	2.30	3.25	0.00	4.00
SPRS	OPEB	6.25	6.75	2.30	3.25	0.00	4.00
CERS	Pension	6.25	7.50	2.30	3.25	2.00	4.00
CERS	OPEB	6.25	7.50	2.30	3.25	2.00	4.00
CERS-H ⁽²⁾	Pension	6.25	7.50	2.30	3.25	2.00	4.00
CERS-H ⁽²⁾	OPEB	6.25	7.50	2.30	3.25	2.00	4.00

(1) Non-Hazardous

(2) Hazardous

As of July 2017, the TRS assumptions are as follows:

		Assumed Rate of Return	Inflation	Payroll Growth
TRS	Pension	7.50%	3.50%	4.00%
TRS	OPEB	8.00	3.50	4.00

In December 2016 the Kentucky Retirement Systems and TRS publicly presented the annual actuarial valuation reports of the systems as prepared by Cavanaugh Macdonald as of June 30, 2016. The assumed investment rate of return for KERS Non-Hazardous and SPRS was 6.75 percent based on the annual valuation conducted as of June 30, 2016. The TRS, CERS and KERS Hazardous plans continue to use a 7.5 percent discount rate. There was a reduction in the assumed rate of return from 7.75 percent to 7.5 percent for the valuation as of June 30, 2015.

Senate Bill 2 from the 2013 Regular Session of the General Assembly was signed into law by the Governor on April 4, 2013. The bill created a new section in KRS Chapter 7A establishing a 13 member Public Pension Oversight Board to oversee the Kentucky Retirement Systems and report to the General Assembly on benefits, administration, investments, funding, laws, administration regulations and legislation pertaining to Kentucky Retirement Systems. The bill also stated that new employees hired after January 1, 2014 will be placed in a Hybrid Cash Balance Plan. This plan has a guaranteed rate of return of 4.0 percent for both hazardous and non-hazardous employees, plus 75 percent of the investment return in the plan in excess of 4.0 percent to the employee. This provision was modified with the passage of SB 151 in the 2018 Regular Session. Hazardous employees' employer contribution is set at 7.5 percent of salary and non-hazardous employees have an employer contribution of 4.0 percent. The bill further provides for a 1.5 percent COLA only if it is prefunded and appropriated by the General Assembly or if the pension plan is 100 percent funded. New employees as of January 1, 2014 are no longer party to the inviolable contract, and the General Assembly has the right to amend, suspend or reduce benefits with future legislation. The bill additionally made provisions for a Health Savings Account as an insurance option for retirees, required the General Assembly to start fully funding the ADEC beginning in Fiscal Year 2015, and reset the amortization to 30-years beginning in 2015.

Litigation Potentially Impacting KERS

In April 2013, Seven Counties Services, Inc. (“Seven Counties”), filed for Chapter 11 bankruptcy protection in the United States Bankruptcy Court for the Western District of Kentucky (the “Bankruptcy Court”). Seven Counties provides mental health services for the Cabinet for Health and Family Services for the greater Louisville, Kentucky area and surrounding counties. For approximately the past twenty-five years, Seven Counties has been a participating employer in KERS. Seven Counties identified KERS as a creditor with a primary objective of discharging its continuing obligation to remit retirement contributions for approximately 1,300 employees and terminate its membership in KERS. The estimated impact of Seven Counties’ objective on KERS would result in an unfunded liability of approximately \$90 million at that time.

KERS opposed Seven Counties’ attempt to discharge its obligations and terminate its membership. KERS asserted that Seven Counties is a Governmental Unit properly participating in KERS by Executive Order issued in 1978 and thus ineligible for Chapter 11 relief. Consequently, Seven Counties would remain statutorily obligated to continue participation and remit contributions.

On May 30, 2014, the Bankruptcy Court held that Seven Counties was not a Governmental Unit and could move forward with its Chapter 11 bankruptcy case. Moreover, the Court held that Seven Counties’ statutory obligation to continue to participate and remit contributions to KERS was a “contract” eligible for rejection. Seven Counties rejected its participation in KERS.

In June 2014, KERS appealed the Bankruptcy Court’s ruling. On October 6, 2014, Seven Counties filed a formal reorganization plan with the Bankruptcy Court. On January 6, 2015, the Bankruptcy Court confirmed Seven Counties’ plan of reorganization (the “Confirmation Order”). On January 19, 2015, KERS appealed the Confirmation Order. At a hearing on January 20, 2015, the Bankruptcy Court denied a motion by KERS seeking a stay of the Confirmation Order, which would have delayed implementation of the reorganization plan pending the determination of the issues on appeal. After the Bankruptcy Court’s denial of the stay, KERS filed an emergency motion for a stay with the U.S. District Court for the Western District of Kentucky (the “District”), which the District Court denied on February 4, 2015. On May 12, 2015, KERS filed a motion with the District Court to certify a question to the Kentucky Supreme Court in connection with whether the relationship between KERS and Seven Counties (i) constituted a “contract” subject to rejection in bankruptcy by Seven Counties or (ii) was a statutory obligation of Seven Counties not constituting a contract. On March 31, 2016, the United States District Court issued a Memorandum of Opinion and Order that (i) denied KERS’ motion to certify a question of law to the Kentucky Supreme Court, (ii) reversed the Bankruptcy Court’s determination regarding classifying KERS as a multi-employer plan and determined KERS was a multiple employer plan, (iii) affirmed the Bankruptcy Court’s decision in all other aspects; and (iv) denied Seven Counties’ cross-appeal.

On April 21, 2016, the Kentucky Retirement Systems’ Board of Trustees voted to appeal the decision to the United States Court of Appeals for the Sixth Circuit. KERS filed a brief with the Sixth Circuit Court of Appeals on January 3, 2017. Seven Counties then filed a brief at the end of July 2017, and oral arguments were held on November 30, 2017. On August 24, 2018, the Sixth Circuit issued an Opinion ruling that Seven Counties was not a state instrumentality within the meaning of the Bankruptcy Code and was therefore eligible to file under Chapter 11. However, the Court of Appeals also certified a question of law to the Kentucky Supreme Court regarding whether the relationship between Seven Counties and Kentucky Retirement Systems was contractual or statutory. Kentucky Retirement Systems filed a Petition for Rehearing and Rehearing En Banc which was held in abeyance until the Kentucky Supreme Court issues a decision on the certified question of law. Oral arguments were held at the Kentucky Supreme Court on March 6, 2019. The matter is currently pending.

Other entities within the Commonwealth, including some entities with pending litigation, are attempting to terminate their participation in KERS. For example, Kentucky Retirement Systems filed an action against Kentucky River Community Care (“KRCC”) to compel it to comply with its statutory duties and require retirement plan participation. Similarly, Bluegrass Oakwood, Inc., a subsidiary of Bluegrass MHMR, attempted to terminate its participation in KERS through an action before the Kentucky Court of Appeals that was dismissed on February 24, 2015, resulting in Bluegrass Oakwood remaining as a participant in KERS. No assurance can be provided with respect to the impact of such actions, if any, on the future contribution rates.

In June 2014, the City of Fort Wright, a participating employer in CERS, filed a lawsuit against the Kentucky Retirement Systems’ Board of Trustees alleging that the Board invested CERS funds in investments that were prohibited by statute and common law. In addition, the City alleged that the Board of Trustees paid substantial asset management fees, which the suit alleges were improper. Kentucky Retirement Systems filed a motion to dismiss this action based on a number of legal issues, including the argument that the action was barred by the doctrine of sovereign immunity. Franklin Circuit Court denied the motion to dismiss. An interlocutory appeal of the sovereign immunity issue was filed at the Kentucky Court of Appeals. On September 23, 2016, the Court of Appeals upheld the Franklin Circuit Court’s ruling that sovereign immunity did not prohibit this action from proceeding. After a motion to the Kentucky Supreme Court for discretionary review of the Court of Appeals’ ruling was denied, the case returned to the Franklin Circuit Court on the merits of the claims made. Both parties filed motions for declaratory judgment on the legal issue of whether or not Kentucky Retirement Systems is authorized under Kentucky law to invest CERS plan assets according to the standards established in KRS 61.650 or if some other standard applies. On September 20, 2018, Franklin Circuit Court issued an Opinion and Order denying the City of Fort Wright’s motion for declaratory judgment and granting Kentucky Retirement Systems Cross-motion for declaratory judgment. The City of Fort Wright has appealed this decision to the Kentucky Court of Appeals where briefing is now proceeding. Kentucky Retirement Systems also filed a Cross-Appeal seeking affirmation of the Circuit Court’s decision on alternative grounds.

In what is essentially a companion case to the City of Fort Wright matter outlined above, Damian Stanton filed a Complaint on September 4, 2015, alleging that he is a member of CERS and that the Board invested CERS funds in investments that were prohibited by both statutory and the common law, as well as alleging that substantial management fees were paid as a result of the investments. This case was held in abeyance pending the outcome of the Fort Wright matter. No substantive action has been taken in this matter to date. However, Mr. Stanton passed away in 2018 and a representative of his estate was substituted for Mr. Stanton in this action.

On November 17, 2016, Western Kentucky University (“WKU”) filed a petition in Franklin Circuit Court seeking a judgment against the Kentucky Retirement Systems after the Kentucky Retirement Systems asserted WKU should continue to make retirement contributions for employees who were purportedly fired as WKU employees and then rehired as contract laborers. On March 3, 2017, Kentucky Retirement Systems filed a motion to dismiss this action based on WKU’s failure to name necessary parties. Franklin Circuit Court denied this motion. WKU has filed a motion for Summary Judgment in this action which was denied on October 18, 2018. Additional discovery was then allowed. WKU has not filed a renewed motion for summary judgment. Kentucky Retirement Systems has filed a response. This is currently submitted for decision.

In January 2009, Sheriff John Aubrey and a number of other plaintiffs, including hazardous duty members of the Kentucky Retirement Systems, law enforcement unions and fraternal organizations, and a number of hazardous duty employers, filed a complaint in Franklin Circuit Court seeking a determination that the 2008 amendments to KRS 61.637 regarding the legal requirements for reemployment after retirement were unconstitutional and discriminatory. The case progressed to the Supreme Court of Kentucky on a motion to dismiss of the Kentucky Retirement Systems based on a claim of sovereign

immunity. In April 2013, the Supreme Court ruled that sovereign immunity did not prevent this case from being filed against the Kentucky Retirement Systems, and remanding the case back to Franklin Circuit Court. Recently, Plaintiffs filed a motion for summary judgment. Kentucky Retirement Systems filed a Response and cross-motion for summary judgment on June 14, 2017. Franklin Circuit Court issued an Opinion and Order, denying Plaintiff's motion for summary judgment and granting Kentucky Retirement Systems motion for summary judgment. Plaintiff appealed this action to the Kentucky Court of Appeals, where it is currently being briefed.

On June 12, 2017, the River City Fraternal Order of Police and several other individuals filed a Complaint and motion for a Restraining Order challenging the Kentucky Retirement Systems' implementation of the Medicare Secondary Payer Act as it relates to KRS 61.702, asserting that Kentucky Retirement Systems violated both the federal law and the inviolable contract rights of its members. The court granted a Temporary Restraining Order (the "TRO"); however, a hearing was held at the end of July 2017 to determine whether to dissolve the TRO or grant an injunction during the pendency of this action. On September 25, 2017, Franklin Circuit Court issued an Order in the River City FOP litigation denying the Plaintiffs' motion for temporary Injunction and dissolved the Court's previous Restraining Order effective November 1, 2017. Plaintiffs thereafter filed a motion to amend their Complaint to allege explicitly a violation of the Federal Medicare Secondary Payer Act. This motion was granted. Kentucky Retirement Systems filed a notice that it was removing the case to Federal District Court, where both counsels for River City and Kentucky Retirement Systems filed motions for summary judgment. On March 21, 2019 United States District Judge William Bertelsmann issued a Memorandum Opinion and Order denying the Kentucky Retirement Systems motion for summary judgment and granting River City Fraternal Order of Police's motion for summary judgment in part. Kentucky Retirement Systems has since filed a motion for reconsideration. A Response and Reply were also filed and this motion is under consideration.

In December 2017, certain members and beneficiaries of the Kentucky Retirement Systems filed litigation (Mayberry et al v. KKR et al) against certain Hedge Fund Sellers, Investment, Actuarial and Fiduciary Advisors, Annual Report Certifiers, and certain (past and present) Kentucky Retirement Systems' Trustees and Officers in Franklin Circuit Court. The litigation alleges (in summary) that actuarial assumptions, fees, statements and disclosures harmed the financial status of the Retirement Systems. While Kentucky Retirement Systems is designated a "Defendant," that designation is a technical formality in so much as Kentucky Retirement Systems is a "nominal defendant." On April 20, 2018, the Kentucky Retirement Systems and the plaintiffs filed a joint notice with the Court advising that Kentucky Retirement Systems does not intend to challenge its status as a "nominal defendant." Since then, the Franklin Circuit Court has ruled on various Defendants' motions to dismiss, denying nearly all of them. On January 10, 2019, KKR, Henry Kravis and George Roberts (collectively, "KKR Parties") amended their Answer to assert cross claims against Kentucky Retirement Systems. Certain officer and Trustee Defendants appealed the denial of their Motion to Dismiss on immunity grounds to the Court of Appeals, and that appeal was transferred to the Kentucky Supreme Court. The hedge fund defendants filed a Petition for Writ of Prohibition in the Court of Appeals, arguing that Plaintiffs lacked standing to bring the action. That Petition was granted on April 23, 2019. Plaintiffs promptly appealed the Court of Appeals' decision to the Supreme Court, where it is currently pending.

A number of related cases have also developed based on issues raised in the above referenced Mayberry action. There has been an action filed by a number of the Trustees and Officers named in Mayberry seeking reimbursement by Kentucky Retirement Systems of legal fees. There is also an appeal of an Attorney General Open Records' decision regarding an attempt by one of the corporate defendants to obtain records through the open records act rather than through discovery. Kentucky Retirement Systems has also filed an action against Hallmark Specialty Insurance seeking a declaratory judgement that Hallmark has a duty to defend and indemnify Kentucky Retirement Systems in the Mayberry action. Two of the hedge fund Defendants in the Mayberry action have also filed an action in the United States District Court for the Eastern District of Kentucky naming individual members of the current KRS Board

of Trustees as Defendants. This action is seeking a judgment declaring that the Trustees violated Plaintiffs' right to due process as well as an award of costs and attorneys' fees. Three actions have also been filed in Delaware regarding the Mayberry action. One filed by Prisma Capital Partners and one filed Blackstone Alternative Asset Management allege breaches of warranties, representations and more relating to the Subscription Agreements signed by the Kentucky Retirement Systems. The third was filed by Prisma Capital Partners against the Daniel Boone Fund, LLC. Finally, an action has been filed by PAAMCO against Kentucky Retirement Systems in California also allege breaches of warranties, representations and more relating to the Subscription Agreements signed by the Kentucky Retirement Systems.

THE KENTUCKY ASSET/LIABILITY COMMISSION

General Information

The Act created the Kentucky Asset/Liability Commission, which is composed of five members, each serving in an ex officio capacity. Under the Act, the members are as follows: the Secretary of the Finance and Administration Cabinet, who acts as Chair; the Attorney General; the State Treasurer; the State Budget Director; and the State Controller. The Secretary of the Commission is the Executive Director of the Cabinet's Office of Financial Management ("OFM").

The current members of the Commission are as follows:

William M. Landrum III	Secretary of the Finance and Administration Cabinet, Chair
Andrew G. Beshear	Attorney General
Allison Ball	State Treasurer
Edgar C. Ross	State Controller
John E. Chilton	State Budget Director

The Commission was created by the General Assembly to develop policies and strategies to minimize the impact of fluctuating interest rates on the Commonwealth's interest-sensitive assets and interest-sensitive liabilities. The Commission is authorized to issue tax and revenue anticipation notes, project notes and funding notes. Tax and revenue anticipation notes are to be used for the purpose of providing monies to discharge expenditure demands in anticipation of revenues and taxes to be collected during the fiscal year. Project notes are to be used for authorized projects upon request of the Finance and Administration Cabinet, to be repaid through financing agreements or alternative agreements. Funding notes are to be used for the purpose of funding judgments against the Commonwealth or any state agency and certain other obligations relating to the Commonwealth's Teachers' Retirement System. OFM, which is in the Cabinet, serves as staff to the Commission.

Financings of the Commission

General. The Commission has had outstanding obligations in several different forms, including tax and revenue anticipation notes and project notes. Project notes have been issued as General Fund Series, Agency Fund Series, Road Fund Series and Federal Highway Trust Fund Series depending upon the appropriation fund source that is being used to fund the payments under the related financing/lease agreement. Each type of obligation, described below, is secured by the trust indenture to which such types of obligations relate, and holders of notes issued under a particular trust indenture do not have any claim on the pledged receipts of the Commission arising under any other trust indenture.

The holders of the Notes do not have a claim against the moneys pledged under the trust indenture related to any other project notes issued as General Fund Series, Agency Fund Series, Road Fund Series or Federal Highway Trust Fund Series. The indentures for each particular type of notes

issued by the Commission generally allow the issuance of additional notes on parity with the outstanding notes of the same type. The Commission's outstanding obligations as of the date of this Official Statement are described below.

General Fund Tax and Revenue Anticipation Notes. The Commission has previously issued General Fund Tax and Revenue Anticipation Notes ("TRANs") corresponding with its fiscal year. The TRANs are payable from taxes and certain revenues collected by the Commonwealth in the Fiscal Year in which they are issued. The Commission has not issued TRANs since 2008 and there are no TRANs currently outstanding other than the Notes once issued and outstanding.

Project Notes, General Fund Series. The Commission from time to time issues separate series of project notes, the proceeds of which are used to fund capital projects (the "General Fund Project Notes") authorized by the General Assembly. All General Fund Project Notes are payable from payments to be received by the Commission under separate financing/lease agreements and, as to bond anticipation notes, the issuance of bonds by the State Property and Buildings Commission. These payments are ultimately dependent upon General Fund appropriations by the General Assembly of the Commonwealth. The Commission has the following General Fund Project Notes outstanding as of May 1, 2019:

<u>General Fund Project Notes</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Final Maturity</u>
2007 General Fund FRN Series A	\$100,835,000	\$40,230,000	11-2027
2007 General Fund FRN Series B	<u>142,245,000</u>	<u>111,325,000</u>	11-2027
Total	\$243,080,000	\$151,555,000	

Project Notes, Agency Fund Series. The Commission from time to time also issues separate series of project notes (the "Agency Fund Project Notes"), which are payable from payments to be received by the Commission under financing/lease agreements with various state agencies and from proceeds of bonds to be issued by the State Property and Buildings Commission or a state agency. The payments used to pay Agency Fund Project Notes are ultimately dependent upon Agency Fund appropriations by the General Assembly of the Commonwealth.

<u>Agency Fund Project Notes</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Final Maturity</u>
2018 First Series	<u>\$27,775,000</u>	<u>\$14,169,640</u>	10-2023
Total	\$27,775,000	\$14,169,640	

Project Notes, Road Fund Series. The Commission has previously issued Road Fund Project Notes supported by Road Fund Appropriations to provide interim financing. No Road Fund Project Notes are currently outstanding.

Project Notes, Federal Highway Trust Fund Series. The following Federal Highway Trust Fund Notes are outstanding:

<u>Federal Highway Trust Fund Project Notes</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Final Maturity</u>
2007 First Series	\$277,910,000	\$42,395,000	9-2019
2010 First Series	89,710,000	89,710,000	9-2022
2013 First Series	212,545,000	193,030,000	9-2025
2014 First Series A	132,175,000	132,175,000	9-2026
2015 First Series	<u>542,345,000</u>	<u>84,995,000</u>	9-2027
Total	\$1,254,685,000	\$542,305,000	

Funding Notes, General Fund Series. The Commission is authorized to issue funding notes (the “General Fund Funding Notes”), the proceeds of which are to be used for the purpose of funding judgments against the Commonwealth or any state agency or to be used to finance or refinance obligations owed to the Teachers’ Retirement System of Kentucky (“KTRS”). All General Fund Funding Notes are payable from payments to be received by the Commission under separate financing/lease agreements with KTRS or other state agencies. The Commission has the following General Fund Funding Notes outstanding:

<u>Funding Notes</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Final Maturity</u>
2010 First Series	\$467,555,000	\$8,560,000	4-2020
2011 First Series	269,815,000	76,860,000	4-2022
2013 First Series	<u>153,290,000</u>	<u>64,825,000</u>	4-2023
Total	\$890,660,000	\$150,245,000	

Future Financings

The 2010 Extraordinary (Special) Session of the General Assembly delivered House Bill 1 (Executive Branch Budget other than Transportation Cabinet) and House Bill 3 (Kentucky Transportation Cabinet Budget) to the Governor on May 29, 2010, establishing an Executive Branch Budget for the biennium ending June 30, 2012. Governor Beshear took final action on the bills on June 4, 2010. Together, the bills authorized bond financing for projects totaling \$1,980.2 million to support various capital initiatives of the Commonwealth. Of the total authorization, \$507.4 million is General Fund supported, \$515.3 million is Agency Restricted Fund supported, \$522.5 million is supported by Road Fund appropriations and \$435 million is Federal Highway Trust Fund supported through Grant Anticipation Revenue Vehicle Bonds designated for the Lake Barkley and Kentucky Lake Bridges Project and the Louisville-Southern Indiana Bridges Ohio River Bridges Project. A portion of the General Fund, Agency Restricted Fund, and Road Fund authorizations, and all of the Federal Highway Trust Fund authorization have been permanently financed. House Bill 201 from the 2018 Regular Session of the General Assembly deauthorized \$59.5 million of Grant Anticipation Revenue Vehicle (GARVEE) Bonds which were not needed to complete the US-68/KY-80 Lake Barkley and Kentucky Lake Bridges Project.

The 2012 Regular Session of the General Assembly delivered House Bill 265 (Executive Branch Budget other than Transportation Cabinet) to the Governor on March 30, 2012 and House Bill 2 (Kentucky Transportation Cabinet Budget) to the Governor on April 20, 2012, establishing an Executive Branch Budget for the biennium ending June 30, 2014. Governor Beshear took final action on House Bill 265 on April 13, 2012 and took final action on House Bill 2 on May 2, 2012. Together, the bills authorized bond financing for projects totaling \$238.86 million to support various capital initiatives of the Commonwealth. Of the total authorization, \$182.86 million is General Fund supported, \$12.5 million is supported by Road Fund appropriations, and \$43.5 million is Agency Restricted Fund supported. A portion of the General Fund authorization and the total Agency Restricted Fund authorizations listed above have been permanently financed.

The 2014 Regular Session of the General Assembly delivered House Bill 235 (Executive Branch Budget other than Transportation Cabinet) to the Governor on March 31, 2014 and House Bill 236 (Kentucky Transportation Cabinet Budget) to the Governor on April 15, 2014, establishing an Executive Branch Budget for the biennium ending June 30, 2016. Governor Beshear took final action on House Bill 235 on April 11, 2014 and took final action on House Bill 236 on April 25, 2014. Together, the bills authorize bond financing for projects totaling a net amount of \$1,364.05 million to support various capital initiatives of the Commonwealth due to \$105 million in previously authorized debt that was de-authorized in House Bill 235. Of the total authorization, \$742.77 million is General Fund supported, \$721.28 million is supported by Agency Restricted Fund appropriations, and \$5.0 million is Road Fund supported. A

portion of the General Fund and Agency Restricted Fund authorizations, and all of the Road Fund authorization listed above have been permanently financed.

The 2016 Regular Session of the General Assembly delivered House Bill 303 (Executive Branch Budget other than the Transportation Cabinet) and House Bill 304 (Kentucky Transportation Cabinet Budget) to the Governor on April 15, 2016, establishing an Executive Branch Budget for the biennium ending June 30, 2018. The Governor took final action on House Bill 303 and House Bill 304 on April 27, 2016. Together, the bills authorized bond financing for projects totaling a net amount of \$1,251.24 million to support various capital initiatives of the Commonwealth with \$9.0 million of previously authorized debt de-authorized in House Bill 303. Of the total authorization, \$582.99 million is General Fund supported and \$677.25 million is supported by Agency Fund appropriations. No additional Road Fund supported authorizations were appropriated. A portion of the General Fund and Agency Restricted Fund authorizations listed have been permanently financed.

The 2017 Regular Session of the General Assembly delivered House Bill 13 and House Bill 482 to the Governor on March 30, 2017. House Bill 13 authorized a general fund bond supported project for the Kentucky Department of Veterans' Affairs for the financing of the Bowling Green Veterans Center totaling \$10.5 million. House Bill 482 authorized a general fund bond supported project totaling \$15 million for the Kentucky Economic Development Finance Authority Loan Pool to support programs administered by the Kentucky Economic Development Finance Authority for the sole purpose of facilitating a private sector investment of not less than \$1 billion in one or more locations in the Commonwealth. The Governor took final action on House Bill 13 and House Bill 298 on April 11, 2017. The total authorization under House Bill 482 has been permanently financed.

The 2018 Regular Session of the General Assembly delivered House Bill 200 (Executive Branch Budget other than Transportation Cabinet) to the Governor on April 2, 2018 and House Bill 201 (Kentucky Transportation Cabinet Budget) to the Governor on April 14, 2018, establishing an Executive Branch Budget for the biennium ending June 30, 2020. The Governor vetoed House Bill 200 on April 9, 2018 and on April 13, 2018 the General Assembly enacted House Bill 200 over the Governor's veto. On April 14, 2018, the General Assembly delivered House Bill 265 (amending the 2018-2020 Executive Branch Budget Bill) to the Governor. The Governor took final action on House Bill 201 on April 26, 2018. House Bill 265 became law without the Governor's signature on April 27, 2018. Together, the bills authorize bond financing for projects totaling a net amount of \$972.7 million to support various capital initiatives of the Commonwealth whereas \$26.62 million in previously authorized debt was re-authorized and reallocated in House Bill 200 and House Bill 201. Of the total authorization, \$396.44 million is General Fund supported and \$602.89 million is supported by Agency Fund appropriations.

The 2018 Regular Session of the General Assembly delivered Senate Bill 200 to the Governor on April 14, 2018, which he signed on April 26, 2018. The bill amended KRS 154.15-020, expanding the approval powers of the Kentucky Communications Network Authority (KCNA) board to give authority to the KCNA Executive Director to make, execute, and effectuate contracts, leveraging future revenues from provision of government-to-government services and sale or lease of excess capacity, to incur debt in the name of KCNA and to enter into financing agreements with the Commonwealth, agencies of the Commonwealth, lending institutions, investors, or investing entities. The total amount of debt or financing allowed by the bill shall not exceed \$110 million and shall not leverage any future revenues committed to the repayment of any other debt or expected to be used for the repayment of any other debt, as of the time the debt or financing is entered into.

The 2019 Regular Session of the General Assembly delivered House Bill 268 (Executive Branch Budget Amendment) to the Governor on March 14, 2019. The Governor vetoed certain line items on March 26, 2019 and the General Assembly overrode certain gubernatorial vetoed line items on March 28, 2019, enacting House Bill 268 as vetoed in part. The bill authorizes bond financing for projects totaling a

net amount of \$75 million to support various capital initiatives of the Commonwealth. The total authorization is General Fund supported.

The balance of bond authorizations of the General Assembly dating from 2006 through 2020 subject to moral obligation or state intercept totals \$1,313.41 million. Of these prior authorizations, \$588.18 million is General Fund supported, \$662.73 million is Agency Restricted Fund supported, and \$62.50 million is supported by Road Fund appropriations.

The following table summarizes, in aggregate, the information in connection with authorized but unissued debt of the Commonwealth as described in this section.

Summary of Authorized but Unissued Debt by Fund Type
as of April 30, 2019

Legislative Session (Year)	General Fund (millions)	Agency Fund (millions)	Road Fund (millions)	TOTAL (millions)
2010 and prior	\$40.88	\$17.50	\$50.00	\$108.38
2012	12.95		12.50	25.45
2014	151.37	9.00		160.37
2016	225.85	93.34		319.19
2017	10.50			10.50
2018	371.63	542.89		914.52
2019	75.00			75.00
Bond Pool Proceeds	(300.00)			(300.00)
TOTAL	\$588.18	\$662.73	\$62.50	\$1,313.41

The General Assembly may authorize debt financing to support various capital initiatives or funding obligations of the Commonwealth in future sessions, which may result in the issuance of additional notes by the Commission. Notes may also be issued to refund outstanding Commission notes. The Commission may also issue TRANS as funding needs arise. The Commission may also enter into interest rate swaps or other agreements to manage the state's interest rate risk profile and/or hedge the future issuance of bonds authorized by the General Assembly.

TAX MATTERS

Generally

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Notes is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the Commission with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended, that must be met subsequent to the issuance of the Notes. Failure to comply with such covenants could cause interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. The Commonwealth has covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Notes. In Bond Counsel's further opinion, under the existing laws of the Commonwealth, interest on the Notes is excluded from the gross income of the recipients thereof for Kentucky income tax purposes and the Notes are exempt from ad valorem taxes by the Commonwealth and all political subdivisions thereof.

The accrual or receipt of interest on the Notes may otherwise affect the federal income tax liability of the owners of the Notes. The extent of these other tax consequences will depend upon such

owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Notes, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Tax Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Notes.

Tax Treatment of Original Issue Discount

The amount treated as interest on the Notes and excluded from gross income will depend upon the taxpayer's election under Internal Revenue Service (the "Service") Notice 94-84, 1994-2 C.B. 559. Notice 94-84 states that the Service is studying whether the amount of the payment at maturity on debt obligations such as the Notes that is excluded from gross income for federal income tax purposes is (i) the stated interest payable at maturity or (ii) the difference between the issue price of the Notes and the aggregate amount to be paid at maturity of the Notes (the "original issue discount"). For this purpose, the issue price of the Notes is the first price at which a substantial amount of the Notes is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the Service provides further guidance, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax-exempt debt obligations with a term that is not more than one year from the date of issue in a consistent manner. Taxpayers should consult their own tax advisors with respect to the tax consequences of ownership of Notes if the taxpayer elects original issue discount treatment.

Tax Treatment of Original Issue Premium

The following disclosure relates to purchasers of the Notes who, under Notice 94-84 discussed above, treat the stated interest payable at the maturity of the Notes as the amount excluded from gross income for federal income tax purposes. An amount equal to the excess of the issue price of a Note over its stated redemption price at maturity constitutes original issue premium on such Note. An initial purchaser of a Series Note must amortize any original issue premium in accordance with the provisions of Section 171 of the Tax Code. Purchasers of a Note with original issue premium should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to state and local tax consequences of owning Notes with original issue premium.

Recognition of Income Generally

Section 451 of the Code was amended by Pub. L. No. 115-97, enacted December 22, 2017 (sometimes referred to as the Tax Cuts and Jobs Act), to provide that taxpayers using an accrual method of accounting for federal income tax purposes generally will be required to include certain amounts in income, including original issue discount, no later than the time such amounts are reflected on certain financial statements of such taxpayer. The application of this rule may require the accrual of income earlier than would have been the case prior to the amendment of Section 451 of the Code. The rule generally applies to taxable years after 2017, except that in the case of income from a debt instrument having original issue discount, the rule does not apply until taxable years after 2018. Investors should consult their own tax advisors regarding the application of this rule and its impact on the timing of the recognition of income related to the Notes under the Code.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Notes. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Notes. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Notes or the market value thereof would be impacted thereby. Purchasers of the Notes should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Notes, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Notes is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Tax Code. This reporting requirement does not in and of itself affect or alter the excludability of interest on the Notes from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

LITIGATION

There is no controversy or litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Notes, or in any way contesting or affecting the validity of the Notes or any proceedings of the Commission taken with respect to the issuance or sale thereof, or the pledge or application of any monies or security provided for the payment of the Notes or due existence or powers of the Commission.

APPROVAL OF LEGALITY

Certain legal matters incident to the authorization, issuance, sale and delivery of the Notes are subject to the unqualified approving opinion of Kutak Rock LLP, Omaha, Nebraska, Bond Counsel to the Commission. Certain other legal matters will be passed on by Dinsmore & Shohl LLP, Covington, Kentucky, counsel to the Underwriter.

RATINGS

The following rating agencies (each a "Rating Agency") have assigned the Notes the following respective ratings: Moody's Investors Service, Inc., "MIG 1" and Fitch Ratings, "F1+". Each rating reflects only the views of the respective Rating Agency. Explanations of the significance of the ratings may be obtained from each Rating Agency as follows: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007, (212) 553-0300; Fitch Ratings, One State Street Plaza, New York, New York 10004 (212) 908-0500. A rating is a not recommendation to buy, sell or hold the Notes, and there is no assurance that any rating will be maintained for any given period of time by a Rating Agency or that it will not be revised or withdrawn entirely by such Rating Agency, if in its judgment circumstances so

warrant. Any such revision or withdrawal of a rating may have an adverse effect on the market price of the Notes.

CONTINUING DISCLOSURE

The Commission will comply with the requirements of the Securities and Exchange Commission regarding secondary market disclosure as set forth in Rule 15c2-12 (the “Rule”), as amended, under the Securities Exchange Act of 1934. Specifically, the Commission will enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”), a form of which is attached as EXHIBIT E, in which it will covenant to provide notice in a timely manner, not later than ten business days after the event, to the Municipal Securities Rulemaking Board (the “MSRB”), and the appropriate state information depository, if any, of any of the types of events with respect to the Notes set forth in the form attached hereto. Effective on July 1, 2009, the MSRB became the sole nationally recognized municipal securities information repository and the Commission’s filings with the MSRB will be in accordance with the MSRB’s Electronic Municipal Market Access (EMMA) system, as applicable to the Continuing Disclosure Agreement.

The Commonwealth is providing, and for the five (5) years preceding the date of issuance of the Notes has provided, ongoing market disclosure as required by Rule 15c2-12 pursuant to agreements entered into in connection with other outstanding securities, including timely notices of changes in the Commission's underlying ratings affecting its outstanding securities with the exceptions noted below (which information below is presented irrespective of materiality).

The Commonwealth and the Commission have learned that in some instances prior rating changes on certain securities issued by the Commonwealth and its agencies, including the Commission, resulting from rating downgrades on certain bond insurers, were not the subject of material event notices, due, in part, to the lack of any direct notification to the Commonwealth of the specific rating impact on such particular securities of the Commonwealth and its agencies. On April 3, 2019, the Commission posted on EMMA Notices of Material Events, Notice of Rating Downgrade, Notice of Rating Withdraw, Notice of Rating Upgrade and Late Filings on EMMA regarding the matters described above and listed the affected securities.

The Commonwealth and the Commission learned that in some instances prior Notices of Material Events posted to EMMA failed to include all affected CUSIPS regarding rating changes on certain securities issued by the Commonwealth and certain of its agencies, including the Commission. On May 9, 2018 and on April 3, 2019, the Commission filed Notices of Material Event, Notices of Rating Downgrades and Late Filings on EMMA regarding the matter described in the previous sentence and listing the affected securities.

The Commonwealth and the Commission have taken necessary actions to assure compliance with Rule 15c2-12 with respect to such events. Additionally, the Commonwealth and the Commission have put procedures in place to assure that future material event notices will be timely filed with respect to such events.

UNDERWRITING

The Underwriter has agreed to purchase the Notes for a purchase price of \$405,615,000, which is an amount equal to the par amount of the Notes, plus net bond premium of \$6,052,000, less underwriters’ discount of \$437,000. The Underwriter is committed to purchase all of the Notes if any are purchased.

The representative of the Underwriter has advised the Commission that the Underwriter intends to make a public offering of the Notes at the initial public offering prices or yields set forth on the cover page hereof; provided, however, that the Underwriter has reserved the right to make concessions to

dealers and to change such initial public offering prices as the Underwriter deems necessary in connection with the marketing of the Notes.

The Underwriter and its respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriter and its respective affiliates have provided, and may in the future provide, a variety of these services to the Commission and to persons and entities with relationships with the Commission, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriter and its respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Commission (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Commission. The underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

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MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Commission and the purchasers or Holders of any of the Notes.

KENTUCKY ASSET/LIABILITY COMMISSION

By: /s/Ryan Barrow
Secretary

EXHIBIT A

DEBT INFORMATION PERTAINING TO THE COMMONWEALTH OF KENTUCKY

COMMONWEALTH DEBT MANAGEMENT

Management

The Office of Financial Management (“OFM”), Finance and Administration Cabinet, has central responsibility for the issuance, management, review and approval of all debt issued by the Commonwealth and its agencies. Table I lists active issuing entities. OFM is also responsible for the coordination and monitoring of cash needs relative to debt activity, debt service payments and the development of a comprehensive long-term debt plan. OFM serves as primary staff to the Commission, the Kentucky Asset/Liability Commission, the Turnpike Authority of Kentucky, the Kentucky Local Correctional Facilities Construction Authority, and the State Investment Commission.

Structure

The Commonwealth’s indebtedness is classified as either appropriation supported debt or non-appropriation supported debt.

Appropriation supported debt carries the name of the Commonwealth and is either (i) a general obligation of the State, or (ii) a lease revenue obligation of one of its debt issuing agencies created by the General Assembly to finance various projects which is subject to state appropriation for all or a portion of the debt service on the bonds.

General obligation bonds pledge the full faith, credit and taxing power of the Commonwealth for the repayment of the debt. The Kentucky Constitution requires voter approval by general referendum prior to the issuance of general obligation bonds in amounts exceeding \$500,000. Kentucky has not issued general obligation bonds since 1966. The Commonwealth has no general obligation bonds outstanding.

Project revenue notes and bonds are issued by various debt issuing authorities of the Commonwealth. The revenues produced by the projects funded by the debt are pledged as security for repayment of the debt. Project revenue debt is not a direct obligation of the Commonwealth. Project revenues are, in some cases, derived partially or solely from biennial appropriations of the General Assembly. In other cases the direct revenues generated from the project funded constitute the entire source of payment.

The payment of debt service by the state universities is enhanced by a state intercept provision that provides that in the event of a default, the Secretary of the Finance Cabinet is required to intercept any funds appropriated to the University but not yet disbursed and to remit those funds to the Trustee to remedy the default.

Non-appropriation or moral obligation debt carries the name of the Commonwealth for the benefit and convenience of other entities within the state. This type of indebtedness is a special obligation of the issuer, secured and payable solely from the sources pledged for the payment thereof and does not constitute a debt, liability, obligation or a pledge of the faith and credit of the Commonwealth. The General Assembly does not intend to appropriate any funds to fulfill the financial obligations represented by these types of indebtedness. Some issues covenant that in the event of a shortfall the issuer will request from the Governor and the General Assembly sufficient amounts to pay debt service. Certain Kentucky Higher Education Student Loan Corporation bonds, Kentucky Housing Corporation Multi-Family conduit bonds, Kentucky Infrastructure Authority Governmental Agencies Program bonds, Kentucky Infrastructure Authority Wastewater and Drinking Water Revolving Fund Revenue bonds and Kentucky Public Transportation Infrastructure Authority Toll Revenue bonds and bond anticipation notes are not moral obligation debt.

Default Record

The Commonwealth has never defaulted in the payment of principal or interest on its general obligation indebtedness or its project revenue obligations.

**TABLE I
ACTIVE DEBT ISSUING ENTITIES**

<u>ENTITY</u>	<u>STATUTORY AUTHORITY/PURPOSE</u>	<u>DEBT LIMITATIONS</u>	<u>RATINGS</u> ¹
State Property and Buildings Commission (“SPBC”)	KRS 56.450 Provide financing for capital construction projects and financing programs approved by the General Assembly.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	A1/A-/A+
Kentucky Asset/Liability Commission (“ALCo”)	KRS 56.860 Provide financing of capital projects and cash flow borrowings to meet working capital needs of the Commonwealth.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly, exclusive of cash flow borrowings within a fiscal year.	Varies
Turnpike Authority of Kentucky (“TAK”)	KRS 175.410-175.990 Construct, maintain, repair, and operate Turnpike projects, resource recovery roads and economic development roads.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly	Aa3/A-/A+
The State Universities (consisting of nine)	KRS 56.495 Construct educational buildings and housing and dining facilities.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	Varies
Kentucky Housing Corporation (“KHC”)	KRS 198A Make low interest mortgage loans and construction loans to increase the supply of housing for low to moderate income residents of the Commonwealth.	Limited to \$5.0 billion of debt outstanding.	Aaa/AAA/NR
Kentucky Infrastructure Authority (“KIA”)	KRS 224A Provide financial assistance to local governments for the construction or refinancing of infrastructure facilities and to provide loans to industries for construction of pollution control facilities.	Revolving Fund programs cannot incur debt without appropriation of debt service by the General Assembly. Without legislative approval, other programs are limited to debt outstanding of \$500 million.	Aaa/AAA/AAA
Kentucky Higher Education Student Loan Corporation (“KHESLC”)	KRS 164A Finances, makes and administers loans to fund and refinance costs to attend education institutions as permitted by the Commonwealth.	Limited to \$5.0 billion of debt outstanding.	Varies
School Facilities Construction Commission (“SFCC”)	KRS 157.611-157.665 Assist local school districts with the financing and construction of school buildings. Finance the construction of vocational education facilities.	Cannot incur debt without appropriation of debt service by General Assembly.	A1
Kentucky Economic Development Finance Authority (“KEDFA”)	KRS 154 Issue industrial revenue bonds on behalf of industries, hospitals, and commercial enterprises in the state. Provide low interest loans to developing businesses. Provide financing and tax credits to manufacturing entities expanding or locating facilities in the Commonwealth.	None.	Varies
Kentucky Public Transportation Infrastructure Authority (“KPTIA”)	KRS 175B.005-175B.115 Facilitate construction, financing, operation, and oversight of significant transportation projects within the Commonwealth by entering into bi-state agreements and by creating bi-state authorities and project authorities.	Cannot incur debt without prior approval of projects by General Assembly.	Baa3/NR/BBB-

¹ Ratings, where applicable, include Moody’s, Standard & Poor’s, and Fitch. Certain State Property and Buildings Commission Agency and Road Fund Revenue Bonds may have ratings different from those identified above. The Turnpike Authority of Kentucky rating by Fitch Ratings applies to the outstanding bonds of the Authority prior to its Economic Development Road Revenue Bonds (Revitalization Projects), 2016 Series B. The State Property and Buildings Commission rating by Standard & Poor’s does not apply to all outstanding bonds or any related bond insurers.

Notes

- The Kentucky Infrastructure Authority's Governmental Agencies Program Revenue Bonds are rated "AA+" by Standard & Poor's and are backed by the loans of the borrowers. The Kentucky Infrastructure Authority's Wastewater and Drinking Water Revolving Fund Revenue Bonds are rated "Aaa/AAA/AAA" by Moody's, Standard & Poor's and Fitch, respectively.
- On February 18, 2014, Moody's downgraded certain stand-alone GARVEEs, issued by the Kentucky Asset/Liability Commission, backed by appropriations from the Federal Highway Trust Fund to "A1" from "Aa3" with a negative outlook. On June 16, 2014, Moody's downgraded certain GARVEEs, issued by the Kentucky Asset/Liability Commission, backed by appropriations from the Federal Highway Trust Fund to "A2" from "A1" and changed the outlook from negative to stable.
- On July 20, 2017, Moody's downgraded the Turnpike Authority of Kentucky's Road Fund appropriation-supported obligations to "Aa3" from "Aa2".
- On July 20, 2017, Moody's downgraded the Commonwealth's issuer credit rating to "A1" from "Aa3" and its rating on the Commonwealth's appropriation debt to "A2" from "A1". At the same time, Moody's lowered its rating on debt backed by the Commonwealth state intercept programs for schools and universities to "A1" from "Aa3". The outlook on all is stable.
- On May 18, 2018, Standard & Poor's downgraded the Commonwealth's issuer credit rating to "A" from "A+" and its rating on the Commonwealth's appropriation debt to "A-" from "A". At the same time, Standard & Poor's lowered its rating on debt backed by the Commonwealth state intercept programs for schools and universities to "A-" from "A" and on lease debt issued by various Kentucky county public properties corporations backed by appropriations from Administrative Office of the Courts to "BBB+" from "A-". The outlook on all ratings is stable.
- On August 29, 2018, Standard & Poor's downgraded the Turnpike Authority of Kentucky's Road Fund appropriation-supported obligations to "A-" from "AA-". The outlook is stable.

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EXHIBIT B

SUMMARY OF CERTAIN PROVISIONS OF THE 2019 RESOLUTION AND THE INDENTURE

Summarized below are certain provisions of the 2019 Resolution and the Indenture. Capitalized terms used in these summaries but not otherwise defined shall have the meanings given to such terms in the forepart of this Official Statement. This summary does not purport to be complete, and is qualified by reference to the 2019 Resolution and the Indenture.

Definitions

Set forth below are the definitions of some of the terms used in this Official Statement, the Indenture and the 2019 Resolution, which are not otherwise defined herein. Reference is hereby made to the Indenture and the 2019 Resolution for a complete recital of the terms defined therein.

“Act” shall mean Section 56.860 et seq. of the Kentucky Revised Statutes, as amended.

“Additional Notes” shall mean Notes issued from time to time in accordance with the Indenture and ranking on a parity as to security and source of payment with the Notes.

“Authorized Denominations” shall mean \$100,000 and integral multiples of \$5,000 in excess thereof.

“Authorized Officer” shall mean (i) with respect to the Notes, the Executive Director of the Office of Financial Management and (ii) with respect to any Additional Notes, any officer, member or employee of the Office of Financial Management authorized by a certificate of the Executive Officer to perform the act or sign the document in question, and if there is no such authorization, means the Executive Officer.

“Book-Entry-Only Notes” shall mean Notes which, at the election of the Commission, shall be issued in accordance with the DTC Operational Arrangements.

“Business Day” shall mean any day other than (i) a day on which the Trustee or the Paying Agent is required, or is authorized or not prohibited, by law (including executive orders) to close and is closed and (ii) a day on which the New York Stock Exchange is closed.

“Certificate of Award” shall mean the certificate of an Authorized Officer establishing certain terms of the applicable Series of Notes and authorized in the Indenture.

“Commission” shall mean the Kentucky Asset/Liability Commission.

“Costs of Issuance” shall mean only the costs of issuing Notes as designated by the Commission; including, but not being limited to, the fees and charges of the financial advisors or Underwriter, bond counsel, Trustee, Trustee’s counsel, rating agencies, note and official statement printers, and such other fees and expenses normally attendant to an issue of the Notes.

“Cost of Issuance Fund” shall mean the Fund so designated which is established and created by the Indenture.

“Counterparty Exchange Payment” means a payment due from an Exchange Counterparty to the Trustee or the Commission pursuant to the applicable Exchange Agreement (including, but not limited to, payments in respect of any early termination, as provided in the applicable Exchange Agreement).

“DTC” shall mean The Depository Trust Company, New York, New York (a limited purpose trust company).

“DTC Operational Arrangements” shall mean DTC’s operational arrangements, as amended from time to time.

“Eligible Investments” shall mean any investment authorized by Section 42.500 of the Kentucky Revised Statutes, as the same may be amended from time to time.

“Exchange Agreement” means an interest rate exchange agreement between the Commission or the Trustee and an Exchange Counterparty, as originally executed and as amended or supplemented, or a similar interest rate hedge agreement, as originally executed and as amended or supplemented.

“Exchange Counterparty” means any party with whom the Commission or the Trustee shall, from time to time, enter into an Exchange Agreement.

“Exchange Payment” means a payment due from the Commission or the Trustee to an Exchange Counterparty, pursuant to the applicable Exchange Agreement (including, but not limited to, payments in respect of any early termination, as provided in the applicable Exchange Agreement).

“Executive Officer” shall mean the Chairman of the Commission.

“Expenditure Demands” shall mean amounts required to be paid from the General Fund during the Fiscal Year.

“Fiduciary” or “Fiduciaries” shall mean the Trustee, any Paying Agent or Agents, or any combination of them, as may be appropriate.

“Fiscal Year” shall mean the period which begins on July 1, 2019 and ends on June 30, 2020.

“Fitch” shall mean Fitch Ratings.

“Funds and Accounts” shall mean the Cost of Issuance Fund, Note Fund and Rebate Fund and any account within such funds established by the Indenture.

“General Fund” shall mean the General Fund of the Commonwealth described in Section 47.010 of the Kentucky Revised Statutes.

“Holder,” or “Owner,” or any similar term (when used with reference to Notes), shall mean the person in whose name a Note is registered.

“Indenture” or “Trust Indenture” shall mean the Trust Indenture, dated as of July 1, 2019, and entered into between the Commission and the Trustee, as amended or supplemented from time to time.

“Interest Account” shall mean the account by that name in the Note Fund established under the Indenture.

“Interest Payment Date” shall mean the maturity date of the Notes, as shown on the cover of this Official Statement.

“Issue Date” shall mean the date of any Notes issued under the Indenture as determined by the Certificate of Award authorizing such Notes.

“Memorandum of Instructions” shall mean a Memorandum of Instructions Regarding Rebate which may be delivered to the Commission and the Trustee at the time of the issuance and delivery of a Series of Notes, as the same may be amended or supplemented in accordance with its terms.

“Moody’s” shall mean Moody’s Investors Service, Inc.

“Note Fund” shall mean the Fund so designated which is established and created by the Indenture.

“Note Purchase Agreement” shall mean the applicable Note Purchase Agreement between the Commission and the Underwriter providing for the purchase by the Underwriter of a Series of Notes.

“Paying Agent” shall mean initially, the Trustee, and any bank or trust company so designated, and its successor or successors hereafter appointed, as paying agent for the Notes in the manner provided in the Indenture.

“Pledged Assets” shall mean (i) the proceeds of sale of the Notes, (ii) all taxes and revenues required to be deposited in the General Fund (the “Revenues”) and (iii) all Funds and Accounts created and established pursuant to the Indenture (except the Rebate Fund), including moneys and securities therein.

“Principal Account” shall mean the account by that name in the Note Fund established under the Indenture.

“Proceeds Fund” shall mean the Proceeds Fund created by the 2019 Resolution.

“Rating Service” shall mean Moody’s, if Moody’s is then rating the Notes, S&P, if S&P is then rating the Notes, and Fitch, if Fitch is then rating the Notes, and their respective successors and assigns.

“Rebate Fund” shall mean the fund by that name established pursuant to the Indenture.

“Redemption Date” shall mean the date established for the redemption of Notes under the Indenture.

“S&P” shall mean S&P Global Ratings.

“Series” shall mean any series of Notes issued in accordance with the Indenture, and shall mean and include Additional Notes.

“2019 Resolution” shall mean Resolution of the Commission authorizing the Indenture and the issuance of the Notes.

“Underwriter” shall mean J.P. Morgan Securities LLC.

Delivery of the Notes and Additional Notes

The Indenture authorizes the issuance of Notes, in one or more Series, in an aggregate principal amount not to exceed \$400,000,000. The Notes are to be issued in anticipation of the receipt of taxes and revenues required to be deposited in the General Fund. Each Series of Notes is to be authorized pursuant to a Certificate of Award. The Commission has authorized the Executive Director of the Office of Financial Management (its “Authorized Officer”) to provide final authorization for the Notes by issuing a Certificate of Award. Every Certificate of Award is required to contain: (i) the authorized principal amount of said Notes, by applicable Series; (ii) the Issue Date of such Series of Notes; (iii) whether such Series of Notes shall be issued as Book-Entry-Only Notes; (iv) the initial Interest Rate Mode for such

Series of Notes; (v) whether such Series of Notes are to be secured by a Liquidity Facility or Credit Facility; (vi) the optional redemption provisions relating to such Series of Notes; (vii) the optional and mandatory tender provisions relating to such Series of Notes, if any; (viii) the price at which such Series of Notes shall be sold to the Underwriter; (ix) the allocation of the proceeds of such Series of Notes; (x) if applicable, the amount that may be drawn on the Credit Facility or Liquidity Facility; (xi) a determination that an IRS 8038G Form will be timely filed; and (xii) any other provisions deemed advisable by the Commission, not in conflict with or in substitution for the provisions of the Indenture. An opinion of Bond Counsel in substantially the form of the opinion set forth in Exhibit C hereto must be delivered upon the issuance of any Series of Notes.

All Notes shall rank on a parity and equality with one another, without regard to Series designation or Issue Date and shall be entitled to the benefit of the continuing pledge and lien created by the Act, which constitutes a portion of the trust estate created by the Indenture, to secure the full and final payment of principal of and interest on all Notes.

Security and Pledge of Revenues

The Notes, together with any Additional Notes issued under the Indenture, are special limited obligations of the Commission, payable only from taxes or revenues specifically pledged under the Act for the payment of principal of and interest on the Notes and any Exchange Agreements entered into with respect to the Notes. There have been pledged for payment of the principal of and interest on the Notes and all obligations under any Exchange Agreements: (i) the proceeds of sale of the Notes, (ii) all taxes and revenues required to be deposited in the General Fund (the “Revenues”) and (iii) all Funds and Accounts created and established pursuant to the Indenture (except the Rebate Fund), including moneys and securities therein.

Establishment Of Funds

The 2019 Resolution establishes the Proceeds Fund. The Indenture establishes the following special funds: (i) the Cost of Issuance Fund; (ii) the Note Fund; and (iii) the Rebate Fund. Each of these Funds is discussed below.

Cost of Issuance Fund

The Indenture establishes a separate Cost of Issuance Fund and within such Fund for each Series of Notes a separate Account on each Issue Date, which separate Account shall be identified by inserting in the designation therefor the Issue Date of the Notes for which the Account was established.

There shall be deposited in the Cost of Issuance Account established on the Issue Date for each Series of Notes, the amount of moneys necessary to pay the Costs of Issuance of such Notes specified and determined in the Certificate of Award authorizing the issuance of such Notes.

The Trustee is required from time to time to pay out, or to permit the withdrawal of, moneys from the applicable Cost of Issuance Account to pay any Costs of Issuance, free and clear of any lien or pledge or assignment in trust created by the Indenture, for the purpose of paying in the manner herein authorized any Costs of Issuance of the Notes for which such Account was established, upon receipt by said Trustee of a written requisition of the Commission signed by an Authorized Officer stating with respect to each payment to be made, for Costs of Issuance to be so paid and identifying the Account from which such requisition is to be paid.

If any moneys remain in a Cost of Issuance Account on the date which is five months from the date of issuance of the applicable Series of Notes, the Trustee is required to transfer such amounts to the Note Fund.

Proceeds Fund

The 2019 Resolution establishes a Proceeds Fund. The Proceeds Fund is to be held by the Finance and Administration Cabinet. The proceeds of the Notes that remain after (i) deposit of accrued interest to the Interest Account of the Note Fund and (ii) deposit of cost of issuance moneys to the Cost of Issuance Fund are required to be deposited to the Proceeds Fund.

Moneys in the Proceeds Fund are to be used by the Commonwealth for meeting Expenditure Demands on the General Fund of the Commonwealth and, to the extent needed, as set forth below, to pay interest and principal of the Notes.

To the extent that there are not already sufficient moneys on deposit in the Note Fund, the Commission, on each Interest Payment Date, is required to cause the Finance and Administration Cabinet (i) to transfer the amount needed to pay interest on the Notes on such Interest Payment Date from the Proceeds Fund to the Trustee for deposit to the Interest Account of the Note Fund and (ii) to transfer the amount needed to pay the principal of and premium, if any, on the Notes on such dates from the Proceeds Fund to the Trustee for deposit to the Principal Account of the Note Fund.

Note Fund

The Indenture establishes a Note Fund. Under the Indenture, the Trustee is required to maintain the Note Fund.

The Trustee is required to establish the following accounts in the Note Fund:

(1) An Interest Account, into which shall be deposited all amounts (i) received as accrued interest upon the sale and delivery of any Notes; (ii) transferred from the Proceeds Fund for the payment of interest on the Notes; (iii) received as proceeds of Notes to pay interest on Notes when due; or (iv) received as Counterparty Exchange Payments.

(2) A Principal Account, into which shall be deposited all amounts (i) transferred from the Proceeds Fund to pay principal of and premium, if any, on the Notes due at maturity, on a Redemption Date or upon acceleration; and (ii) representing payments of principal of and premium, if any, on the Notes to pay such amounts at maturity, on a Redemption Date, or upon acceleration.

As discussed above under "Proceeds Fund," the Commission is required to cause the Finance and Administration Cabinet to transfer moneys on each Interest Payment Date from the Proceeds Fund to the Trustee for deposit to the Note Payment Fund for the purpose of paying principal of and interest on the Notes.

Moneys in the Note Fund are required to be used as follows:

(1) amounts in the Interest Account shall be used to pay interest on the Notes and Exchange Payments.

(2) amounts in the Principal Account shall be used to pay principal of the Notes.

The Trustee shall transmit to any Paying Agent, as appropriate, from moneys in the Note Fund applicable thereto, amounts sufficient to make timely payments of principal and interest on the Notes to be made by such Paying Agent then due and payable. The Commission authorizes and directs the Trustee to cause withdrawal of moneys from the Note Fund which are available for the purpose of paying, and are sufficient to pay, the principal and interest on the Notes as they become due and payable (whether on an

Interest Payment Date, at stated maturity, or upon acceleration or redemption), for the purposes of paying or transferring moneys to the Paying Agents which are necessary to pay such principal and interest.

Rebate Fund

The Indenture establishes a fund separate from any other fund established and maintained thereunder or under any laws governing the creation and use of funds by the Commission designated as the “Rebate Fund,” which fund is required to be held by the Trustee as a trust fund. There is to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Memorandum of Instructions. Subject to certain transfer provisions, all moneys at any time deposited in the Rebate Fund are required to be held by the Trustee in trust, to the extent required to satisfy the Rebate Amount (as defined in the Memorandum of Instructions), for payment to the federal government of the United States of America, and neither the Commission, any Governmental Agency nor the owner of any Notes shall have any rights in or claim to such moneys.

Upon receipt of the Commission’s written directions, the Trustee is required to remit part or all of the balances in the Rebate Fund to the United States, as so directed. In addition, if the Commission so directs, the Trustee will deposit moneys into or transfer moneys out of the Rebate Fund from or into such account or funds as directed by the Commission’s written directions. Any funds remaining in the Rebate Fund after redemption and payment of all of the Notes and payment and satisfaction of any Rebate Amount, or provision made therefor satisfactory to the Trustee shall be withdrawn and remitted to, or at the direction of, the Commission.

Notwithstanding any other provision of the Indenture, the obligation to remit the Rebate Amounts to the United States and to comply with all other requirements of the foregoing and the Memorandum of Instructions shall survive the defeasance or payment in full of the Notes.

Investment of Funds

Except as otherwise described herein, amounts on deposit in any Fund or Account are required to be invested in Eligible Investments. The Trustee is required to sell at the best price reasonably obtainable, or present for redemption or exchange, any Eligible Investment purchased by it as an investment pursuant to the Indenture whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund or Account from which such investment was made. The Trustee is required to advise the Commission in writing, on or before the last business day of each calendar month, of the details of all Eligible Investments held for the credit of each Fund or Account in its custody under the provisions of the Indenture as of the end of the preceding month.

The Trustee is required to keep the Commission fully advised as to the details of all such investments and is required to comply with any directions of the Commission with respect to investments in Eligible Investments. Except as otherwise provided in the Indenture, earnings and losses on Eligible Investments are required to be credited to the Fund or Account with respect to which such investments were made (or pro-rated thereto) and such earnings or losses become a part thereof for all purposes.

Defeasance

If the Commission shall pay or cause to be paid, or there shall otherwise be paid, to Holders of the Notes, such amounts as will, taking into account the investment earnings therefrom, fully provide for all of the principal and interest to become due on any particular Notes, at the times and the manner stipulated therein and in the Indenture shall have been satisfied and terminated in accordance with its terms, then and in that event as to those particular Notes the Indenture shall cease, determine, and become null and void, and the covenants, agreements and other obligations of the Commission thereunder shall be satisfied and discharged for those particular Notes, and in such event, the Trustee shall, upon the request

of the Commission, execute and deliver to the Commission all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Commission all moneys or securities held by them pursuant to the Indenture which are not required for the payment or redemption of Notes not theretofore surrendered for such payment or redemption for those particular Notes.

Notes or interest installments of particular Notes for the payment or redemption of which moneys shall have been set aside and shall be held in trust by Fiduciaries shall, at the maturity or date of redemption thereof, be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. Particular Notes shall, prior to the maturity or redemption thereof, be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph if (a) in case any of said Notes are to be redeemed on any date prior to their maturity, the Commission shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice of redemption in the manner herein prescribed, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Obligations, hereinafter defined, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, as verified in a report of a firm of certified public accountants (or other evidence of sufficiency as may be acceptable to each Rating Service), to pay when due the principal and interest due and to become due on said Notes on and prior to the Redemption or maturity date thereof, as the case may be, and (c) in the event said Notes are not subject to redemption within the next 60 days, the Commission shall have given the Trustee in form satisfactory to it irrevocable instructions to notify the Holders of such Notes of such redemption in the manner herein provided for giving notice of redemption and (d) a Counsel's Opinion that the defeasance will not adversely affect the exclusion from gross income for federal income tax purposes of interest thereon. Neither Defeasance obligations nor moneys deposited with the Trustee pursuant to this paragraph nor principal or interest payments on any such obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Notes. Notice of any discharge of Notes pursuant to this paragraph shall be given to each Rating Service, accompanied by the verification required by clause (a) above.

Anything in the Indenture to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Notes which remain unclaimed for six (6) years after the date when all of the Notes have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for six (6) years after the date of deposit of such moneys if deposited with the Fiduciary after said date when all of the Notes became due and payable, shall (subject to the provisions of Article V of the Indenture), at the written request of the Commission, be repaid by the Fiduciary to the Commission, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged.

“Defeasance Obligations” means and includes any of the following:

(1) Direct and general non-callable obligations of the United States of America, backed by the full faith and credit of the United States of America or obligations that are unconditionally guaranteed as to principal and interest by the United States of America. The obligations described in this paragraph are hereinafter called “United States Obligations”.

(2) Prerefunded municipal obligations rated “AAA” by each Rating Service then rating the Notes and meeting the following conditions:

(a) the municipal obligations are (i) not to be redeemed prior to maturity or the Trustee has been given irrevocable instructions concerning their calling and redemption and (ii) the issuer has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or United States Obligations that may be applied only to interest, principal, and premium payments of such municipal obligations;

(c) the principal of and interest on the United States Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities on the municipal obligations;

(d) the United States Obligations serving as security for the municipal obligations are held by an escrow agent or trustee;

(e) the United States Obligations (plus any cash in the escrow fund) are not available to satisfy any other claims, including those against the trustee or escrow agent; and

if the redemption date for the Notes to be discharged by the deposit of Defeasance Obligations is no later than ninety (90) days from the date of such deposit, "Defeasance Obligations" shall also include direct and general non-callable obligations of any Federally sponsored enterprise, including Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Student Loan Marketing Association, Federal Farm Credit Banks, Federal Intermediate Credit Banks, Federal Land Banks, Federal Home Loan Banks, Bank for Cooperatives, Tennessee Valley Authority and any other similar institution.

Events of Default

Each of the following events is an "Event of Default" under the Indenture:

(1) payment of any principal on any Note shall not be made when and as the same shall become due or upon call for redemption or otherwise; or

(2) payment of any installment of interest on any Note or any Exchange Payment shall not be made when and as the same shall become due; or

(3) the Commission shall fail or refuse to comply with the provisions of the Act, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Indenture or the Notes and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the Trustee or the Holders of not less than five percent (5%) in principal amount of the Outstanding Notes.

Upon the occurrence of an Event of Default as specified in paragraph (1) or (2) above, the Trustee shall declare, by a notice in writing delivered to the Commission, the principal of all Notes then outstanding (if not then due and payable), together with interest accrued thereon, to be due and payable immediately. Subject to the following provisions, upon the occurrence of any other Event of Default as specified in paragraph (3) above, the Trustee may, or at the direction of the Holders of not less than twenty-five percent (25%) of the Notes Outstanding shall, declare, by a notice in writing delivered to the Commission, the principal of all Notes then outstanding (if not then due and payable), together with interest accrued thereon, to be due and payable immediately.

Any such declaration shall be by notice in writing to the Commission and any Exchange Counterparty, and, upon said declaration, principal and interest on all Notes shall become and be immediately due and payable. The Trustee immediately upon such declaration shall give notice thereof in the same manner as provided with respect to the redemption of the Notes without regard to the times stated for notice of redemption that the payment of principal and interest shall be tendered immediately to the Holders of the Notes and that interest has ceased to accrue as of the date of such declaration of acceleration.

If an Event of Default shall have occurred under paragraphs (1) or (2) above, the Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in paragraph (3) the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five percent (25%) of the Outstanding Notes shall proceed, in its own name, to protect and enforce its rights and the rights of the Holders by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, whether for the specific performance of any covenant or agreement contained in the Indenture or in aid of the execution of any power granted therein or in the Act or for the enforcement of any legal or equitable rights or remedies as the Trustee, being advised by its counsel, shall deem most effectual to protect and enforce such rights or to perform any of its duties under the Indenture.

In the enforcement of any rights and remedies under the Indenture, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due and unpaid from the Commission for principal, interest or otherwise, under any provision of the Indenture or of the Notes, with interest on overdue payments at the rate or rates of interest specified in such Notes, together with any and all costs and expenses of collection and of all proceedings hereunder and under the Notes, without prejudice to any other right or remedy of the Trustee or of the Holders, and to recover and enforce a judgment or decree against the Commission, but solely as provided in the Indenture and in the Notes for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

Priority of Payments after Default

In the event that upon the happening and continuance of any Event of Default, the funds held by the Fiduciaries shall be insufficient for the payment of principal and interest then due on the Notes, such funds (other than funds held for the payment or redemption of particular Notes which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Trustee acting pursuant to the Act, after making provision (i) for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of any Exchange Counterparty and the Holders of the Notes, and (ii) for the payment of the charges and expenses and liabilities incurred and advances made by the Fiduciaries in the performances of their respective duties under the Indenture, shall be applied as follows:

Unless the principal of all of the Notes shall have become or have been declared due and payable:

First: To the payment to the persons entitled thereto of all installments of interest (or Related Exchange Payments) then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installments, then to the payment thereof ratably, accordingly to the amounts due on such installments, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Notes which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Notes due on any date, then to the payment thereof ratably, according to the amounts of the principal due on such date, to the persons entitled thereto.

If the principal of all of the Notes shall have become or have been declared due and payable, to the payment of the principal and interest (or Related Exchange Payments) then due and unpaid upon the Notes without preference or priority of principal over interest (or Related Exchange Payments) or of interest (or Related Exchange Payments) over principal, or of any installment of interest (or Related Exchange Payments) over any other installment of interest (or Related Exchange Payments), or of any

Note over any other Note, ratably, accordingly to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Notes.

Whenever moneys are to be applied by the Trustee pursuant to these provisions, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional money becoming available for such application in the future. The deposit of such moneys with the Fiduciaries, or otherwise setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Commission, to any Holder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date, as described herein (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable), upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Trustee shall not be required to make payment to the Holder of any unpaid Note unless such Note shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Direction of Proceedings

Anything in the Indenture to the contrary notwithstanding, the Holders of the majority in principal amount of Notes then Outstanding shall have the right by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction (i) which in the opinion of the Trustee would be unjustly prejudicial to Holders not parties to such direction or (ii) there has not been offered to the Trustee reasonable security and indemnity against the cost, expenses (including reasonable legal expenses) and liabilities to be incurred with respect thereto.

Supplemental Indentures

The Indenture provides procedures whereby the Commission may amend the Indenture by adoption of a Supplemental Indenture, subject to the consent of the Trustee. Amendments that may be made without the consent of the Noteholders must be for purposes of further securing the Notes, imposing further limitations on, surrendering rights of the Commission, curing ambiguities or for any other purpose that does not materially adversely affect the rights of the Noteholders affected thereby.

Amendments of the respective rights and obligations of the Commission and the Noteholders may be made with the written consent of the Holders of not less than a majority in principal amount of the Outstanding Notes affected by such amendment. No such amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Note or of the rate of interest thereon or reduce the percentages or otherwise affect the classes of Notes the consent of the Holders of which is required to effect such amendment.

The Trustee

The Trustee will agree to perform the duties and obligations under the Indenture so long as no Event of Default shall have occurred and be continuing only as such duties and obligations are specifically set forth in the Indenture, and no duties or obligations shall be implied to the Trustee. In case

a default or an Event of Default has occurred and is continuing under the Indenture (of which the Trustee has been notified or is deemed to have notice), the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. The Indenture provides that the Trustee will be entitled to act upon opinions of counsel and will not be responsible for any loss or damage resulting from reliance thereon in good faith. In addition, the Indenture provides that the Trustee will be entitled to rely on certain other instruments, and it will not be liable for any action reasonably taken or omitted to be taken by it in good faith or be responsible other than for its own negligence or willful neglect.

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EXHIBIT C

FORM OF BOND COUNSEL OPINION FOR THE NOTES

[Date of Delivery]

Commonwealth of Kentucky
Kentucky Asset/Liability Commission
Frankfort, Kentucky

\$400,000,000
Commonwealth of Kentucky
Kentucky Asset/Liability Commission
General Fund Tax and Revenue Anticipation Notes,
2019 Series A

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the Kentucky Asset/Liability Commission (the “Commission”) of \$400,000,000 aggregate principal amount of General Fund Tax and Revenue Anticipation Notes, 2019 Series A (the “Notes”). The Notes are issuable only as fully registered Notes without coupons dated as of their date of delivery in the denomination of \$100,000 or any integral multiple of \$5,000 in excess thereof. The Notes are not subject to redemption prior to their maturity.

The Notes are being issued by the Commission, pursuant to the Constitution and laws of the Commonwealth of Kentucky (the “Commonwealth”), including particularly Sections 56.860 et seq. of the Kentucky Revised Statutes, as supplemented and amended (the “Act”), a resolution adopted by the Commission on May 15, 2019 (the “Resolution”), and a Trust Indenture, dated as of July 1, 2019 (the “Indenture”), between the Commission and Zions Bancorporation, National Association, Pittsburgh, Pennsylvania, as trustee (the “Trustee”).

The Commission has covenanted in the Indenture to at all times do and perform all acts and things permitted by law and necessary or desirable to assure that the interest on the Notes shall, for purposes of federal income taxation, be excludable from the gross income of the recipient.

We have examined the laws of the Commonwealth, the Act, a certified copy of the Indenture, certified copies of proceedings of the Commission authorizing the issuance of the Notes, a copy of an executed note of said issue and such other documents, records, certificates and opinions as we have deemed relevant and necessary in rendering this opinion.

From such examination, we are of the opinion that:

1. The Commission is an independent agency and constituted authority of the Commonwealth, duly organized and validly existing under the laws of the Commonwealth and has the legal right and authority to issue the Notes.
2. The Indenture and the Resolution have been duly authorized, executed and delivered by the Commission, and constitute valid and binding obligations of the Commission enforceable in accordance with their respective terms.
3. Interest on the Notes is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion in the

preceding sentence assumes the accuracy of certain representations and compliance by the Commission with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended, that must be met subsequent to the issuance of the Notes. Failure to comply with such covenants could cause interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes.

4. The Notes are payable as to principal, premium, if any, and interest from and are secured by a pledge of and a first lien on the Revenues, as defined in the Indenture, the funds and accounts established by the Indenture (except the Rebate Fund as defined therein) and the proceeds of the Notes.

5. The Notes are special and limited obligations of the Commission payable solely and only as provided for by the Act and the Indenture.

6. Under the existing laws of the Commonwealth of Kentucky, interest on the Notes is excluded from the gross income of the recipients thereof for Kentucky income tax purposes and the Notes are exempt from ad valorem taxation by the Commonwealth of Kentucky and all political subdivisions and taxing authorities thereof.

The obligations of the Commission, and the enforceability thereof, with respect to the Notes and the other documents described above are subject, in part, to the provisions of the bankruptcy laws of the United States of America and to other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally, now or hereafter in effect. Certain of such obligations, and enforcement thereof, are also subject to general equity principles, which may limit the specific enforcement of certain remedies but which do not affect the validity of such documents.

The scope of our engagement has not extended beyond the examinations and the rendering of the opinions expressed herein. Our engagement as Bond Counsel with respect to the transaction referred to herein terminates upon the date of this letter. We assume no obligation to review or supplement this letter subsequent to its date, whether by reason of a change in the current laws, by legislative or regulatory action, by judicial decision or for any other reason. No one other than the addressees hereof shall be entitled to rely upon this opinion without our prior written consent.

Very truly yours,

EXHIBIT D

BOOK-ENTRY-ONLY SYSTEM

The Notes initially will be issued solely in book-entry form to be held in the book-entry-only system maintained by The Depository Trust Company (“DTC”), New York, New York. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Notes and, except as otherwise provided herein with respect to tenders by Beneficial Owners (as hereinafter defined) of beneficial ownership interests, Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Notes under the Resolution.

The following information about the book-entry-only system applicable to the Notes has been supplied by DTC. Neither the Commission nor the Trustee makes any representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for each maturity of the Notes, in the aggregate principal amount of the Notes and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Notes are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Commission as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Commission or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with bonds held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC or its nominee, the Trustee or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commission or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Commission or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The Commission may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered.

NEITHER THE COMMISSION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A HOLDER WITH RESPECT TO: (1) THE NOTES; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE NOTES; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE NOTES; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

Each Beneficial Owner for whom a Direct Participant or Indirect Participant acquires an interest in the Notes, as nominee, may desire to make arrangements with such Direct Participant or Indirect Participant to receive a credit balance in the records of such Direct Participant or Indirect Participant, to have all notices of redemption or other communications to or by DTC, which may affect such Beneficial Owner forwarded in writing by such Direct Participant or Indirect Participant, and to have notification made of all debt service payments.

Beneficial Owners may be charged a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation to any transfer or exchange of their interests in the Notes.

The Commission cannot and does not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of debt service on the Notes made to DTC or its nominee as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

The information in this EXHIBIT D concerning DTC and DTC's book-entry system has been obtained from sources that the Commission believes to be reliable, but neither the Commission nor the underwriter take any responsibility for the accuracy thereof.

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**EXHIBIT E
FORM OF CONTINUING DISCLOSURE AGREEMENT**

**KENTUCKY ASSET/LIABILITY COMMISSION
GENERAL FUND TAX AND REVENUE ANTICIPATION NOTES, 2019 SERIES A**

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Agreement”) dated as of July 1, 2019 by and between the Kentucky Asset/Liability Commission (the “Issuer”) and Zions Bancorporation, National Association, Pittsburgh, Pennsylvania, as trustee (the “Trustee”) under a Trust Indenture dated as of July 1, 2019 between the Issuer and the Trustee (together, the “Indenture”), is executed and delivered in connection with the issuance of \$400,000,000 aggregate principal amount of the Issuer’s General Fund Tax and Revenue Anticipation Notes, 2019 Series A (the “Notes”), which are being issued under the Indenture. Capitalized terms used in this Agreement which are not otherwise defined in the Indenture shall have the respective meanings specified above or in Article IV hereof. The parties agree as follows:

ARTICLE I

THE UNDERTAKING

SECTION 1.1. Purpose. This Agreement shall constitute a written undertaking for the benefit of the holders of the Notes, and is being executed and delivered solely to assist the Participating Underwriter in complying with subsections (b)(5)(C) and (d)(3) of the Rule.

SECTION 1.2. Notices of Listed Events.

(a) If a Listed Event occurs, the Issuer shall provide, not more than 10 business days after the occurrence of the event, an Event Notice to (i) the MSRB and (ii) the Trustee.

(b) The Trustee shall promptly advise the Issuer whenever, in the course of performing its duties as Trustee under the Indenture, the Trustee has actual notice of an occurrence which, if material, would require the Issuer to provide an Event Notice hereunder; provided, however, that the failure of the Trustee so to advise the Issuer shall not constitute a breach by the Trustee of any of its duties and responsibilities under this Agreement or the Indenture.

SECTION 1.3. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that under some circumstances compliance with this Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Issuer under such laws.

ARTICLE II

OPERATING RULES

SECTION 2.1. Event Notices. Each Event Notice shall be so captioned and shall prominently state the title, date and CUSIP numbers of the Notes.

SECTION 2.2. Transmission of Information and Notices. Information required to be provided to the MSRB shall be transmitted to the MSRB, in an electronic format as prescribed by the MSRB, and accompanied by identifying information as prescribed by the MSRB. A description of such format and information as presently prescribed by the MSRB is included in Appendix A hereto.

ARTICLE III

TERMINATION, AMENDMENT AND ENFORCEMENT

SECTION 3.1. Termination. (a) The Issuer's and the Trustee's obligations under this Agreement shall terminate upon a legal defeasance pursuant to Section 11.01 of the Indenture, prior redemption or payment in full of all of the Notes.

(b) This Agreement, or any provision hereof, shall be null and void in the event that the Issuer delivers to the Trustee and the MSRB an opinion of Kutak Rock LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer and Trustee, to the effect that those portions of the Rule which require the provisions of this Agreement, or any of such provisions, do not or no longer apply to the Notes, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion.

SECTION 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Notes, (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied; (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have delivered to the Trustee an opinion of Kutak Rock LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) the Issuer shall have delivered to the Trustee an opinion of Kutak Rock LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer and the Trustee, to the effect that the amendment does not materially impair the interests of the beneficial owners of the Notes, or (ii) the holders of the Notes consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Indenture with consent of holders of Notes pursuant to the Indenture as in effect on the date of this Agreement, and (5) the Issuer shall have delivered copies of such opinion and amendment to the MSRB and the Trustee.

SECTION 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall inure solely to the benefit of the registered holders from time to time of the Notes, except that beneficial owners of Notes shall be third-party beneficiaries of this Agreement.

(b) Except as provided in this subsection (b), the provisions of this Agreement shall create no rights in any person or entity. The obligations of the Issuer to comply with the provisions of this Agreement shall be enforceable in the case of enforcement of obligations to provide notices, by any holder of Outstanding Notes, or by the Trustee on behalf of the registered holders of Outstanding Notes, provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the registered holders of not less than twenty-five percent (25%) in aggregate principal amount of the Notes at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. The registered holders' and Trustee's rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Issuer's obligations under this Agreement. In consideration of the third-party beneficiary status of beneficial owners of Notes pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be registered holders of Notes for purposes of this subsection (b) unless and until the respective holder exercises any rights pursuant to this subsection (b).

(c) Any failure by the Issuer or the Trustee to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Indenture, and the rights and remedies provided by the Indenture upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the Commonwealth, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the Commonwealth.

ARTICLE IV

DEFINITIONS

SECTION 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

“Commonwealth” means the Commonwealth of Kentucky.

“Event Notice” means written or electronic notice of a Listed Event.

“Financial Obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of either of the foregoing. The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“GAAP” means generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board.

“Listed Event” means any of the following events with respect to the Notes, whether relating to the Issuer or otherwise:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;
- (vii) modifications to rights of security holders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the securities, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the obligated person

(Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and

orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person);

(xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of an obligated person, any of which affect security holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to § 15B(b)(1) of the Securities Exchange Act of 1934.

“Official Statement” means the “final official statement, as defined in paragraph (f)(3) of the Rule, relating to the Notes.

“Participating Underwriter” means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Notes.

“Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CRF Part 240, § 240.15c2-12), as in effect on the date of this Agreement, including any official interpretations thereof.

“SEC” means the United States Securities and Exchange Commission.

ARTICLE V

MISCELLANEOUS

SECTION 5.1. Duties, Immunities and Liabilities of Trustee. Article X of the Indenture is hereby made applicable to this Agreement as if this Agreement were (solely for this purpose) contained in the Indenture.

SECTION 5.2. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives, all as of the date first above written.

KENTUCKY ASSET/LIABILITY COMMISSION

By: _____
Chair

ZIONS BANCORPORATION, NATIONAL ASSOCIATION, as Trustee

By: _____

Title: _____

APPENDIX A

MSRB PROCEDURES FOR SUBMISSION OF CONTINUING DISCLOSURE DOCUMENTS AND RELATED INFORMATION

Securities and Exchange Commission Release No. 34-59061 (the “Release”) approves an MSRB rule change establishing a continuing disclosure service of the MSRB’s Electronic Municipal Market Access system (“EMMA”). The rule change establishes, as a component of EMMA, the continuing disclosure service for the receipt of, and for making available to the public, continuing disclosure documents and related information to be submitted by issuers, obligated persons and their agents pursuant to continuing disclosure undertakings entered into consistent with Rule 15c2-12 (“Rule 15c2-12”) under the Securities Exchange Act of 1934. The following discussion summarizes procedures for filing continuing disclosure documents and related information with the MSRB as described in the Release.

All continuing disclosure documents and related information are to be submitted to the MSRB, free of charge, through an Internet-based electronic submitter interface or electronic computer-to-computer data connection, at the election of the submitter. The submitter is to provide, at the time of submission, information necessary to accurately identify: (i) the category of information being provided; (ii) the period covered by any annual financial information, financial statements or other financial information or operating data; (iii) the issues or specific securities to which such document is related or otherwise material (including CUSIP number, issuer name, state, issue description/securities name, dated date, maturity date, and/or coupon rate); (iv) the name of any obligated person other than the issuer; (v) the name and date of the document; and (vi) contact information for the submitter.

Submissions to the MSRB are to be made as portable document format (PDF) files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. If the submitted file is a reproduction of the original document, the submitted file must maintain the graphical and textual integrity of the original document. In addition, such PDF files must be word-searchable (that is, allowing the user to search for specific terms used within the document through a search or find function), provided that diagrams, images and other non-textual elements will not be required to be word-searchable.

All submissions to the MSRB’s continuing disclosure service are to be made through password protected accounts on EMMA by (i) issuers, which may submit any documents with respect to their municipal securities; (ii) obligated persons, which may submit any documents with respect to any municipal securities for which they are obligated; and (iii) agents, designated by issuers and obligated persons to submit documents and information on their behalf. Such designated agents are required to register to obtain password-protected accounts on EMMA in order to make submissions on behalf of the designating issuers or obligating persons. Any party identified in a continuing disclosure undertaking as a dissemination agent or other party responsible for disseminating continuing disclosure documents on behalf of an issuer or obligated person will be permitted to act as a designated agent for such issuer or obligated person, without a designation being made by the issuer or obligated person as described above, if such party certifies through the EMMA on-line account management utility that it is authorized to disseminate continuing disclosure documents on behalf of the issuer or obligated person under the continuing disclosure undertaking. The issuer or obligated person, through the EMMA on-line account management utility, is able to revoke the authority of such party to act as a designated agent.

The MSRB’s Internet-based electronic submitter interface (EMMA Dataport) is at www.emma.msrb.org.

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