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Book-Entry Only **Ratings: Fitch IBCA:AAA**
Moody's: Aaa (Aa3 underlying rating)
S&P: AAA (AA- underlying rating)
See "RATINGS" herein

NEW ISSUE

In the opinion of Bond Counsel for the Bonds, based upon an analysis of laws, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants made by the Commission, and subject to the conditions and limitations set forth herein under the caption "TAX TREATMENT," interest on the Series A Bonds (defined below) is excludable from gross income for Federal income tax purposes and is not a specific item of tax preference for purposes of the Federal individual or corporate alternative minimum taxes. Interest on the Series B Bonds (defined below) is includable in gross income for federal income tax purposes. Interest on the Bonds (defined below) is exempt from Kentucky income tax and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions. See "TAX TREATMENT" herein.

COMMONWEALTH OF KENTUCKY
State Property and Buildings Commission
$53,320,000 Agency Fund Revenue Bonds, Project No. 66, Series A
$1,550,000 Agency Fund Revenue Bonds, Project No. 66, Taxable Series B

Dated: June 1, 2000 **Due: May 1, as shown on inside cover**

The Bonds (the "Bonds") consist of Agency Fund Revenue Bonds, Project No. 66, Series A (the "Series A Bonds") and Agency Fund Revenue Bonds, Project No. 66, Taxable Series B ("Series B Bonds"). The Bonds will be issued only as fully registered bonds, and 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 Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest due on the Bonds will be made directly to DTC. The Bonds will be issued in denominations of $5,000 or any integral multiple thereof and will bear interest payable on each November 1 and May 1, commencing on November 1, 2000. Principal of, redemption premium, if any, and interest on the Bonds will be paid directly to DTC by Bank One, Kentucky, NA, Lexington, Kentucky, as Trustee and Paying Agent.

Certain of the Bonds are subject to optional and mandatory redemption prior to maturity at the times and in the amounts described herein.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by MBIA Insurance Corporation.

[LOGO]

FOR MATURITY SCHEDULE, INTEREST RATES AND PRICES, SEE INSIDE COVER

The Bonds are being issued by the State Property and Buildings Commission (the "Commission"), an independent agency of the Commonwealth of Kentucky (the "Commonwealth"), at the request of the Finance and Administration Cabinet of the Commonwealth (the "Cabinet") and the Kentucky Asset/Liability Commission ("ALCo") pursuant to a Resolution adopted May 22, 2000 to (i) pay certain costs of the Project (defined herein), (ii) redeem a portion of the outstanding Kentucky Asset/Liability Commission Project Notes, 1998 Agency Fund Series A and C, as more fully described herein, which were issued to pay certain costs of the Project (the "Redeemed Notes") and (iii) pay the costs of issuing the Bonds.

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE COMMISSION. THE BONDS DO NOT CONSTITUTE A DEBT, LIABILITY, OR OBLIGATION OF THE COMMONWEALTH, OR A PLEDGE OF THE FULL FAITH AND CREDIT OR TAXING POWER OF THE COMMONWEALTH, BUT ARE PAYABLE SOLELY FROM AMOUNTS DEPOSITED IN CERTAIN FUNDS AND ACCOUNTS CREATED BY THE RESOLUTION AND FROM RENTAL INCOME DERIVED FROM BIENNIALLY RENEWABLE LEASE AGREEMENTS WITH THE STATE AGENCIES (DEFINED HEREIN), THE RENT FROM WHICH IS SUBJECT TO AGENCY FUND APPROPRIATION BY THE GENERAL ASSEMBLY OF THE COMMONWEALTH ON A BIENNIAL BASIS. THE BONDHOLDERS HAVE NO SECURITY INTEREST IN ANY PROPERTIES CONSTITUTING THE PROJECT OR ANY AMOUNTS DERIVED THEREFROM.

The Bonds are offered when, as and if issued and accepted by the Underwriters, subject to the approving legal opinion of Peck, Shaffer & Williams LLP, Covington, Kentucky, Bond Counsel. Certain legal matters will be passed on for the Underwriters by their counsel, Brown, Todd & Heyburn, PLLC, Louisville, Kentucky. It is expected that delivery of the Bonds will be made on or about June 22, 2000, in New York, New York, through the facilities of DTC, against payment therefor.

Merrill Lynch & Co.

J.J.B. Hilliard, W.L. Lyons, Inc. **J.C. Bradford & Co.**
Morgan Keegan & Company, Inc. **NatCity Investments, Inc.**
Banc One Capital Markets, Inc. **Ross, Sinclaire & Associates, Inc.** **First Kentucky Securities Corp.**

Dated: June 8, 2000

MATURITY SCHEDULE

Agency Fund Revenue Bonds, Project No. 66, Series A

Maturity May 1	Principal Amount	Interest Rate	Price/Yield	Maturity May 1	Principal Amount	Interest Rate	Price/Yield
2001	$1,085,000	5.000%	4.550%	2010	$2,760,000	5.300%	100.00%
2002	915,000	4.850	100.00	2011	2,910,000	5.375	100.030
2003	1,935,000	4.950	100.00	2012	3,060,000	5.400	5.440
2004	2,040,000	5.000	100.00	2013	3,225,000	5.400	5.510
2005	2,145,000	5.050	100.00	2014	3,400,000	5.500	5.570
2006	2,255,000	5.100	100.00	2015	3,585,000	5.500	5.630
2007	2,370,000	5.150	5.160	2016	3,780,000	5.600	5.680
2008	2,495,000	5.200	5.220	2017	4,000,000	5.700	5.730
2009	2,625,000	5.250	5.260	2018	4,225,000	5.700	5.780

$4,510,000 5.75% Term Bonds due May 1, 2020, at 5.86%.

(plus accrued interest)

Agency Fund Revenue Bonds, Project No. 66, Taxable Series B

$1,550,000 7.280% Term Bonds due May 1, 2002, at 100%.

(plus accrued interest)

COMMONWEALTH OF KENTUCKY
STATE PROPERTY AND BUILDINGS COMMISSION

Members

PAUL E. PATTON
Governor
(Chairman of the Commission)

STEPHEN L. HENRY
Lieutenant Governor

A. B. CHANDLER III
Attorney General

JOHN McCARTY
Secretary
Finance and Administration Cabinet
(Executive Director of the Commission)

MARVIN E. STRONG, JR.
Secretary
Cabinet for Economic Development

F. MICHAEL HAYDON
Secretary
Revenue Cabinet

GORDON L. MULLIS, JR.
Executive Director
Office of Financial Management
(Secretary to the Commission)

This Official Statement does not constitute an offer to sell the Bonds to any person, or the solicitation of an offer from any person to buy the Bonds, 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 Commonwealth of Kentucky 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 Underwriters. 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 Underwriters. 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 Bonds shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date hereof. The Official Statement is submitted in connection with the issuance of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THESE SECURITIES 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 UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH TEND TO STABILIZE OR MAINTAIN THE MARKET PRICE FOR THE BONDS ABOVE THE LEVELS WHICH WOULD OTHERWISE PREVAIL. SUCH ACTIVITIES, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Other than with respect to information concerning MBIA Insurance Corporation ("MBIA") contained under the caption "Bond Insurance" and Exhibit E specimen "Municipal Bond Insurance Policy" herein, none of the information in this Official Statement has been supplied or verified by MBIA and MBIA makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information, (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

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SUMMARY

The following information is furnished solely to provide limited introductory information regarding the Commission and the Bonds 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 Bonds 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 Bonds unless the entire Official Statement is delivered in connection therewith.

The Commission The State Property and Buildings Commission (the "Commission") is an independent agency of the Commonwealth of Kentucky (the "Commonwealth"). See "THE STATE PROPERTY AND BUILDINGS COMMISSION".

The Offering The Commission is offering its $53,320,000 Agency Fund Revenue Bonds, Project No. 66, Series A (the "Series A Bonds") and its $1,550,000 Agency Fund Revenue Bonds, Project No. 66, Taxable Series B (the "Series B Bonds") (the Series A Bonds and the Series B Bonds, collectively, the "Bonds").

Authority The Bonds are being issued pursuant to the provisions of the Constitution and laws of the Commonwealth, including particularly Chapters 56 and 58 of the Kentucky Revised Statutes ("KRS") and a resolution (the "Resolution") adopted by the Commission authorizing the issuance of the Bonds and approving certain Financing/Lease Agreements (the "Leases") between the Commission, as lessor, certain State Agencies (defined herein), as lessees, the Kentucky Asset/Liability Commission ("ALCo") and the Finance and Administration Cabinet of the Commonwealth (the "Cabinet").

Use of Proceeds The Bonds are being issued to provide funds with which to (i) pay certain costs of the Project (defined herein), (ii) redeem a portion of the outstanding Kentucky Asset/Liability Commission Project Notes, 1998 Agency Fund Series, as more fully described herein, which were issued to pay certain costs of the Project and (iii) pay the costs of issuing the Bonds.

Security The Bonds and the interest thereon are payable solely from the Revenues to be derived from the rental payments of the State Agencies to the Commission under the Leases. See "SUMMARIES OF THE PRINCIPAL DOCUMENTS - The Leases".

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE COMMISSION. THE BONDS DO NOT CONSTITUTE A DEBT, LIABILITY, OR OBLIGATION OF THE COMMONWEALTH, OR A PLEDGE OF THE FULL FAITH AND CREDIT OR TAXING POWER OF THE COMMONWEALTH, BUT ARE PAYABLE SOLELY FROM AMOUNTS DEPOSITED IN CERTAIN FUNDS AND ACCOUNTS CREATED BY THE RESOLUTION AND FROM RENTAL INCOME DERIVED FROM BIENNIALLY RENEWABLE LEASE AGREEMENTS WITH THE STATE AGENCIES, THE RENT FROM WHICH IS SUBJECT TO AGENCY FUND APPROPRIATION BY THE GENERAL ASSEMBLY OF THE COMMONWEALTH ON A BIENNIAL BASIS. THE BONDHOLDERS HAVE NO SECURITY INTEREST IN ANY PROPERTIES CONSTITUTING THE PROJECT OR ANY AMOUNTS DERIVED THEREFROM.

Bond Insurance The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by MBIA Insurance Corporation. See the caption "BOND INSURANCE."

Features of Bonds The Bonds are being offered in the authorized denominations of $5,000 or any integral multiple thereof, at the interest rates, yields and purchase prices set forth on the inside cover hereof. The Bonds, 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 Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest due on the Bonds will be made directly to DTC. The Bonds will bear interest payable on each November 1 and May 1, commencing on November 1, 2000. Principal of, redemption premium, if any, and interest on the Bonds will be paid directly to DTC by Bank One, Kentucky, NA, Lexington, Kentucky, as Trustee and Paying Agent (the "Trustee").

The Bonds are issuable only as fully registered Bonds, without coupons. The Series A Bonds maturing on or after May 1, 2011, are subject to optional redemption on or after May 1, 2010, at a redemption price of par plus accrued interest to the redemption date, all as further described in this Official Statement. The Series A Bonds maturing on May 1, 2020 and the Series B Bonds maturing on May 1, 2002 are subject to mandatory sinking fund redemption at a redemption price of par plus accrued interest to the redemption date, as further described herein. See "THE BONDS - Redemption Provisions". It is expected that delivery of the Bonds will be made on or about June 22, 2000, in New York, New York, against payment therefor.

Tax Status In the opinion of Bond Counsel for the Bonds, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Series A Bonds is excludable from gross income for Federal income tax purposes; is not a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986 (the "Code") for purposes of the Federal individual or corporate alternative minimum taxes. In the opinion of Bond Counsel, interest on the Series B Bonds is includable in gross income for federal income tax purposes. In the opinion of Bond Counsel, interest on the Bonds is exempt from income taxation by the Commonwealth and the Bonds are exempt from ad valorem taxation by the Commonwealth and any of its political subdivisions. See "TAX TREATMENT" herein, and Exhibit C and Exhibit D.

Continuing Disclosure The Bonds are subject to Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended (the "Rule"). In general, the Rule prohibits an underwriter from purchasing or selling municipal securities in an initial offering unless it has determined that the issuer of such securities has committed to provide annually, certain information, including audited financial information, and notice of various events described in the Rule, if material. In order to enable the purchaser to comply with the provisions of the Rule, the Commission will enter into a Continuing Disclosure Agreement (the "Disclosure Agreement") with the Trustee.

General The Official Statement speaks only as of its date, and the information contained herein is subject to change. All summaries of documents and agreements in the 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 Bonds is available by contacting the Office of Financial Management, 702 Capitol Avenue, Suite 261, Frankfort, Kentucky 40601 (502) 564-2924, or the representative of the Underwriters, Merrill Lynch & Co., 5600 Sears Tower, 56th Floor, Chicago, Illinois 60606 (312) 906-6357.

OFFICIAL STATEMENT
Relating to

COMMONWEALTH OF KENTUCKY
State Property and Buildings Commission
$53,320,000 Agency Fund Revenue Bonds, Project No. 66, Series A
$1,550,000 Agency Fund Revenue Bonds, Project No. 66, Taxable Series B

INTRODUCTION

This Official Statement, including the cover page, inside cover page and the exhibits attached hereto, provides information in connection with the issuance and sale by the State Property and Buildings Commission (the "Commission"), an independent agency of the Commonwealth of Kentucky (the "Commonwealth"), of its $53,320,000 Agency Fund Revenue Bonds, Project No. 66, Series A (the "Series A Bonds") and its $1,550,000 Agency Fund Revenue Bonds, Project No. 66, Taxable Series B (the "Series B Bonds") (the Series A Bonds and the Series B Bonds, collectively, the "Bonds"). The Bonds are being issued at the request of the Finance and Administration Cabinet of the Commonwealth (the "Cabinet") to provide funds with which to (i) pay certain costs of the Project (defined herein), (ii) redeem outstanding Kentucky Asset/Liability Commission Project Notes, 1998 Agency Fund Series A, in the principal amount of $20,450,000 and outstanding Kentucky Asset/Liability Commission Project Notes, 1998 Agency Fund Series C, in the principal amount of $4,810,000 (collectively, the "Redeemed Notes") and (iii) pay the costs of issuing the Bonds, all as more fully described herein under the caption "PLAN OF FINANCE".

The Bonds have been authorized and issued pursuant to the Constitution and laws of the Commonwealth, including particularly Chapters 56 and 58 of the Kentucky Revised Statutes ("KRS"). The Commission has adopted a Resolution (the "Resolution") from the Commission as trustor in favor of Bank One, Kentucky, NA as trustee (the "Trustee"), authorizing the issuance of the Bonds and execution and delivery of the documents to which the Commission is party, including the Leases hereinafter described.

The Commission has pledged to the payment of its obligations under the Resolution payments to be received by the Commission pursuant to Financing/Lease Agreements entered into (the "Leases") among the Commission, the Kentucky Asset/Liability Commission ("ALCo"), the Commonwealth's Finance and Administration Cabinet (the "Finance and Administration Cabinet" or the "Cabinet") and the state agencies that are party to the Leases. The participating state agencies are University of Kentucky, Eastern Kentucky University and the Kentucky Higher Education Assistance Authority (the "State Agencies"). The Kentucky General Assembly has approved budgets for the State Agencies having amounts projected to be sufficient to pay required Rent (hereinafter defined) under their respective Leases. The required Rent payments are, in the aggregate, sufficient to meet principal and interest requirements on the Bonds through June 30, 2002.

Under the provisions of the Constitution of the Commonwealth, the State Agencies are prohibited from entering into financing obligations extending beyond the biennial budget. The proposed budgets for the State Agencies are submitted to the General Assembly of the Commonwealth every two years and are subject to the discretion and approval of each successive regular or extraordinary session of the General Assembly of the Commonwealth. There can be no assurance (i) that each State Agency will include Rent payments in future budgets submitted to the General Assembly, (ii) that the General Assembly will approve appropriations in amounts sufficient to enable the State Agencies to make Rent payments or (iii) that the Governor, in the performance of his or her obligation to balance the Commonwealth's annual budget, will not reduce or eliminate such appropriations. Notwithstanding the foregoing, the Leases will be automatically renewed unless written notice of the election by the State Agencies to not so renew is given to the Commission by the last business day of May prior to the beginning of the next succeeding biennial renewal term.

The appropriations of the State Agencies, from which payment of principal of and interest on the Bonds are derived, are "Agency Fund" appropriations and not "General Fund" appropriations. See "THE STATE AGENCIES – Agency Fund Appropriations" for a discussion of the difference between Agency Fund appropriations and General Fund appropriations.

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE COMMISSION AND ARE PAYABLE SOLELY FROM THE REVENUES AND FUNDS SPECIFICALLY PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS.

The scheduled payment of principal of and interest on the Bonds when due, will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by MBIA Insurance Corporation. See the caption "BOND INSURANCE."

Brief descriptions of the Commission, the State Agencies, the Resolution, the Bonds, the Leases, the Project, the Cabinet and ALCo are included in this Official Statement. Capitalized terms not otherwise defined herein have the meanings assigned to them in the Resolution. 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 at the Office of Financial Management, 702 Capitol Avenue, Suite 261, Frankfort, Kentucky 40601 (502) 564-2924.

THE BONDS

General

The Bonds are issuable only as fully registered Bonds. The Bonds will be issuable in the denominations of $5,000 or integral multiples thereof, will be dated June 1, 2000, and will bear interest payable on each November 1 and May 1, commencing November 1, 2000, at the interest rates set forth on the inside cover page of this Official Statement. Bank One, Kentucky, NA, Louisville, Kentucky, is the trustee for the Bonds (the "Trustee").

Book Entry Only System

General. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC 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 § 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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, but Beneficial Owners are 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 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The 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.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within an issue 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. will consent or vote with respect to the Bonds. 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities 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, the Trustee, or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Commission or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Commission believes to be reliable, but the Commission takes no responsibility for the accuracy thereof.

Redemption Provisions

Optional Redemption. The Series A Bonds maturing on and after May 1, 2011, may be redeemed at the option of the Commission at any time on or after May 1, 2010, in whole or in part on any date, and if in part, in such order of maturity as may be determined by the Commission (less than all of a single maturity to be selected by lot in such manner as the Trustee may determine), at the redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Series A Bonds maturing on May 1, 2020, are subject to mandatory sinking fund redemption, by lot, on May 1 of the years and in the principal amount, at the redemption price of par plus accrued interest to the redemption date, as follows:

Year	Principal Amount
2019	$2,190,000
2020*	$2,320,000

*Final maturity

The Series B Bonds maturing on May 1, 2002, are subject to mandatory sinking fund redemption, by lot, on May 1 of the years and in the principal amount, at the redemption price of par plus accrued interest to the redemption date, as follows:

Year	Principal Amount
2001	$605,000
2002*	$945,000

*Final maturity

Notice of Redemption. At least thirty (30) days but not more than sixty (60) days before the date fixed for redemption of any Bonds, the Trustee shall cause a notice of redemption to be mailed, by regular United States first class mail, postage prepaid, to all owners of Bonds to be redeemed in whole or in part at their registered addresses. Failure to mail any notice or any defect therein in respect of any Bond shall not affect the validity of the redemption of any other Bond. Such redemption notice shall set forth the details with respect to the redemption. Any owner owning at least $1,000,000 in aggregate principal amount of the Bonds may request that a second copy of the notice of redemption be sent to a second address provided to the Trustee in writing. The notice of redemption shall set forth the complete title of the Bonds, the CUSIP numbers, the date of the issue, the serial numbers, the interest rate, the maturity date, the date fixed for redemption, the redemption price to be paid and, if less than all of the Bonds of any one maturity then Outstanding shall be called for redemption, the distinctive numbers and letters of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed, and the place or places of redemption, including the name, address and phone number of a contact person. The notice of redemption shall also state that on the date fixed for redemption the redemption price will become due and payable upon each Bond or portion thereof so called for redemption prior to maturity, and that interest thereon shall cease to accrue from and after said date.

The Trustee also shall send a copy of such notice by registered or certified mail, overnight delivery service or electronic means for receipt not less than thirty-two (32) days before such redemption date to the following: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Attention: Call Notification; Kenny Information Systems Notification Service, 55 Water Street, New York, New York 10041; Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007, attention: Called Bonds Section; Financial Information, Inc., 30 Montgomery Street, Jersey City, New Jersey 07302, Attention: Called Bond Service Edition; and Standard & Poor's Called Bond Record, 55 Water Street, New York, New York 10041; *provided however*, that such mailing shall not be a condition precedent to such redemption and failure to mail any such notice shall not affect the validity of any proceedings for the redemption of Bonds.

A second notice of redemption shall be given within sixty (60) days after the date fixed for redemption in the manner required above to the registered owners of redeemed Bonds which have not been presented for payment within thirty (30) days after the date fixed for redemption.

Any notice mailed as provided, shall be conclusively presumed to have been duly given upon mailing, whether or not the owner of such Bonds receives the notice. Upon the giving of notice and the deposit of funds for redemption, interest on the Bonds so called for redemption shall cease to accrue after the date fixed for redemption.

SECURITY FOR THE BONDS

The Commission has pledged to the payment of its obligations under the Resolution payments to be received by the Commission pursuant to the Leases. The Kentucky General Assembly has approved budgets for the State Agencies having amounts projected to be sufficient to pay required Rent under their respective Leases. The required Rent payments are, in the aggregate, sufficient to meet principal and interest requirements on the Bonds through June 30, 2002.

Under the provisions of the Constitution of the Commonwealth, the State Agencies are prohibited from entering into financing obligations extending beyond the biennial budget. The proposed budgets for the State Agencies are submitted to the General Assembly of the Commonwealth every two years and are subject to the discretion and approval of each successive regular or extraordinary session of the General Assembly of the Commonwealth. There can be no assurance (i) that each State Agency will include Rent payments in future budgets submitted to the General Assembly, (ii) that the General Assembly will approve appropriations in amounts sufficient to enable the State Agencies to make Rent payments or (iii) that the Governor, in the performance of his or her obligation to balance the Commonwealth's annual budget, will not reduce or eliminate such appropriations. Notwithstanding the foregoing, the Leases will be automatically renewed unless written notice of the election by the State Agencies to not so renew is given to the Commission by the last business day of May prior to the beginning of the next succeeding biennial renewal term.

The appropriations of the State Agencies, from which payment of principal of and interest on the Bonds are derived, are "Agency Fund" appropriations and not "General Fund" appropriations. See "THE STATE AGENCIES – Agency Fund Appropriations" for a discussion of the difference between Agency Fund appropriations and General Fund appropriations.

The Bonds are also secured by certain other funds and accounts pledged therefor and described in the Resolution.

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE COMMISSION AND ARE PAYABLE SOLELY FROM THE REVENUES AND FUNDS SPECIFICALLY PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS.

The scheduled payment of principal of and interest on the Bonds when due, will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by MBIA Insurance Corporation. See the caption "BOND INSURANCE."

BOND INSURANCE

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation (the "Insurer") for use in this Official Statement. Reference is made to Exhibit E for a specimen of the Insurer's policy.

The Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Commission to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurer's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond. The Insurer's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Insurer's policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Bonds in any legal proceedings related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The insurer has two European branches, one in the Republic of France and the other in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Insurer, changes in control and transactions among affiliates. Additionally, the Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

As of December 31, 1999, the Insurer had admitted assets of $7.0 billion (audited), total liabilities of $4.6 billion (audited), and total capital and surplus of $2.4 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2000, the Insurer had admitted assets of $7.1 billion (unaudited), total liabilities of $4.7 billion (unaudited), and total capital and surplus of $2.4 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Furthermore, copies of the Insurer's year-end financial statements prepared in accordance with statutory accounting practices are available without charge from the Insurer. A copy of the Annual Report on Form 10-K of the Company is available from the Insurer or the Securities and Exchange Commission. The address of the Insurer is 113 King Street, Armonk, New York 10504. The telephone number of the Insurer is 914-273-4545.

Moody's Investors Service, Inc. rates the financial strength of the Insurer "Aaa".

Standard & Poor's Ratings Services Group, a division of The McGraw-Hill Companies, Inc., rates the financial strength of the Insurer "AAA".

Fitch IBCA, Inc. rates the financial strength of the Insurer "AAA".

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. The Insurer does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

There can be no assurances that payments made by the Insurer representing interest on the Bonds will be excluded from gross income, for federal tax purposes, in the event that the General Assembly of the Commonwealth fails to make Agency Fund appropriations to the State Agencies in amounts sufficient to allow them to pay Rent under the Leases.

PLAN OF FINANCE

The proceeds of the Bonds will be used by the Commission and the Cabinet to (i) pay certain costs of the Project, (ii) redeem the Redeemed Notes, which were issued on behalf of the Commission to provide funds on an interim basis to pay certain costs of the Project and (iii) to pay the costs of issuance of the Bonds. The Commission is obligated to issue bonds to provide permanent financing for the Project. A portion of the proceeds of the Bonds, together with other available moneys, if any, will be deposited into the note payment fund established for payment of the Redeemed Notes (the "Note Payment Fund"). The deposit to the Note Payment Fund will be sufficient to redeem the Redeemed Notes in an amount so that no further payments will be due from the State Agencies under their respective Leases relating to the Redeemed Notes. The Kentucky Asset/Liability Commission Project Notes, 1998 Agency Fund Series C, in the principal amount of $4,810,000, will be redeemed on July 18, 2000 and the Kentucky Asset/Liability Commission Project Notes, 1998 Agency Fund Series A, in the principal amount of $20,450,000, will be redeemed on September 13, 2000.

The Commission had outstanding bonds in the aggregate principal amount of $1,097,951,319 as of June 1, 2000. Upon the issuance of the Bonds, the Commission will have a total of $1,152,821,319 aggregate principal amount of bonds outstanding.

SOURCES AND USES OF FUNDS FOR THE BONDS

The following tables set forth the application of the proceeds of the Bonds.

SOURCES OF FUNDS:	
Par Amount of Series A Bonds	$53,320,000.00
Par Amount of Series B Bonds	1,550,000.00
Plus: Net Original Issue Premium (Discount)	(256,093.00)
Plus: Accrued Interest	174,315.89
TOTAL SOURCES	$54,788,222.89
USES OF FUNDS:	
Deposit to Note Payment Fund	$25,003,529.94
Deposit to Construction Fund	29,000,000.00
Costs of Issuance[1]	281,774.78
Deposit to Bond Service Fund	174,315.89
Underwriters' Discount	328,602.28
TOTAL USES	$54,788,222.89

[1] Includes bond insurance premium.

THE PROJECT

The Project is composed of various authorized projects (collectively, the "Project") that will be used by the State Agencies. Listed below are the respective State Agencies participating in the financing program and the respective authorized projects which collectively constitute the Project.

STATE AGENCY	**PROJECT DESCRIPTION**	**AMOUNT**
University of Kentucky	Commonwealth Stadium Expansion	$24,000,000
Eastern Kentucky University	Law Enforcement Basic Training Complex	20,000,000
Kentucky Higher Education Assistance Authority	Office Building	9,000,000
	TOTAL	$53,000,000

University of Kentucky - Commonwealth Stadium Expansion

This project involved the expansion of the University of Kentucky's Commonwealth Stadium to a capacity of approximately 67,500 seats, providing an additional 16,000 permanent seats and related amenities to serve stadium patrons. This project was completed in September, 1999. The Commission is issuing the Bonds to retire the Redeemed Notes, the proceeds of which were used to originally finance this project. The Commission will own the project and lease it to the University of Kentucky under a Lease.

Eastern Kentucky University - Law Enforcement Training Complex

This project involves the construction of a basic training complex for the Department of Criminal Justice Training on the campus of Eastern Kentucky University. This facility will contain all of the classrooms, support and supply activities for the basic training and housing for both basic and in-service students. Construction bids were opened on May 18, 2000. The Commission will own the project and lease it to the Eastern Kentucky University under a Lease.

Kentucky Higher Education Assistance Authority - Construction of New Headquarters

This project involves the construction of a 75,000 square foot office building by KHEAA. The project site has been selected and architectural and engineering work is under way. The Commission will own the project and lease it to KHEAA under a Lease.

THE STATE PROPERTY AND BUILDINGS COMMISSION

The Commission is composed of the Governor (who is the Chairman of the Commission), the Lieutenant Governor, the Attorney General, the Secretary of the Finance and Administration Cabinet (who is the Executive Director of the Commission), the Secretary of the Cabinet for Economic Development and the Secretary of the Revenue Cabinet. The Office of Financial Management (the "Office") in the Finance and Administration Cabinet serves as staff to the Commission and the Executive Director of the Office serves as Secretary to the Commission. The Commission is an independent agency of the Commonwealth, created by KRS 56.450, with power, subject to approval by and in cooperation with the Cabinet, to finance the acquisition of real estate and the construction and equipping of building projects and other public projects for any agency of the Commonwealth.

KRS 56.450(4) authorizes the Commission, on application of any state agency of the Commonwealth, to issue revenue bonds in the Commission's name in accordance with the provisions of KRS Chapters 56 and 58, secured by and payable solely from all or any part of the revenues derived from the leasing of the project financed to such state agency. The Commission is authorized to execute lease agreements with those state agencies requesting the Commission to issue revenue bonds, which leases provide for the payment of Rent to the Commission in order to make principal and interest payments on the revenue bonds issued in the name of the Commission. The Cabinet has applied to the Commission to issue the Bonds secured by revenues from the Leases. The Resolution was adopted by the Commission on May 22, 2000, authorizing the issuance of the Bonds.

THE STATE AGENCIES

Agency Fund Appropriations

Each State Agency is required to develop and submit a balanced budget for consideration by the General Assembly during its regular session, which begins in January of each even-numbered year. These budgets are required to include all fund sources, which include General Funds, Road Funds, Federal Funds and Agency Funds. Agency Funds are defined as any fund except General, Road or Federal Funds. Examples of Agency Funds would include, but are not limited to, tuition, student fees, insurance premium receipts and certain other revenues associated with the day to day operation of the applicable State Agency.

Each State Agency has agreed to include an amount for Rent in each request. While State Agencies have a variety of fund sources, Rent payments for the Bonds associated with each respective State Agency may only be made from Agency Funds available to that State Agency.

The Kentucky General Assembly has approved individual budgets for the State Agencies having amounts projected to be sufficient to enable the State Agencies to pay required Rents under their respective Leases through June 30, 2002. The required Rent payments are, in the aggregate, sufficient to meet principal and interest requirements on the Bonds through June 30, 2002.

Under the provisions of the Constitution of the Commonwealth, the State Agencies are prohibited from entering into financing obligations extending beyond the biennial budget. The proposed budgets for the State Agencies are submitted to the General Assembly of the Commonwealth every two years and are subject to the discretion and approval of each successive regular or extraordinary session of the General Assembly of the Commonwealth. There can be no assurance (i) that each State Agency will include Rent payments in future budgets submitted to the General Assembly, (ii) that the General Assembly will approve appropriations in amounts sufficient to enable the State Agencies to make Rent payments or (iii) that the Governor, in the performance of his or her obligation to balance the Commonwealth's annual budget, will not reduce or eliminate such appropriations. Notwithstanding the foregoing, the Leases will be automatically renewed unless written notice of the election by the State Agencies to not so renew is given to the Commission by the last business day of May prior to the beginning of the next succeeding biennial renewal term.

Financial Information Regarding the State Agencies

Financial information with respect to the State Agencies is presented in *The Kentucky Comprehensive Annual Financial Report* ("CAFR") published annually by the Commonwealth. A copy of the *CAFR* for Fiscal Year 1999 may be obtained from the NRMSIRs or from the Office of Financial Management, 702 Capitol Avenue, Suite 261, Frankfort, Kentucky 40601 (502) 564-2924. Additionally, the *CAFR* for Fiscal Year 1999 may be found on the Internet at:

http://www.state.ky.us/agencies/finance/manuals/tax/cafr.htm

The *CAFR* for the Fiscal Year ended June 30, 1999 contains the following information with respect to Component Units – All University and College Funds, including University of Kentucky and Eastern Kentucky University: (i) Combining balance sheet, page 168; (ii) Combining statement of revenues, expenditures, and other changes, page 170; and (iii) Combining statement of changes in fund balance, page 172 (e.g. General Fund, Agency Fund and other). Copies of the foregoing pages from the *CAFR* are set forth in Exhibit A to this Official Statement, in the sections of such Exhibit marked "University of Kentucky" and "Eastern Kentucky University".

The *CAFR* for the Fiscal Year ended June 30, 1999 contains the following information with respect to Component Units – Proprietary Fund Types, including KHEAA: (i) Combining balance sheet, page 160; (ii) Combining statement of revenues, expenses and changes in retained earnings, pages 162-163; and (iii) Combining statement of cash flows, pages 164-165 (e.g. Agency Fund). Copies of the foregoing pages from the *CAFR* are set forth in Exhibit A to this Official Statement, in the section of such Exhibit marked "Kentucky Higher Education Assistance Authority ".

Additional information on revenues, expenditures (expenses) and changes in fund balance for Fiscal Years 1999 and 1998 has been excerpted from the individual financial statements of each of University of Kentucky, Eastern Kentucky University and KHEAA and is included in Exhibit A to this Official Statement. Copies of the complete financial statements for each State Agency for the Fiscal Year ended June 30, 1999 may be obtained from the Office of Financial Management at the above address.

The outstanding revenue obligations of University of Kentucky, Eastern Kentucky University and KHEAA as of June 30, 1999 (pages 384 and 385 of *Supplementary Information to The Kentucky Comprehensive Annual Financial Report* for the Fiscal Year ended June 30, 1999) are set forth in a table identified as "Debt of the State and Its Agencies - Table II," which is included as the last two pages of Exhibit B to this Official Statement. Further information on the outstanding revenue obligations of the State Agencies as well as more detailed financial information on such State Agencies may be obtained from the Office of Financial Management, 702 Capitol Avenue, Suite 261, Frankfort, Kentucky 40601 (502) 564-2924.

General Information on the State Agencies

University of Kentucky. The University of Kentucky was established in 1865 and is located in Lexington. The University of Kentucky University System serves as the principal graduate degree granting institution in the Commonwealth's system of higher education for statewide instruction, research and public service programs in all fields without geographic limitation.

These primary functions, (1) instruction - the dissemination of knowledge, (2) research - the creation of knowledge, (3) public service - the application of knowledge, and the scope of programs conducted in each functional area are defined by statute. KRS 164.125 authorizes the University of Kentucky to offer baccalaureate, professional, master's, specialist, doctoral and postdoctoral programs and to conduct joint doctoral programs in cooperation with other institutions. It designates the University of Kentucky as the Commonwealth's principal institution to conduct statewide research and service programs.

As one of the Commonwealth's land-grant institutions, the University is recognized for its federal and state charge as a public service agency for agriculture. There are innumerable other components in the public service program, many of which are mandated by Kentucky's statutory provisions or otherwise supported directly by the Commonwealth. Through its public service programs, the University disseminates new knowledge for the welfare and benefit of the citizens of the Commonwealth.

The University of Kentucky is organized into sixteen colleges and graduate schools plus extension programs, and also operates the Lexington Community College.

Eastern Kentucky University. Eastern Kentucky University located in Richmond, Kentucky was established by the 1906 General Assembly. The university's three primary responsibilities are: (1) to provide instruction in the arts and sciences, business, professional education, and technical subjects; (2) to provide service to the community and region through the faculty serving as consultants in their fields of specialization and engaging in research dealing with problems of society; and (3) to engage in research to advance knowledge in the subject matter areas with which the various colleges of the university are concerned. These purposes of the university are accomplished by the College of Arts and Humanities; College of Business; College of Education; College of Applied Arts and Technology; College of Health, Physical Education, Recreation and Athletics; College of Allied Health and Nursing; College of Law Enforcement; College of Natural and Mathematical Sciences; and Colleges of Social and Behavioral Sciences; and the Graduate School.

In keeping with its statutory mandates, its Council on Postsecondary Education Mission Statement, and in harmony with the Strategic Plan for Higher Education in Kentucky, the Eastern Kentucky University Board of Regents has adopted a Strategic Plan that clearly defines the institutional mission, goals and strategic directions for the future.

Each college, department and support units of the University have developed unit goals and objectives that support the institutional aims and has translated these goals and objectives into operational plans. In the final analysis, these plans have a direct relationship to the primary purposes of the institution.

Kentucky Higher Education Assistance Authority. The Kentucky Higher Education Assistance Authority ("KHEAA") is a public corporation and governmental agency and instrumentality of the Commonwealth of Kentucky established in 1966 to serve the public purpose of improving opportunities for higher education.

KHEAA accomplishes its public purpose by administering the Federal Family Education Loan Programs in Kentucky and Alabama. In addition to its student loan guarantee and origination functions, KHEAA administers student aid programs including the need-based College Access Program and Kentucky Tuition Grant program, the Teacher Scholarship program, the Kentucky Educational

Excellence Scholarship (state merit-based scholarship program), the Osteopathic Medicine Scholarship program and the KHEAA work-study program. Such programs are substantially funded by the Commonwealth of Kentucky and supplemented by Federal Funds. In addition, KHEAA has oversight responsibilities for the Kentucky Educational Savings Plan Trust, which offers opportunities for families to save for future college costs. KHEAA also develops and broadly distributes multiple publications containing college cost and financial aid information and performs outreach functions throughout Kentucky. KHEAA also provides various fee-based services related to guaranteed student activities to private lenders of such loans as well as the Kentucky Higher Education Student Loan Corporation.

KHEAA is governed by its Board of Directors which may officially act by a majority of its voting members. The Board of Directors of KHEAA consists of seven voting members appointed by the Governor of the Commonwealth for terms of four years each and the Executive Director of the Council on Postsecondary Education of the Commonwealth and the Secretary of the Finance and Administration Cabinet of the Commonwealth, each of whom serve as non-voting, *ex officio* members.

The Chief Operating Officer of KHEAA is Londa Lewis Wolanin. KHEAA's office is located at 1050 U.S. 127 South, Frankfort, Kentucky 40601, telephone number (502) 696-7200.

THE FINANCE AND ADMINISTRATION CABINET

The Cabinet, created and governed by the provisions of KRS 12.020 and KRS 42.011, is a statutory administrative organization of the Commonwealth headed by the Secretary of the Cabinet, who is appointed by the Governor. The Secretary of the Cabinet is the chief financial officer of the Commonwealth.

The functions of the Cabinet include, among other things, (1) coordination and supervision of the fiscal affairs and fiscal procedures of the Commonwealth; (2) accounting, fiscal reporting and auditing of Commonwealth accounts; (3) purchasing, storekeeping and control of property and stores; (4) the construction, maintenance and operation of public buildings, except those provided for the exclusive use of one agency; (5) provision of administrative services of a financial nature to other agencies of Commonwealth government; (6) the investment and management of all Commonwealth funds other than pension funds; and (7) issuance and management of all debt incurred in the name of the Commonwealth or any agency thereof.

THE KENTUCKY ASSET/LIABILITY COMMISSION

The Kentucky Asset/Liability 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. ALCo 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 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.

ALCo is composed of five members, each serving in an ex officio capacity. The members are as follows: the Secretary of the Finance and Administration Cabinet, who acts as Chairperson; the Attorney General; the State Treasurer; the Secretary of the Revenue Cabinet and the State Budget Director. The Secretary to the Commission is the Executive Director of OFM.

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 Commonwealth's economy in many ways resembles a scaled-down version of the U.S. economy in its diversity. The Kentucky economy, once dominated by coal, horses, bourbon and tobacco has become a diversified modern economy including manufacturing of industrial machinery, automobiles and automobile parts, consumer appliances, and nondurable goods such as apparel. In addition, Kentucky's nonmanufacturing industries have grown considerably in recent years, with strong gains in air transportation, health and business services, and retail trade. The Commonwealth's parks, horse breeding and racing industry, symbolized by the Kentucky Derby, play an important role in expanding the tourism industry in the Commonwealth.

Financial Information Regarding the Commonwealth

Information regarding debt issuing authorities of the Commonwealth is included in Exhibit B hereto.

The Commonwealth annually publishes *The Kentucky Comprehensive Annual Financial Report* with respect to the fiscal year of the Commonwealth most recently ended. *The Kentucky Comprehensive Annual Financial Report* includes certain financial statements of the Commonwealth as well as general financial information pertaining to the Accounting System and Budgetary Controls, General Fund Condition-Budgetary Basis, General Governmental Functions-GAAP Basis, Debt Administration, Cash Management, Risk Management and Funds. In addition, the Notes to Combined Financial Statements as set forth in *The Kentucky Comprehensive Annual Financial Report* contain information regarding the basis of preparation of the Commonwealth's financial statements, Funds and Pension Plans. The "Statistical Section" of *The Kentucky Comprehensive Annual Financial Report* 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; Availability from NRMSIRs and the Commonwealth

The Kentucky Comprehensive Annual Financial Report for Fiscal Year 1999 is incorporated herein by reference. The Commonwealth has filed *The Kentucky Comprehensive Annual Financial Report* for Fiscal Year 1999 with the following Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs") in accordance with SEC Rule 15c2-12;

(i) Bloomberg Municipal Repositories
P.O. Box 840
Princeton, New Jersey 08542-0840
Internet: munis@bloomberg.com
Tel: (609) 279-3225
Fax: (609) 279-5962

(ii) DPC Data Inc.
One Executive Drive
Fort Lee, New Jersey 07024
Internet: nrmsir@dpcdata.com
Tel: (201) 346-0701
Fax: (201) 947-0107

(iii) Standard & Poor's J.J. Kenny Repository
55 Water Street
45th Floor
New York, New York 10041
Internet: http://www.bluelist.com
Tel: (212) 438-4595
Fax: (212) 438-3975

(iv) Muller Data
Attn: Municipal Disclosure
395 Hudson Street, 3rd Floor
New York, New York 10014
Internet: disclosure@muller.com
Tel: (212) 807-5001 *or* (800) 689-8466
Fax: (212) 989-2078

(v) Interactive Data
Attn: Repository
100 Williams Street
New York, NY 10038
Internet: NRMSIR@interactivedata.com
Tel: (212) 771-6899
Fax: (212) 771-7390
Website: http://www.InteractiveData.com

A copy of *The Kentucky Comprehensive Annual Financial Report* for Fiscal Year 1999 may be obtained from the NRMSIRs or from the Office of Financial Management, 702 Capitol Avenue, Suite 261, Frankfort, Kentucky 40601 (502) 564-2924. Additionally, *The Kentucky Comprehensive Annual Financial Report* for Fiscal Year 1999 may be found on the Internet at:

http://www.state.ky.us/agencies/finance/manuals/tax/cafr.htm

The Commission will enter into a Continuing Disclosure Agreement in order to enable the purchaser of the Bonds to comply with the provisions of Rule 15c2-12, See "CONTINUING DISCLOSURE AGREEMENT." 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 *Supplemental Information to the Kentucky Comprehensive Annual Financial Report* (or successor reports) with the NRMSIRs as required under Rule 15c2-12.

Investment Policy

The Commonwealth of Kentucky's investments are governed by KRS 42.500 et seq. and KAR Title 200 Chapter 14. The State Investment Commission, comprised of the Governor, the Treasurer, Secretary of the Finance and Administration Cabinet and gubernatorial appointees of the Community Independent

Banker's Association and the Kentucky Banker's 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.

At March 31, 2000, the Commonwealth's operating portfolio was approximately $3.3 billion in cash and securities. The composition of investments was as follows: U.S. treasury securities (14%); securities issued by agencies, corporations and instrumentalities of the United States Government, including mortgage backed securities and collateralized mortgage obligations (36%); repurchase agreements collateralized by the aforementioned (27%); municipal securities (4%); and corporate and asset backed securities, including money market securities (19%). The portfolio had a current yield of 6.62% and a modified duration of 1.41 years. Investment income through March 31, 2000 was $107.6 million. The Commonwealth's investments are marked to market daily.

During Fiscal Year 1999, general depository cash in excess of daily requirements and not required for immediate expenditure was invested in the above-described securities, as well as securities issued by the Commonwealth of Kentucky. Investment income for Fiscal Year 1999, excluding that from pension trust funds, was $152.4 million. Total return for the Fiscal Year ending June 30, 1999 was 4.81%.

The Commonwealth's investments are categorized into four investment pools: Short-term, Intermediate-term, Long-term and Bond Proceeds 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 General Fund cash balances and provides liquidity to the remaining pools. The Intermediate-term Pool represents Agency Fund investments, state held component unit funds and fiduciary fund accounts held for the benefit of others by the state. The Long-term Pool invests the Budget Reserve Trust Fund and other funds deemed appropriate for the pool where liquidity is not a serious concern. The Bond Proceeds Pool is where bond proceeds for capital construction projects are deposited until expended for their intended purpose.

The Commonwealth of Kentucky 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 State Investment Commission 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 and more recently the purchase of mortgage backed securities and collateralized mortgage obligations.

The Commonwealth has used over-the-counter treasury options since the mid-1980s to hedge and add value to the portfolio of treasury securities. These transactions involve the purchase and sale of put and call options on a covered basis, holding either cash or securities sufficient to meet the obligation should it be exercised. The State Investment Commission limits the total option commitment to no more than twenty percent of the total portfolio of treasury and agency securities. Historically, actual commitments have been less than ten percent of the portfolio.

The Commonwealth has had a securities lending program since the mid-1980s. The state reverses its treasury and agency securities in exchange for 102% of eligible collateral, marked to market daily. Eligible collateral is defined as securities authorized for purchase pursuant to KRS 42.500. Currently, the Commonwealth receives a guaranteed rate of 10 basis points of the average market value of securities in the program.

On September 28, 1995 the State Investment Commission adopted Resolution 95-03, which re-authorized interest rate swap transactions in a notional amount not to exceed $200 million outstanding, using the International Swap Dealers Association, Inc. Master Agreement and applicable appendices. The Commonwealth engages in asset-based interest rate swaps to better manage its duration and to stabilize the volatility of interest income. Currently, the Commonwealth has no asset-based swap transactions outstanding.

House Bill 5 of the First Extraordinary Session of 1997 was enacted on May 30, 1997. The Bill amended KRS 42.500 to authorize the purchase of additional investment securities with excess funds available for investment. The new classes of investment securities include: United States dollar denominated corporate securities, issued by foreign and domestic issuers, including sovereign and supranatural governments, rated in one of the three highest categories by a nationally recognized rating agency, and asset backed securities rated in the highest category by a nationally recognized rating agency.

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 twenty-five million per issuer and a stated final maturity of five (5) years or less. Money market securities rated A1-P1 or higher are limited to 20% of any investment pool and when combined with corporate and Asset Backed Securities must not exceed 25% of any investment pool. Asset Backed Securities must have a weighted-average-life of not more than four (4) years at the time of purchase. United States Agency Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMO) are also limited to a maximum of twenty-five percent (25%) of any investment portfolio. MBS must have a stated final maturity of ten (10) years or less and a weighted-average-life of not more than four (4) years at time of purchase. CMO must have a weighted-average-life of four (4) years or less at time of purchase.

SUMMARIES OF THE PRINCIPAL DOCUMENTS

The following statements are brief summaries of certain provisions of the Resolution and the Leases. Such statements do not purport to be complete and reference is made to the Resolution and the Leases, copies of which are available for examination at the Office of Financial Management, 702 Capitol Avenue, Suite 261, Frankfort, Kentucky 40601.

The Resolution

Funds and accounts. The following Funds and Accounts have been established under the Resolution. Deposits of the proceeds of the Bonds and Revenues will be made as described below.

1. <u>Bond Service Fund</u>. The Resolution creates a Bond Service Fund with respect to the Bonds (the "Bond Fund"), to be held and maintained by the Trustee. There will be deposited into such Bond Service Fund all or such portion of the Revenues as will be sufficient to pay when due the principal of, premium, if any, and interest on all Bonds Outstanding under the Bond Resolution at or before their maturity. Accrued interest on the Bonds will be deposited in the Bond Fund. The Resolution requires the Commission to deposit or cause to be deposited on or before any November 1, May 1 or other date set for the redemption of the Bonds (each a "Payment Date") with the Trustee all amounts required for the payment of the principal of, premium, if any, and interest on the Bonds due on such Payment Date.

No further payments are required to be made to the Bond Fund when, and so long as, the aggregate amount therein is sufficient to retire all of the Bonds that are then outstanding and payable plus interest due or to become due and redemption premium, if any.

2. <u>Cost of Issuance Fund</u>. The Resolution creates a Cost of Issuance Fund for the Bonds to be held and maintained by the Trustee. From the proceeds of the Bonds and other available moneys, if any, deposited by the Issuer at the time of delivery of the Bonds, there will be deposited therein an amount sufficient to pay certain expenses in connection with the issuance of the Bonds. On payment of all duly

authorized expenses incident to the issuance of such Bonds, any remaining balance in the Cost of Issuance Account will be transferred to the Bond Fund.

3. The Construction Fund. The Resolution creates a Construction Fund, to be held by the Treasurer of the Commonwealth. Until disbursed as authorized by the Resolution, the Construction Fund shall constitute a trust fund for the benefit of the Bondholders. The Construction Fund will be used for the purposes of financing that portion of the Project consisting of the acquisition, construction or undertaking of new property in connection with buildings, real estate or economic development projects, including costs of materials, construction work, installation of utilities, services, installation of equipment, facilities and furnishings of a permanent nature for buildings, appurtenances thereto, plans, specifications, blueprints, architectural and engineering fees and other expenses authorized to be incurred under the terms of KRS Chapters 56 and 58. Any moneys remaining in the Construction Fund after the Project is completed in full will be transferred to the Trustee to be held, in trust, in the Bond Fund.

Federal Tax Covenants of the Commission. The Commission has covenanted to do and perform all acts and things permitted by law and necessary or desirable in order to assure that the interest paid on the Bonds by the Commission shall be excludable from the gross income of the Holders for the purposes of federal income taxation and not permit the Bonds to be or become "arbitrage bonds" as defined in the Code.

Investment of Funds. Moneys in any Fund or Account established under the Resolution will be invested in obligations permitted by Kentucky law as specified in the Resolution.

Events of Default. The Resolution defines "Events of Default" as follows:

(a) Default in the due and punctual payment of the interest on any Bond;

(b) Default in the due and punctual payment of the principal of or premium, if any, on any Bond at maturity or upon redemption prior to maturity; and

(c) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Commission in the Resolution or in the Bonds contained, and the continuance thereof for a period of 30 days after written notice given by the Trustee to the Commission or by the Holders of not less than 25% in aggregate principal amount of Bonds outstanding, to the Commission and the Trustee; provided, however, that if such event of default can, in the opinion of the Trustee, be corrected but not within such period, it shall not constitute an event of default hereunder if corrective action is instituted by the Commission within such period and diligently pursued until the event of default no longer exists.

Upon the happening and continuance of any event of default described in clause (a) or (b) above, unless the principal of all the Bonds has already become due and payable, either the Trustee (by notice in writing to the Commission) or the Holders of not less than 25% of the principal amount of Bonds outstanding (by notice in writing to the Commission and the Trustee) may declare the principal of all the Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same will become and be immediately due and payable, anything in the Resolution or in any of the Bonds contained to the contrary notwithstanding. The right of the Trustee or of the Holders of not less than 25% of the principal amount of Bonds then Outstanding to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, all overdue installments of interest on such Bonds and the principal of all Bonds which will have matured by their terms, together with the reasonable and proper charges, expenses and liabilities of the Trustee, are either paid by or for the account of the Commission or provision satisfactory to the Trustee is made for such payment, then and in every such case any such default and its consequences will ipso facto be deemed to be annulled, but no such annulment will extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

The Resolution provides that upon the happening and continuance of any event of default thereunder, the Trustee may proceed, and upon the written request of the Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding must proceed, to protect and enforce its rights and the rights of the Holders under the pertinent Kentucky Revised Statutes and under the Resolution forthwith by such suits, actions, or by 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 Resolution or in aid of the execution of any power granted therein or in the Kentucky Revised Statutes or for the enforcement of any legal or equitable rights or remedies as the Trustee, being advised by counsel, deems most effectual to protect and enforce such rights or to perform any of its duties under the Resolution.

In the enforcement of any right or remedy under the Resolution or under the law, the Trustee is entitled to sue for, enforce payment on, and receive any or all amounts then or during the continuance of any event of default becoming, and at any time remaining, due from the Commission, for principal, interest or otherwise under any of the provisions of the Resolution or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest borne by the Bonds then Outstanding, to the extent permitted by law together with any and all costs and expenses of collection and of all proceedings under the Resolution and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders, and to recover and enforce judgment or decree against the Commission, but solely as provided in the Resolution and in the Bonds, for any portion of such amounts remaining unpaid, with interest, costs, and expenses, and to collect (but solely from the moneys in the funds and accounts established by the Resolution other than the Rebate Fund) in any manner provided by law, the moneys adjudged or decreed to be payable.

Regardless of the happening of an event of default, the Trustee, if requested in writing to take any action under the Resolution or the Bonds by the Holders of not less than 25% of the principal amount of Bonds outstanding, has no duty to act until it is furnished with indemnification satisfactory to it. The Trustee may institute and maintain such suits and proceedings as it may be advised are necessary or expedient to prevent any impairment of the security under the Resolution or the Bonds and such suits and proceedings as the Trustee may be advised are necessary or expedient to preserve or protect its interest and the interest of the Holders of the Bonds, provided that such request will not be otherwise than in accordance with the provisions of law and of the Resolution and will not be unduly prejudicial to the interest of the Holders of the Bonds not making such request.

Individual Holder Action Restricted. No Holder of Bonds has any right to institute any suit, action, or proceeding in equity or at law for the enforcement of the Resolution or for the execution of any trust thereof or for the appointment of a receiver or the enforcement of any other right under the Kentucky Revised Statutes, unless such Holder has given to the Trustee written notice of the event of default or breach of trust or duty on account of which such suit, action, or proceeding is to be taken and unless the Holders of not less than 25% in aggregate principal amount of Bonds outstanding have made written request accompanied by indemnity and security satisfactory to the Trustee and have offered it reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit, or proceeding in its own name, and the Trustee thereafter fails or refuses to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its, his or their own name or names. It is understood and intended that no one or more Holders of Bonds have any right in any manner whatsoever to affect, disturb or prejudice the security of the Resolution by its, his or their action or to enforce any right thereunder except in the manner therein provided, and that all proceedings at law or in equity will be instituted and maintained in the manner therein provided and for the equal benefit of the Holders of all of such Bonds then outstanding. Nothing contained in the Resolution or in the Bonds affects or impairs the right of any Holder of any Bond to payment of the principal of or interest on such Bond at and after the maturity thereof or the obligation of the Commission to pay the principal of, premium, if any, and interest on the Bonds to the respective Holders thereof at the time and place, from the source, and in the manner therein provided and in the Bonds expressed.

Amendments to the Resolution. If it appears desirable and to the advantage of both the Commission and the Holders of the Bonds, the Commission will adopt resolutions supplemental to the Resolution, altering or amending any of the rights and obligations of the Commission or the Holders of the Bonds in any particular, but each such supplemental resolution will not become effective unless and until it has been approved as provided in the Resolution by the Holders of 66 2/3% of the principal amount of Bonds outstanding and unless and until the opinion of counsel required by the Resolution has been delivered. Notwithstanding the foregoing, no such modifications, alterations or amendments will be made which permit an extension of the time of payment at maturity of the principal of, premium, if any, or interest on any Bond, or a reduction in the amount of principal or premium, if any, or the rate of interest thereon without the written consent of the Holder thereof, or which would reduce the percentage of Holders of Bonds whose approval is required by the Resolution for adoption of any supplemental resolution as described above.

In addition to the foregoing, the Commission and the Trustee may, without regard to the provisions set forth above, make any amendment or change to the Resolution (i) to cure any formal defect or ambiguity, if in the opinion of the Trustee such amendment or change is not adverse to the interest of the Holders of the Bonds, (ii) to grant to or confer on the Trustee for the benefit of the Holders of the Bonds any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Resolution as theretofore in effect, (iii) to permit the Trustee to comply with any obligations imposed on it by law, (iv) to achieve compliance of the Resolution with any federal tax law, (v) to maintain or improve any rating on the Bonds, or (vi) which in the opinion of nationally recognized bond counsel will not materially adversely affect the rights of Holders of the Bonds, and the Commission may adopt such supplemental resolution to accomplish the foregoing.

Change, Substitution or Other Modification of Project. Anything in the Resolution or the Leases notwithstanding, the Cabinet may, in its sole discretion, change, substitute or otherwise modify components of the Project, so long as all Bond proceeds are applied to facilities, payments or undertakings which are included in and subject to rental payments under the Leases such that rental payments thereunder will be sufficient to pay principal of, premium, if any, and interest on the Bonds; provided that any such change, substitution or modification shall not cause the Commission to be in violation of certain covenants of the Resolution.

The Trustee. The Resolution sets forth the terms and provisions regarding the responsibilities, compensation and removal of the Trustee. The Trustee is entitled to reasonable compensation from Revenues and to the extent the Commission fails to make such payment, the Trustee may make such payment from funds in its possession (other than the Rebate Fund) and shall be entitled to a preference therefor over any outstanding Bonds. The Trustee may be removed at any time at the written request of the Commission or a majority of Bondholders.

Discharge of the Resolution. If the Commission pays or causes to be paid, or there is otherwise paid, to the Holders of the Bonds the total principal and interest due or to become due thereon, including premium, if applicable at the times and in the manner stipulated therein and in the Bond Resolution then the pledge of Revenues under the Resolution, and all covenants, agreements and other obligations of the Commission to the Holders of the Bonds shall cease, terminate and become void and shall be discharged and satisfied.

Whenever there shall be held by the Trustee in the Bond Fund or an escrow fund established for such purpose, either (a) moneys in an amount which shall be sufficient, or (b) Defeasance Obligations (as defined below) the principal of and interest on which when due (without consideration of reinvestment income) will provide moneys which, together with other moneys, if any, then on deposit in the Bond Fund or such escrow fund, shall be sufficient, to pay when due the principal of, interest and redemption premium, if applicable, on the Bonds or any part thereof to and including the date upon which the Bonds or any of them will be redeemed in accordance with this Bond Resolution or the maturity date or dates thereof, as the case may be, then and in any of said events all such Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the defeasance provisions of the Bond Resolution, and the Trustee will and is irrevocably instructed by the Resolution to publish notice thereof.

As used herein, "Defeasance Obligations" means:

(a) direct non-callable obligations of (including obligations issued or held in book entry form) the United States of America; and

(b) pre-refunded municipal obligations defined as follows:

Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (1) which are rated, based on the escrow, in the highest rating category of Standard and Poor's Ratings Services, a Division of The McGraw Hill Companies Inc. and Moody's Investors Service or any successors thereto; or (2) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or obligations described in paragraph (a) above, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate.

The Leases

The Commission, ALCo, the Cabinet and the State Agencies (as "Lessees") have entered into the Leases whereby the Lessees will lease the Project from the Commission and will pay rentals to the Commission during biennial renewal terms which will provide funds sufficient to pay the amounts due on the Bonds (the "Rent").

The Leases are for a current term ending June 30, 2002. The Commission has granted the Lessees the exclusive option to renew the Leases for successive and ensuing renewal terms of two years commencing July 1 in each even-numbered year. Under the provisions of the Constitution of the Commonwealth, the Commission and the Lessees are each prohibited from entering into lease obligations extending beyond their biennial budget period. Notwithstanding the foregoing, the Leases provide that each succeeding renewal term will be deemed to be automatically renewed unless written notice of the election by the Lessees to not so renew is given to the Commission by the last business day of May prior to the beginning of the next succeeding biennial renewal term. Upon the first day of the biennial renewal term, the Lessees are bound for the entire amount of the Rent becoming due during such term payable from, but not limited to, revenues, contributions, gifts, matching funds, devises and bequests from any source, whether federal or state, and whether public or private, so long as the same are not conditioned upon any use of the Project in a manner inconsistent with law.

The Lessees have covenanted and agreed in the Leases that when appropriations bills are prepared for introduction at the various successive sessions of the General Assembly of the Commonwealth they will cause to be included in the budgets proposed for that biennial period for the Lessees, sufficient amounts (over and above all other requirements of the Lessees) to enable the Lessees to pay Rent under the Leases and thereby produce income and revenues to the Commission to permit timely payment of the Bonds as the same become due during such period.

The ability of the Lessees to pay Rent is subject to their appropriations of Rent and approval thereof by the General Assembly. There can be no assurance that such appropriations will be forthcoming at any time after June 30, 2002. The failure of the Lessees or General Assembly to approve and enact such appropriations will have a material adverse effect on the ability of the Commission to pay the Bonds. In addition, there can be no assurance that in the performance of his or her obligations to balance the Commonwealth budget annually, the Governor will not reduce or eliminate any appropriations which are made.

If the Leases are renewed, then on the first day of the biennial renewal term the Lessees are firmly bound for the entire amount of Rent payments coming due during such renewal term.

In the Resolution, the Commission has covenanted that it will receive and apply the Rent payments from the Lessees to pay the Bonds when due, and will carry out each and every duty imposed on it by the Kentucky Revised Statutes in respect thereto.

Events of default under the Leases include a default in the due and punctual payment of any Rent or a default in the performance of any covenants therein not remedied within 30 days (or in the process of being remedied).

If an event of default occurs, the Commission, in addition to all other remedies given to the Commission at law or in equity, may terminate the Lease or, without terminating the Lease, take possession (actually or constructively) of the Project. In such event, the Commission may sublet the Project or any portion thereof, and in the event of a reletting may apply the rent therefrom first to the payment of the Commission's expenses incurred by reason of the Lessees' default, and the expense of reletting, including but not limited to any repairs, renovation or alteration of the Project, and then to the payment of Rent and all other sums due from the Lessee under such Lease upon delivery of an opinion of counsel that the subletting or reletting will not cause the interest on the Bonds to be includable in the gross income of the holders of the Bonds. The Bondholders have no security interest in any properties constituting the Project or any amounts derived therefrom.

RATINGS

Fitch IBCA, Inc. ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. ("S&P") have assigned their municipal bond ratings of "AAA," "Aaa" and "AAA", respectively, to this issue of Bonds with the understanding that upon delivery of the Bonds, a policy insuring the payment when due of the principal of and interest on the Bonds will be issued by MBIA Insurance Corporation.

Moody's and S&P have assigned their underlying municipal bond ratings of "Aa3" and "AA-", respectively, to this issue of Bonds.

Such ratings reflect only the views of the respective rating agencies. An explanation of the rating given by Fitch may be obtained from Fitch IBCA, Inc. at One State Street Plaza, New York, New York 10004, (212) 908-0500; an explanation of the significance of the ratings given by Moody's may be obtained from Moody's Investors Service at 99 Church Street, New York, New York 10007, (212) 553-0300; and an explanation of the ratings given by S&P may be obtained from Standard & Poor's Rating Services at 55 Water Street, New York, New York 10041, (212) 438-2124. There is no assurance that ratings will continue for any given period of time or that ratings will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving legal opinion of Peck, Shaffer & Williams LLP, Covington, Kentucky, Bond Counsel. The forms of the approving legal opinions of Bond Counsel are attached hereto as Exhibit C (with respect to the Series A Bonds) and as Exhibit D (with respect to the Series B Bonds).

LITIGATION

Except as described herein, there is no litigation pending or, to the knowledge of the Commission or the Cabinet, threatened to restrain or enjoin the authorization, sale or delivery of the Bonds or which would adversely affect the application of the revenues of the Commission to the payment of the Bonds.

TAX TREATMENT

In the opinion of Bond Counsel for the Bonds, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Series A Bonds is excludable from gross income for Federal income tax purposes; interest on the Series A Bonds is not a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986 (the "Code") for purposes of the Federal individual or corporate alternative minimum taxes. In the opinion of Bond Counsel, interest on the Series B Bonds is includable in gross income for federal income tax purposes. Furthermore, in the opinion of Bond Counsel, interest on both the Series A Bonds and the Series B Bonds are exempt from income taxation by the Commonwealth and the Bonds are exempt from ad valorem taxation by the Commonwealth and any of its political subdivisions .

Copies of the opinions of Bond Counsel for the Bonds are set forth in Exhibit C (with respect to the Series A Bonds) and in Exhibit D (with respect to the Series B Bonds).

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the Series A Bonds. The Commission has covenanted to comply with certain restrictions designed to ensure that interest on the Series A Bonds will not be includable in gross income for Federal income tax purposes. Failure to comply with these covenants could result in interest on the Series A Bonds being includable in gross income for Federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Series A Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series A Bonds may adversely affect the tax status of the interest on the Series A Bonds.

Certain requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series A Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series A Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Peck, Shaffer & Williams LLP.

Although Bond Counsel for the Bonds has rendered an opinion that interest on the Series A Bonds is excludable from gross income for Federal income tax purposes and that interest on the Series A Bonds is excludable from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series A Bonds may otherwise affect a Bondholder's Federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion and each Bondholder or potential Bondholder is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing the Series A Bonds on the tax liabilities of the individual or entity.

For example, corporations are required to include all tax-exempt interest in determining "adjusted current earnings" under Section 56(c) of the Code, which may increase the amount of any alternative minimum tax owed. Similarly, tax-exempt interest may also increase the amount of any environmental tax owed under Section 59 of the Code, which is based on the alternative minimum taxable income of any corporation subject to that tax. Ownership or disposition of the Series A Bonds may result in other collateral Federal, state or local tax consequence for certain taxpayers, including, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies, under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, and increasing the federal tax liability of certain individual recipients of social security or Railroad Retirement benefits, under Section 86 of the Code. Ownership of any Series A Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of Series A Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky, may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Series A Bonds.

The Commission has not designated the Series A Bonds as "qualified tax-exempt obligations" under Section 265 of the Code.

Premium Bonds and Discount Bonds

The Series A Bonds that mature on May 1 in the years 2001 and 2011 (the "Premium Bonds") are being initially offered and sold to the public at an Acquisition Premium. "Acquisition Premium" is the excess of the cost of a bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next earliest call date. The Premium Bonds are not callable prior to their maturity date. For federal income tax purposes, the amount of Acquisition Premium on each bond the interest on which is excludable from gross income for federal income tax purposes ("tax-exempt bonds") must be amortized and will reduce the Bondholder's adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining Bondholder's taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Bonds, or on any of the Bonds, that must be amortized during any period will be based on the "constant yield" method, using the original Bondholder's basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis. Holders of any Bonds, including any Premium Bonds, purchased at an Acquisition Premium should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

The Series A Bonds that mature on May 1 in the years 2007 through 2009 and 2012 through 2020 (the “Discount Bonds”) are being offered and sold to the public at an original issue discount (“OID”) from the amounts payable at maturity thereon. OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the “issue price” of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of the bond, and for the Discount Bonds, the amount of accretion will be based on a single rate of interest, compounded semiannually (the “yield to maturity”). The amount of OID that accrues during each semi-annual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of a Discount Bond at its issue price, the portion of OID that accrues during the period that such purchaser owns the Discount Bond is added to such purchaser’s tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Bond and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes. Holders of Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

UNDERWRITING

The Bonds are to be purchased by a syndicate managed by Merrill Lynch & Co. as representative of the managing underwriters identified on the cover hereof and on behalf of itself (the "Managers") (the Managers and the other syndicate members collectively, the "Underwriters"). The Underwriters have agreed, subject to certain conditions, to purchase (i) the Series A Bonds at an aggregate purchase price of $52,738,625.60 (which is equal to the principal amount of the Series A Bonds less net original issue discount of $256,093.00 and less underwriting discount of $325,281.40) plus accrued interest from the dated date of the Series A Bonds to the date of delivery and (ii) the Series B Bonds at an aggregate purchase price of $1,546,679.12 (which is equal to the principal amount of the Series B Bonds less underwriting discount of $3,320.88) plus accrued interest from the dated date of the Series B Bonds to the date of delivery. The Underwriters will be obligated to purchase all of the Bonds if any are purchased. The Underwriters have advised the Commission that they intend to make a public offering of the Bonds at the initial public offering prices or yields set forth on the inside cover page hereof, provided, however, that the Underwriters have reserved the right to make concessions to dealers and to change such initial public offering prices as the Underwriters shall deem necessary in connection with the marketing of the Bonds.

CONTINUING DISCLOSURE AGREEMENT

The Bonds are subject to Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended (the "Rule"). In general, the Rule prohibits an underwriter from purchasing or selling municipal securities in an initial offering unless it has determined that the issuer of such securities has committed to provide annually, certain information, including audited financial information, and notice of various events described in the Rule, if material. In order to enable the purchaser to comply with the provisions of the Rule, the Commission will enter into a Continuing Disclosure Agreement (the "Disclosure Agreement") with the Trustee.

OTHER MATTERS

This Official Statement has been prepared under the direction of the Executive Director of the Office of Financial Management.

The information set forth herein has been obtained from sources which are considered reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. The summaries of the documents herein contained do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to official documents in all respects.

This Official Statement has been approved, and its execution and delivery have been authorized, by the Commission.

THE COMMONWEALTH OF KENTUCKY STATE PROPERTY AND BUILDINGS COMMISSION

By: /s/ Gordon L. Mullis, Jr.
Executive Director, Office of Financial Management (Secretary to the Commission)

EXHIBIT A
FINANCIAL INFORMATION ON
UNIVERSITY OF KENTUCKY
EASTERN KENTUCKY UNIVERSITY and
KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY

University of Kentucky

Initially presented herein are excerpts from *The Kentucky Comprehensive Annual Financial Report* ("CAFR") for Fiscal Year 1999 with respect to Component Units – all University and College Funds, including the University of Kentucky, comprised of the following: (i) Combining balance sheet, page 168; (ii) Combining statement of revenues, expenditures, and other changes, page 170; and (iii) Combining statement of changes in fund balance, page 172 (e.g. General Fund, Agency Fund and other). A copy of the *CAFR* for Fiscal Year 1999 may be obtained from the NRMSIRs or from the Office of Financial Management, 702 Capitol Avenue, Suite 261, Frankfort, Kentucky 40601 (502) 564-2924. Additionally, the *CAFR* for Fiscal Year 1999 may be found on the Internet at:

http://www.state.ky.us/agencies/finance/manuals/tax/cafr.htm

Subsequently presented herein is a Statement of Current Funds Revenues, Expenditures and Other Changes from the University of Kentucky 1999 Annual Report, showing results for 1999 and 1998, page 29. A copy of the University of Kentucky 1999 Annual Report may be obtained from the Office of Financial Management.

Eastern Kentucky University

Initially presented herein are excerpts from the *CAFR* for Fiscal Year 1999 with respect to Component Units – all University and College Funds, including the Eastern Kentucky University, comprised of the following: (i) Combining balance sheet, page 168; (ii) Combining statement of revenues, expenditures, and other changes, page 170; and (iii) Combining statement of changes in fund balance, page 172 (e.g. General Fund, Agency Fund and other). A copy of the *CAFR* for Fiscal Year 1999 may be obtained from the NRMSIRs or from the Office of Financial Management, 702 Capitol Avenue, Suite 261, Frankfort, Kentucky 40601 (502) 564-2924. Additionally, the *CAFR* for Fiscal Year 1999 may be found on the Internet at:

http://www.state.ky.us/agencies/finance/manuals/tax/cafr.htm

Subsequently presented herein is a Statement of Current Funds Revenues, Expenditures and Other Changes from the Eastern Kentucky University Financial Report for the Year Ended June 30, 1999, showing results for 1999 and 1998, page 14. A copy of the Eastern Kentucky University Financial report for the Year Ended June 30, 1999 may be obtained from the Office of Financial Management.

Kentucky Higher Education Assistance Authority

Initially presented herein are excerpts from the *CAFR* for Fiscal Year 1999 with respect to Component Units – Proprietary Fund Types, including Kentucky Higher Education Assistance Authority ("KHEAA"), comprised of the following: (i) Combining balance sheet, page 160; (ii) Combining statement of revenues, expenses, and changes in retained earnings, page 163; and (iii) Combining statement of cash flows, pages 164-165 (e.g. General Fund, Agency Fund and other). Financial information with respect to KHEAA is presented in *The Kentucky Comprehensive Annual Financial Report* ("CAFR") published annually by the Commonwealth. A copy of the *CAFR* for Fiscal Year 1999 may be obtained from the NRMSIRs or from the Office of Financial Management, 702 Capitol Avenue, Suite 261, Frankfort, Kentucky 40601 (502) 564-2924. Additionally, the *CAFR* for Fiscal Year 1999 may be found on the Internet at:

http://www.state.ky.us/agencies/finance/manuals/tax/cafr.htm

Subsequently presented herein is a Statement of Revenues, Expenses and Changes in Fund Balances from the KHEAA Report on Audits for the Years Ended June 30, 1999 and 1998, pages 2 and 3. A copy of the KHEAA Report on Audits for the Years Ended June 30, 1999 and 1998 may be obtained from the Office of Financial Management.

EXHIBIT B

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 state agencies which currently have debt outstanding. 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. The Office serves as primary staff to the State Property and Buildings Commission, the Kentucky Asset/Liability Commission, the Kentucky Local Correctional Facilities Construction Authority, and the Kentucky Infrastructure Authority.

Structure

The Commonwealth's indebtedness is classified as either appropriation supported debt or non-appropriation supported debt as displayed in Table II.

Appropriation supported debt carries the name of the Commonwealth and is either (i) a general obligation of the State, or (ii) a project revenue obligation of one of its debt-issuing agencies created by the Kentucky 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 bonds and notes 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 revenues are 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.

Non-appropriation or moral obligation debt carries the name of the Commonwealth for the benefit and convenience of other entities within the state. The bonds are special obligations of the issuer, secured and payable solely from the sources pledged for the payment thereof and do 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 bonds. Although, in the event of a shortfall the issuer covenants to request from the Governor and the General Assembly sufficient amounts to pay debt service.

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

ENTITY	STATUTORY AUTHORITY/ PURPOSE	DEBT LIMITATIONS	RATING MOODY'S/S&P*
State Property and Buildings Commission	**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.	Aa3/AA- Fitch A+
Kentucky Asset/Liability Commission	**KRS 56** Provide for short-term financing of capital projects and the management of cash borrowings.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	Varies
Turnpike Authority of Kentucky	**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.	A1/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	**KRS 198A** Make low interest mortgage loans and construction loans to increase the supply of housing for low and moderate income residents in the State.	Limited to $ 1.125 billion of debt outstanding.	Aaa/AAA
Kentucky Infrastructure Authority	**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 limited to $60 and $125 million of debt outstanding, for maturities under and over 3 years, respectively.	Aa3/AA-
Kentucky Higher Education Student Loan Corporation	**KRS 164A** Make guaranteed student loans to residents of the state to attend post-secondary institutions and to make loans to students attending post-secondary schools within the state.	Limited to $950 million of debt outstanding.	Aaa/AA-
School Facilities Construction Commission	**KRS 157.800-157.895** 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.	Aa3/A+ Fitch A
Kentucky Economic Development Finance Authority	**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 state.	None.	Varies
Kentucky Local Correctional Facilities Construction Authority	**KRS 441.605-441.695** Provide an alternative method of constructing, improving, repairing and financing local jails.	Limited to the level of debt service supported by court fees pledged as repayment for the bonds.	AAA
Kentucky Agricultural Finance Corporation	**KRS 247.940** Provide low interest loans to Kentucky farmers for the purpose of stimulating existing agricultural enterprises and the promotion of new agricultural ventures.	Limited to $500 million of debt outstanding.	NA

* Standard & Poor's (S&P) on July 26, 1999 upgraded ratings to A+ from A for the Kentucky Turnpike Authority Road Bonds and the General Fund appropriation-backed debt of the Kentucky Infrastructure Authority. On March 8, 2000, S&P raised its ratings to AA- from A+ on the appropriation-backed debt of the State Property and Buildings Commission and the Kentucky Infrastructure Authority.

EXHIBIT C
FORM OF BOND COUNSEL OPINION FOR THE SERIES A BONDS

[Date of Delivery]

Commonwealth of Kentucky
State Property and Buildings Commission
Frankfort, Kentucky

Re: $53,320,000 Commonwealth of Kentucky State Property and Buildings Commission Agency Fund Revenue Bonds, Project No. 66, Series A

We have examined a certified copy of the transcript of proceedings of the Commonwealth of Kentucky State Property and Buildings Commission (the "Commission") relating to the authorization, sale and issuance of its Agency Fund Revenue Bonds, Project No. 66, Series A, in the aggregate principal amount of $53,320,000 (the "Bonds"), dated June 1, 2000. The Bonds are being issued on behalf of the University of Kentucky, Eastern Kentucky University and the Kentucky Higher Education Assistance Authority (the "State Agencies"), each a state agency of the Commonwealth of Kentucky (the "Commonwealth").

The Bonds have been authorized and issued pursuant to the Constitution and laws of the Commonwealth, including particularly (i) Chapter 56 of the Kentucky Revised Statutes, (ii) Sections 58.010 to 58.140, inclusive of the Kentucky Revised Statues and (iii) H.B. 321 of the General Assembly of the Commonwealth of Kentucky, 1998 Regular Session and in accordance with a resolution of the Commission adopted on May 22, 2000 (the "Resolution") for the purpose of (A) paying the cost of constructing, acquiring, installing and equipping the Project, as defined in the Resolution, (B) retiring certain bond anticipation notes issued by the Kentucky Asset/Liability Commission ("ALCo") which were issued to provide interim financing for the Project and (C) paying the costs of issuing the Bonds.

We have examined such portions of the Constitution and Statutes of the United States, the Constitution and Statutes of the Commonwealth, and such applicable court decisions, regulations, rulings and opinions as we have deemed necessary or relevant for the purposes of the opinions set forth below.

We have also examined records relating to the authorization and issuance of the Bonds, including a specimen Bond, and other relevant matters. We have also made such investigation as we have deemed necessary for the purposes of such opinions, and relied upon certificates of officials of the Commonwealth, the State Agencies and the Commission as to certain factual matters.

Based upon the foregoing, it is our opinion, under the law existing on the date of this opinion, that:

1. The Commission is a public body corporate and an independent agency of the Commonwealth, duly organized and validly existing under the laws of the Commonwealth. The Commission has the legal right and authority to issue the Bonds for the Project.

2. The Resolution has been duly adopted by the Commission and is the valid and binding obligation of the Commission enforceable in accordance with its terms.

3. The Bonds have been duly authorized and issued by the Commission and are the valid and binding limited and special obligations of the Commission enforceable in accordance with their terms. The Bonds are payable as to principal and interest from and are secured by a pledge of and a first lien on the revenues derived or to be derived by the Commission from a Financing/Lease Agreements (the "Leases") between the Commission, ALCo, the Finance and Administration Cabinet of the Commonwealth (the "Cabinet") and the State Agencies a sufficient portion of which revenues have been pledged to pay the interest on and principal of the Bonds as the same become due.

4. The Bonds are special and limited obligations of the Commission payable solely and only from the revenues provided for by the Resolution. The Bonds do not pledge the general credit or taxing power, if any, of the Commonwealth, the Commission, the Cabinet, the State Agencies or any other agency or political subdivision of the Commonwealth.

5. The Bonds are not secured by a pledge of or lien on the properties constituting the Project or by a pledge of or lien on the income derived from the Project, if any, but are payable as to principal and interest solely and only from and are secured by a pledge of and first lien on the revenues to be derived from the Lease. The ability of the State Agencies to make payments under the Leases is dependent upon legislative appropriations to each of the State Agencies. The Leases have a current term ending June 30, 2002, with the right to renew the Leases for additional successive terms of two years each until the Bonds and interest thereon have been paid and discharged.

6. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the Bonds is excludable from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax for individuals and corporations. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Bonds.

7. The Commission has <u>not</u> designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Code.

8. The interest on the Bonds is exempt from income taxation and the Bonds are exempt from ad valorem taxation by the Commonwealth and any of its political subdivisions.

Our opinion set forth above is subject to the qualification that the enforceability of the Resolution, the Leases, the Bonds and agreements relating thereto may be limited by bankruptcy, reorganization, moratorium, insolvency, or other similar laws relating to or affecting the enforcement of creditors' rights, and to the exercise of judicial discretion in accordance with general equitable principles.

Very truly yours,

PECK, SHAFFER & WILLIAMS LLP

EXHIBIT D
FORM OF BOND COUNSEL OPINION FOR THE SERIES B BONDS

[Date of Delivery]

Commonwealth of Kentucky
State Property and Buildings Commission
Frankfort, Kentucky

Re: $1,550,000 Commonwealth of Kentucky State Property and Buildings Commission Agency Fund Revenue Bonds, Project No. 66, Taxable Series B

We have examined a certified copy of the transcript of proceedings of the Commonwealth of Kentucky State Property and Buildings Commission (the "Commission") relating to the authorization, sale and issuance of its Agency Fund Revenue Bonds, Project No. 66, Taxable Series B, in the aggregate principal amount of $1,550,000 (the "Bonds"), dated June 1, 2000. The Bonds are being issued on behalf of the University of Kentucky, Eastern Kentucky University and the Kentucky Higher Education Assistance Authority (the "State Agencies"), each a state agency of the Commonwealth of Kentucky (the "Commonwealth").

The Bonds have been authorized and issued pursuant to the Constitution and laws of the Commonwealth, including particularly (i) Chapter 56 of the Kentucky Revised Statutes, (ii) Sections 58.010 to 58.140, inclusive of the Kentucky Revised Statues and (iii) H.B. 321 of the General Assembly of the Commonwealth of Kentucky, 1998 Regular Session and in accordance with a resolution of the Commission adopted on May 22, 2000 (the "Resolution") for the purpose of (A) paying the cost of constructing, acquiring, installing and equipping the Project, as defined in the Resolution, (B) retiring certain bond anticipation notes issued by the Kentucky Asset/Liability Commission ("ALCo") which were issued to provide interim financing for the Project and (C) paying the costs of issuing the Bonds.

We have examined such portions of the Constitution and Statutes of the United States, the Constitution and Statutes of the Commonwealth, and such applicable court decisions, regulations, rulings and opinions as we have deemed necessary or relevant for the purposes of the opinions set forth below.

We have also examined records relating to the authorization and issuance of the Bonds, including a specimen Bond, and other relevant matters. We have also made such investigation as we have deemed necessary for the purposes of such opinions, and relied upon certificates of officials of the Commonwealth, the State Agencies and the Commission as to certain factual matters.

Based upon the foregoing, it is our opinion, under the law existing on the date of this opinion, that:

1. The Commission is a public body corporate and an independent agency of the Commonwealth, duly organized and validly existing under the laws of the Commonwealth. The Commission has the legal right and authority to issue the Bonds for the Project.

2. The Resolution has been duly adopted by the Commission and is the valid and binding obligation of the Commission enforceable in accordance with its terms.

3. The Bonds have been duly authorized and issued by the Commission and are the valid and binding limited and special obligations of the Commission enforceable in accordance with their terms. The Bonds are payable as to principal and interest from and are secured by a pledge of and a first lien on the revenues derived or to be derived by the Commission from a Financing/Lease Agreements (the "Leases") between the Commission, ALCo, the Finance and Administration Cabinet of the Commonwealth (the "Cabinet") and the State Agencies a sufficient portion of which revenues have been pledged to pay the interest on and principal of the Bonds as the same become due.

4. The Bonds are special and limited obligations of the Commission payable solely and only from the revenues provided for by the Resolution. The Bonds do not pledge the general credit or taxing power, if any, of the Commonwealth, the Commission, the Cabinet, the State Agencies or any other agency or political subdivision of the Commonwealth.

5. The Bonds are not secured by a pledge of or lien on the properties constituting the Project or by a pledge of or lien on the income derived from the Project, if any, but are payable as to principal and interest solely and only from and are secured by a pledge of and first lien on the revenues to be derived from the Lease. The ability of the State Agencies to make payments under the Leases is dependent upon legislative appropriations to each of the State Agencies. The Leases have a current term ending June 30, 2002, with the right to renew the Leases for additional successive terms of two years each until the Bonds and interest thereon have been paid and discharged.

6. The interest on the Bonds is exempt from income taxation and the Bonds are exempt from ad valorem taxation by the Commonwealth and any of its political subdivisions.

Our opinion set forth above is subject to the qualification that the enforceability of the Resolution, the Leases, the Bonds and agreements relating thereto may be limited by bankruptcy, reorganization, moratorium, insolvency, or other similar laws relating to or affecting the enforcement of creditors’ rights, and to the exercise of judicial discretion in accordance with general equitable principles.

Very truly yours,

PECK, SHAFFER & WILLIAMS LLP

EXHIBIT E
FORM OF MUNICIPAL BOND INSURANCE POLICY

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