Book-Entry Only **Ratings:** **Moody's: A2**
S&P: A+
<u>NEW ISSUE</u> **Fitch IBCA: A+**

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 Bonds 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 Bonds 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.

$25,440,000
COMMONWEALTH OF KENTUCKY
State Property and Buildings Commission
Revenue Bonds, Project No. 63

Dated: May 1, 1999 **Due: November 1, as shown below**

The Revenue Bonds, Project No. 63 (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, 1999. Principal of, redemption premium, if any, and interest on the Bonds will be paid directly to DTC by Bank of Louisville, as Trustee and Paying Agent.

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

The Bonds mature on the dates, in the principal amount, bear annual interest and have the price or yield as follows:

Maturity November 1	Principal Amount	Interest Rate	Price or Yield	Maturity November 1	Principal Amount	Interest Rate	Price or Yield
1999	$ 815,000	4.000%	3.350%	2007	$1,130,000	4.500%	4.550%
2000	845,000	4.000	3.500	2008	1,185,000	4.500	4.650
2001	880,000	4.000	3.850	2009	1,240,000	4.625	4.750
2002	915,000	4.000	3.950	2010	1,300,000	4.750	4.850
2003	955,000	4.000	4.050	2011	1,360,000	4.750	4.950
2004	995,000	4.125	4.200	2012	1,430,000	5.000	5.000
2005	1,035,000	4.250	4.350	2013	1,505,000	5.000	5.050
2006	1,085,000	4.375	4.450	2014	1,580,000	5.000	5.100

$7,185,000 5.100% Term Bond Due November 1, 2018, Yield 5.230%

(plus accrued interest)

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") pursuant to a Resolution adopted April 19, 1999, to (i) provide funds with which to pay the cost of constructing, acquiring, installing and equipping the Project as described herein and (ii) 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 A BIENNIALLY RENEWABLE LEASE AGREEMENT WITH THE CABINET, THE RENT FROM WHICH IS SUBJECT TO 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 3, 1999, 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.**

Dated: May ___, 1999

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 of the
Cabinet for Economic Development

SARAH JANE SCHAAF
Secretary
Revenue Cabinet

GORDON L. MULLIS, JR.
Executive Director
Office of Financial Management and Economic Analysis
(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.

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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 $25,440,000 Revenue Bonds, Project No. 63 (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 the lease (the "Lease") dated as of May 1, 1999, between the Commission, as lessor, and the Finance and Administration Cabinet of the Commonwealth (the "Cabinet"), as lessee.

Use of Proceeds

The Bonds are being issued to provide funds with which to (i) pay the cost of constructing, acquiring, installing and equipping the Project as described herein and (ii) 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 Cabinet to the Commission under the Lease. See "SUMMARIES OF THE PRINCIPAL DOCUMENTS - The Lease". The Bonds are not secured by a lien on any of the properties constituting the Project or any amounts derived therefrom.

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 A BIENNIALLY RENEWABLE LEASE AGREEMENT WITH THE CABINET, THE RENT FROM WHICH IS SUBJECT TO 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.

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, 1999. Principal of, redemption premium, if any, and interest on the Bonds will be paid directly to DTC by Bank of Louisville, as Trustee and Paying Agent (the "Trustee").

The Bonds are issuable only as fully registered Bonds, without coupons. The Bonds maturing on or after November 1, 2010 are subject to optional redemption on or after November 1, 2009 at a redemption price of par, as further described in this Official Statement. The term Bonds maturing November 1, 2018 are subject to mandatory sinking fund redemption. See "THE BONDS - Redemption Provisions". It is expected that delivery of the Bonds will be made on or about June 3, 1999, 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 Bonds is excludable from gross income for Federal income tax purposes and 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. Furthermore, Bond Counsel for the Bonds is of the opinion that 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 B.

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 and Economic Analysis.

Information

Information regarding the Bonds is available by contacting the Office of Financial Management and Economic Analysis, 702 Capitol Avenue, Suite 261, Frankfort, Kentucky 40601 (502) 564-2924, or the representative of the Underwriters, Merrill Lynch & Co., World Financial Center, North Tower, 9th Floor, Merrill Lynch World Headquarters, New York, New York 10281-1309 (212) 449-0704.

OFFICIAL STATEMENT
Relating to
$25,440,000
COMMONWEALTH OF KENTUCKY
State Property and Buildings Commission
Revenue Bonds, Project No. 63

INTRODUCTION

This Official Statement, including the 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 $25,440,000 Revenue Bonds, Project No. 63 (the "Bonds") issued at the request of the Finance and Administration Cabinet of the Commonwealth (the "Cabinet") to provide funds with which to (i) pay the cost of constructing, acquiring, installing and equipping the Project as described herein and (ii) pay the costs of issuing the Bonds.

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") authorizing the issuance of the Bonds and approving the Lease hereinafter described.

The Cabinet, as lessee, has entered into a Lease dated as of May 1, 1999 (the "Lease"), with the Commission, as lessor to provide the Commission with amounts to pay the principal of and interest on the Bonds as they become due. The initial period of the Lease ends June 30, 2000, and the Lease renews automatically (unless terminated in writing by the last business day of the preceding May by the Cabinet) for successive biennial periods to and including the biennial period which includes the final maturity of the Bonds. The Lease requires the Cabinet, for each biennial period during which Bonds are outstanding, beginning July 1, 2000, to seek legislative appropriations to the Cabinet in amounts which are sufficient to permit the Cabinet to make rental payments to the Commission in amounts sufficient to pay principal of and interest on the Bonds. The Kentucky General Assembly has appropriated to the Cabinet amounts sufficient to meet the rental payments under the Lease, and therefore to permit the Commission to meet the debt service requirements of the Bonds through June 30, 2000.

THE GENERAL ASSEMBLY OF THE COMMONWEALTH IS UNDER NO OBLIGATION TO MAKE APPROPRIATIONS FOR RENTAL PAYMENTS TO THE CABINET NOR IS THE CABINET UNDER ANY OBLIGATION TO RENEW THE LEASE. THE BONDS ARE PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF RENTAL PAYMENTS UNDER THE LEASE AND ARE NOT SECURED BY ANY LIEN ON, OR INTEREST IN, THE PROPERTIES CONSTITUTING THE PROJECT OR ANY AMOUNTS DERIVED THEREFROM.

Brief descriptions of the Commonwealth, the Commission, the Resolution, the Bonds, the Lease, the Project, the Cabinet and the state agencies for which portions of the Project are being financed (the "State Agencies") 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 and Economic Analysis, 702 Capitol Avenue, Suite 261, Frankfort, Kentucky 40601.

THE COMMONWEALTH

The Commonwealth of Kentucky, nicknamed the Bluegrass State, was the first state west of the Alleghenys 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 A hereto.

A discussion of historical General Fund revenues and expenditures for each of Fiscal Years 1996, 1997 and 1998 is set forth below. The information presented in the discussion of historical General Fund revenues and expenditures for each of Fiscal Years 1996, 1997 and 1998 is drawn from *The Kentucky Comprehensive Annual Financial Report* for each of such Fiscal Years. 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 1998 is incorporated herein by reference. The Commonwealth has filed *The Kentucky Comprehensive Annual Financial Report* for Fiscal Year 1998 with the following Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs") in accordance with SEC Rule 15c2-12;

(i) Bloomberg LP
100 Business Park Drive
Skillman, New Jersey 08558
Internet: munis@bloomberg.com
Tel: (609) 279-3200
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) Kenny Information Systems
Attn: Kenny Repository Systems Inc.
96 Broadway, 16th Floor
New York, New York 10006
Internet: http://www.bluelist.com
Tel: (212) 770-4595
Fax: (212) 797-7994

(iv) Thomson NRMSIR
Attn: Municipal Disclosure
395 Hudson Street, 3rd Floor
New York, New York 10014
Internet: disclosure@muller.com
Tel: (212) 807-5001
Fax: (212) 989-2078

A copy of *The Kentucky Comprehensive Annual Financial Report* for Fiscal Year 1998 may be obtained from the NRMSIRs or from the Office of Financial Management and Economic Analysis, 702 Capitol Avenue, Suite 261, Frankfort, Kentucky 40601 (502) 564-2924. Additionally, *The Kentucky Comprehensive Annual Financial Report* for Fiscal Year 1998 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.

Fiscal Year 1996

General Fund revenue on a budgetary basis for 1996 was $5.38 billion, an increase of 3.8% over 1995. This amount included $5.34 billion in tax and non-tax receipts, and $47.27 million of Operating Transfers In. Taxes represented 94.5% of all General Fund revenue collected during the period.

General Fund expenditures on a budgetary basis for 1996 totaled $5.29 billion, including Operating Transfers Out of $330.90 million. During 1996, expenditures increased by 4.5% and transfers increased by 26.2% compared to 1995. The general government function included $698.56 million of expenditures and $6.34 million of transfers for the eight State supported universities, which together amounted to 13.3% of the General Fund total.

The General Fund had a 1996 budgetary undesignated fund balance of $223,427,568. This was a decrease of $37,580,254 when compared to the 1995 year-end budgetary undesignated fund balance of $261,007,822. In addition, the Kentucky General Assembly made the Budget Reserve Trust Fund a statutory account of the Commonwealth, and in November 1995 an additional $100 million was appropriated to the Budget Reserve Trust Fund, bringing the balance to $200 million.

Revenues for general governmental functions on a GAAP basis totaled $10.31 billion for 1996, an increase of 3.9% over the amount recognized during 1995.

1996 Governmental Funds Revenue was $386.0 million higher than in 1995. Higher Tax and Intergovernmental receipts account for 77.6% of the increase. Sales and Gross Receipts, Individual Income, Property, Severance, and Inheritance and Estate Taxes grew by a combined $282.1 million, but were offset by Corporate Income, License and Privilege, and Miscellaneous Taxes, which fell by a combined $70.5 million. Federal Fund receipts from the United States government went up $59.9 million. Receipts from other governments rose by a combined $3.3 million in General, Transportation, and Other Special Revenue Fund. Capital Projects Fund grant receipts increased by $30.9 million compared to 1995.

Expenditures, excluding transfers, for general governmental functions on a GAAP basis totaled $9.47 billion for 1996, an increase of 3.2% compared to 1995.

1996 Governmental Funds Expenditures were $295.4 million higher than in 1995. Significant growth categories included: $53.8 million more for highways in the Transportation Fund; an additional $45.1 million for General Government Judgments and contingent liabilities in the General Fund; and a $30.5 million rise in combined General Fund personal services costs for the Education, Arts and Humanities Cabinet and Workforce Development Cabinet.

Ending fund balances for all governmental fund types increased 12.0%, from $2.07 billion as restated for 1995, to $2.32 billion in 1996. Of these totals, unreserved fund balances increased 6.4%, from $1.19 billion as restated at June 30, 1995, to $1.27 billion at June 30, 1996.

During 1996, general depository cash in excess of daily requirements and not required for immediate expenditure was invested in eligible securities. Investment income from those securities for 1996, excluding that from pension trust funds, was $109,807,323, a 12.5% decrease compared to 1995.

Fiscal Year 1997

General Fund revenue on a budgetary basis for 1997 was $5.68 billion, an increase of 5.6% over 1996. This amount included $5.66 billion in tax and non-tax receipts, and $20.55 million of Operating Transfers In. Taxes represented 95.0% of all General Fund revenue collected during the period.

General Fund expenditures on a budgetary basis for 1997 totaled $5.65 billion, including Operating Transfers Out of $447.62 million. During 1997, expenditures increased by 5.0% and transfers increased by 35.3% compared to 1996. The general government function included $724.65 million of expenditures and $8.46 million of transfers for the eight State supported universities, which together amounted to 13.0% of the General Fund total.

The General Fund had a 1997 budgetary undesignated fund balance of $284,116,626. This was an increase of $60,689,058 when compared to the 1996 year-end budgetary undesignated fund balance of $223,427,568. In addition, the balance of the Budget Reserve Trust Fund was maintained at $200 million.

Revenue for general governmental functions totaled $10.94 billion for 1997, an increase of 6.0% over the amount recognized during 1996.

1997 Governmental Funds Revenue was $623.1 million higher than in 1996. Higher Tax and Intergovernmental receipts account for 90.2% of the increase. All eight major tax sources, primarily in the General Fund, went up $331.6 million. Intergovernmental revenue rose $230.4 million on the strength of $245.2 million more in Federal Fund receipts from the United States government. Other revenues improved 44.7%, due to a $26.3 million increase in the Other Special Revenue Fund and a $23.6 million improvement in the Agency Revenue Fund. Charges for Services went down 5.3% during the period, mainly because of a $19.9 million drop in Agency Revenue Fund receipts.

Expenditures, excluding transfers, for general governmental functions on a GAAP basis totaled $10.16 billion for 1997, an increase of 7.2% compared to 1996.

1997 Governmental Funds Expenditures were $686.3 million higher than in 1996. Human services provided by the Cabinet for Families and Children and the Health Services Cabinet went up $400.7 million. Education and Humanities function costs rose $114.4 million, due primarily to $100.9 million more in General Fund grants and subsidies awarded by the Department of Education. Capital Outlay was up 25.9%, including $27.4 million more in Capital Projects Fund expenditures on the Commerce Function offset by various decreases.

Ending fund balances for all governmental fund types decreased 3.3%, from $2.32 billion as restated for 1996, to $2.24 billion in 1997. Of these totals, unreserved fund balances decreased 3.9%, from $1.25 billion as restated at June 30, 1996, to $1.20 billion at June 30, 1997.

During 1997, general depository cash in excess of daily requirements and not required for immediate expenditure was invested in eligible investments. Investment income from those securities for 1997, excluding that from pension trust funds, was $152,327,757, a 38.7% increase compared to 1996.

Fiscal Year 1998

General Fund revenue on a budgetary basis for 1998 was $6.15 billion, an increase of 8.2% over 1997. This amount includes $6.01 billion in tax and non-tax receipts, and $138.42 million of Operating Transfers In. Taxes represented 92.9% of all General Fund revenue collected during the period.

General Fund expenditures on a budgetary basis for 1998 totaled $5.96 billion, including Operating Transfers Out of $341.04 million. During 1998, expenditures increased by 8.0% and transfers decreased by 23.8% compared to 1997. The general government function includes $767.68 million of expenditures and $7.15 million of transfers for the eight State supported universities, which together amount to 13.0% of the General Fund total.

The General Fund had a 1998 budgetary undesignated fund balance of $356,015,465. This is an increase of $71,898,839 over the 1997 year-end budgetary undesignated fund balance of $284,116,626.

Revenue for general governmental functions totaled $11.60 billion for 1998, an increase of 6.1% over the amount recognized during 1997.

1998 Governmental Funds Revenue was $662.7 million over 1997. Higher Tax and Intergovernmental receipts account for 85.9% of the increase. Seven of eight tax sources, primarily in the General Fund, went up $420.1 million but were offset by a $35.4 million decline in Property Tax receipts. Intergovernmental revenue rose $184.4 million on the strength of $198.2 million more in Federal Fund receipts from the United States government. Interest and Investment income improved 23.2% almost entirely due to a $33.4 million increase in earnings deposited in the General Fund. Revenue from Fines and Forfeits fell by 2.6% because collections dropped $1.6 million in the Agency Revenue Fund and $1.0 million in the Other Special Revenue Fund while raising $1.4 million in the General Fund.

Expenditures, excluding transfers, for general governmental functions on a GAAP basis totaled $10.64 billion for 1998, an increase of 4.9% compared to 1997.

1998 Governmental Funds Expenditures were $496.7 million over 1997. Education and Humanities function costs rose $110.9 million, due primarily to $70.7 million more in General Fund grants and subsidies awarded by the Department of Education. Capital Outlay was up 35.5%, based primarily on $30.6 million more in Capital Projects Fund expenditures in the Commerce Function. Debt Service rose by $105.9 million due almost totally to $50.1 million in additional scheduled principal retirement and $60.0 million more in interest offset by a $4.1 million drop in other expenditures, all in the Debt Service Fund.

Ending fund balances for all governmental fund types increased 21.2% from $2.25 billion as restated for 1997, to $2.73 billion in 1998. Of these totals, unreserved fund balances increased 29.9%, from $1.17 billion as restated at June 30, 1997, to $1.52 billion at June 30, 1998.

During 1998, Kentucky issued revenue bonds totaling $211,335,121 for general governmental functions which are supported by governmental fund appropriations. $184,720,414 defeased existing debt and funded related reserve accounts. The remaining $26,614,707 funded new projects. All issues sold during 1998 received a rating of “A” or higher by the major rating services. At June 30, 1998, total principal outstanding for revenue bonds paid from governmental fund appropriations was $2,833,433,371.

Investment Policy

The Commonwealth’s investments are governed by KRS 42.500 and KAR Title 200 Chapter 14. The State Investment Commission, comprised of the Governor, Treasurer, Secretary of the Finance and Administration Cabinet, and gubernatorial appointees of the Community Independent Banker’s Association and Kentucky Banker’s Association, is charged with 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 and Economic Analysis.

At March 31, 1999, 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 (18%), securities issued by agencies, corporations and instrumentalities of the United States Government (49%), repurchase agreements collateralized at 102% by the aforementioned (15%), U.S. dollar denominated corporate securities rated A or higher by a nationally recognized rating agency (10%), municipal securities rated A or higher by Standard & Poor’s or Moody’s (4%), money market securities rated A1-P1 or higher by Standard & Poor’s or Moody’s (1%), and asset backed securities rated in the highest category by nationally recognized rating agency (3%). Money market securities, including Bankers’ Acceptances, Commercial Paper and Certificates of Deposit, are limited to 20% of the total portfolio and $25 million per issuer. The total return for Fiscal Year 1998 was 5.97% and 5.63% for Fiscal Year 1999 year-to-date. The portfolio has a modified duration of approximately 1.41 years. The Commonwealth’s investments are marked to market daily.

During Fiscal Year 1998, 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 1998, excluding that from pension trust funds, was $211.1 million and for Fiscal Year 1999 year-to-date is $131 million.

The Commonwealth's investments are categorized into four investment pools: Short-Term, Long-Term, Intermediate, 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 Long-Term Pool invests the Budget Reserve Trust Fund account and other funds deemed appropriate for the pool where liquidity is not a serious concern. The Intermediate Pool represents Agency Fund investments, state held component unit funds and fiduciary fund accounts held for the benefit of others by the state. The Bond Proceeds Pool invests in U.S. Treasury and Agency obligations. Capital Construction bond proceeds are deposited into the Bond Proceeds Pool until expended for their intended purpose.

The Commonwealth engages in selective derivative transactions. These transactions are entered into only with an abundance of caution and for specific hedge applications to minimize yield volatility in the portfolio. The 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, including: over-the-counter treasury options, the securities lending program, fixed receiver interest rate swaps, and most 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 20% of the total portfolio of treasury and agency securities. Historically, this commitment has been less than 10% 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 pursuant to KRS 42.500, marked to market daily. Currently, the Commonwealth receives a guaranteed 7.5 basis points of the average market value of securities in the program.

The Commonwealth has also engaged in an asset-based interest rate swap to better match its assets and liabilities and to stabilize the volatility of interest income. These transactions have required the Commonwealth to pay a floating rate in exchange for a fixed rate over a specific period of time. 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. Currently, the Commonwealth has one $50 million notional amount fixed rate receiver swap transaction outstanding, which has a final maturity of July 9, 1999.

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 securities with excess funds available for investment. The new classes of securities include: United States dollar denominated corporate, Yankee and Eurodollar 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.

On June 18, 1997, the State Investment Commission adopted policies and procedures to govern the purchase of the new authorized securities. The new asset classes will be limited to 25% of the assets of any investment pool. Corporate securities, inclusive of Commercial Paper, Banker's Acceptances and Certificates of Deposit are limited to $25 million per issuer. Asset Backed Securities are limited to a stated final maturity of 10 years or less and must have a weighted-average-life of not more than 4 years. The Commission also adopted policies and procedures regarding the investment of funds in United States Agency Mortgage Backed Securities ("MBS") and Collateralized Mortgage Obligations ("CMO"). MBS and CMO are limited to a maximum of 25% of any investment pool. MBS are limited to a stated final maturity of 10 years or less with a weighted-average-life of 4 years or less. CMO are subject to the guidelines established by the Federal Financial Institutions Examination Council for CMO security purchases for regulated financial institutions. CMO are further limited to a weighted-average-life 4 years or less.

Year 2000 Compliance

The Commonwealth of Kentucky has been aware since early 1994 of the technology problems associated with the year 2000. The Commonwealth has assessed the state's mission critical systems, most of which reside on a mainframe computer, as 80% complete. All other systems are 77% complete. These systems have been planned for year 2000 compliance by July 1, 1999. The General Assembly, during the 1998 Regular Session, appropriated $6,700,000 to a year 2000 "contingency fund." Portions of this fund will be used to contract for third party validation and verification of selected mission critical systems residing on the mainframe computer. The Commonwealth has obtained a contract for specialized consultants to examine the methodology, procedures, work plans and status of the year 2000 compliance project. The consultants have made recommendations and implemented methodologies to ensure that the best practices are in place for compliance. Further information regarding year 2000 compliance by the Commonwealth may be found on the Internet at http://www.state.ky.us/dis/newdishm.

SECURITY FOR THE BONDS

The Bonds are not secured by a lien on any properties constituting the Project or any amounts derived therefrom. The Bonds and the interest thereon are payable solely from the revenues to be derived from the rental payments of the Cabinet under the Lease. See the caption "SUMMARIES OF THE PRINCIPAL DOCUMENTS — The Lease."

The Kentucky General Assembly has appropriated to the Cabinet amounts sufficient to meet the rental payments under the Lease, and therefore to permit the Commission to meet the debt service requirements of the Bonds through June 30, 2000.

Appropriations for the rental payments under the Lease are subject to the discretion and approval of each successive biennial or extraordinary session of the General Assembly of the Commonwealth. There can be no assurance that (i) any such appropriation will be forthcoming in future sessions or (ii) in the performance of his or her obligation to balance the Commonwealth's annual budget, the Governor will not reduce or eliminate such appropriations. FAILURE OF THE CABINET TO RECEIVE SUCH APPROPRIATIONS WILL HAVE A MATERIAL ADVERSE EFFECT ON THE COMMISSION'S ABILITY TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS.

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 May 1, 1999, and will bear interest payable on each November 1 and May 1, commencing November 1, 1999, at the interest rates set forth on the cover page of this Official Statement. Bank of Louisville 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.

DTC Year 2000 Efforts. DTC management is aware that some computer applications, systems, and the like for processing data ("Systems") that are dependent upon calendar dates, including date before, on, and after January 1, 2000, may encounter "Year 2000 problems," DTC has informed its Participants and other members of the financial community (the "Industry") that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and income payments to security holders, book-entry deliveries, and settlement of trades within DTC ("DTC Services"), continue to function appropriately. This program includes a technical assessment and a remediation plan each of which is complete. Additionally. DTC's plan includes a testing phase, which is expected to be completed within appropriate time frames.

However, DTC's ability to perform properly its services is also dependent upon other parties, including but not limited to issuers and their agents, as well as third party vendors from whom DTC licenses software and hardware, and third party vendors on whom DTC relies for information or the provision of services, including telecommunication and electrical utility service providers, among others. DTC has informed the Industry that it is contacting (and will continue to contact) third party vendors from whom DTC acquires services to (i) impress upon them the importance of such services being Year 2000 compliant; and (ii) determining the extent of their efforts for Year 2000 remediation (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

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 Bonds maturing on and after November 1, 2010, may be redeemed at the option of the Commission on any date on or after November 1, 2009, in whole or in part, 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 a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption. The Bonds maturing on November 1, 2018 are subject to mandatory sinking fund redemption, by lot, on November 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
2015	$1,660,000
2016	1,750,000
2017	1,840,000
2018*	1,935,000

*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, 65 Broadway, 16th Floor, New York, New York 10006; 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, 25 Broadway, New York, New York 10004; *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.

PLAN OF FINANCE

The proceeds of the Bonds will be used by the Commission and the Cabinet (i) to provide funds with which to pay the cost of constructing, acquiring, installing and equipping the Project as described herein and (ii) to pay the costs of issuance of the Bonds. See "The Project."

The Commission had outstanding bonds in the aggregate principal amount of $915,736,319 as of May 1, 1999. Upon the issuance of the Bonds, the Commission will have a total of $941,176,319 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 Bonds	$25,440,000.00
Accrued Interest	105,685.33
Less Original Issue Discount	(208,715.30)
TOTAL SOURCES	$25,336,970.03
USES OF FUNDS:	
Construction Fund Deposit	$25,000,000.00
Costs of Issuance Fund Deposit	64,995.85
Underwriter's Discount	166,288.85
Deposit to Bond Service Fund - Accrued Interest	105,685.33
TOTAL USES	$25,336,970.03

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 and Economic Analysis (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 lease-rentals 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 Lease. The Resolution was adopted by the Commission on April 19, 1999, authorizing the issuance of the Bonds.

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 estimation and analysis of state revenue; (7) the investment and management of all Commonwealth funds other than pension funds; and (8) the oversight of issuance and management of all debt incurred in the name of the Commonwealth or any agency thereof.

THE STATE AGENCIES

Council on Postsecondary Education

The Council on Postsecondary Education ("CPE"), created and governed by the provisions of KRS 164.011, is an agency, instrumentality and political subdivision of the Commonwealth. It is composed of the Commissioner of Education, a faculty member, a student member and 13 citizen members appointed by the Governor. Its work involves coordinating the change and improvement of Kentucky postsecondary education. It is responsible for general planning and oversight of a system that includes the eight universities of the Commonwealth and the Kentucky Community and Technical College System. Further information may be obtained over the Internet from the CPE website, *http://www.cpe.state.ky.us* .

Postsecondary Education Institutions

Eastern Kentucky University. Eastern Kentucky University ("EKU") located in Richmond, Kentucky was established by the 1906 General Assembly. EKU'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 has 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 State University. Kentucky State College ("KSU") was established in 1886 by an Act of the Kentucky General Assembly. With the passage of the 1890 Morrill Act by the U. S. Congress, the college became a land-grant institution. A tripartite mission was instituted: teaching, research, and public service.

The 1972 General Assembly elevated the college to university status, effective July 1, 1973. Since that time, the General Assembly has amended KRS 164.290 to further read: "It is the intent of the general assembly that Kentucky State University shall serve as a four-year residential institution emphasizing a program of liberal studies appropriate to its size and resources." KSU is a multipurpose institution with state and land-grant standing. KSU is authorized to provide both undergraduate and graduate programs of instruction and is accredited by regional and national accreditation agencies.

Student enrollment has stabilized at approximately 2,600. The student body is fully integrated, serving both white and black residential students and a significant number of commuting students representing the ethnic and geographic diversity of the Commonwealth.

Morehead State University. Morehead State University's ("MoSU") roots extend back to its days as a private normal school in the late 1800s. In 1922, the institution became a state normal school to meet expanded higher education needs for teacher training in Kentucky. After several name changes and an expanded perspective on higher education, MoSU was granted university status in 1966 to provide undergraduate and selected masters and specialist programs for the citizens of northern and eastern Kentucky. MoSU has grown both in size and in the quality of its instructional, research, and public service programs and activities.

MoSU has operationalized its mission through the adoption of seven statements of ideals which accent the intellectual, creative, ethical, and technical development of students; the discovery and integration of knowledge; the development of leadership qualities; the utilization of past achievements and values to respond to the challenges of the future; and a commitment to excellence and integrity.

The university's four divisions: Academic Affairs, Student Life, Administrative and Fiscal Services, and University Advancement work in harmony to implement strategies to fulfill the institution's ongoing strategic goals for quality education. The university's accreditation was reaffirmed in 1990 by the Southern Association of Colleges and Schools and programs in veterinary technology, social work, radiologic technology, teacher education, nursing and music are accredited through individual professional agencies.

The MoSU campus is located in the Appalachian foothills with main campus facilities in the city of Morehead and an agricultural center in Rowan County. Art and music facilities provide cultural programs and activities for the campus, community, and surrounding area. A modern student athletic center provides health, physical education, and recreation opportunities for students, employees, and members of the community. Over 47 percent of the university's students live in 13 residence halls and the university provides extensive student development programs to meet the needs of a holistic education for all students.

Murray State University. Murray State University ("MuSU") was created by the Kentucky General Assembly in 1922 as Murray State Normal School. The university's role has expanded since its founding, as indicated by changes in its name: Murray State Teacher's College (1930), Murray State College (1948), and Murray State University (1966). The MuSU tradition of quality education through close interaction between students and faculty has been maintained as the institution has enlarged its mission at the direction of the Board of Regents and the General Assembly. Today MuSU serves western Kentucky as an educational and cultural center whose achievements continue to improve the quality of life of citizens in its region.

To carry out its mission of instruction, research, and service most effectively, MuSU has established an ongoing strategic planning process to evaluate all institutional policies and activities. A new strategic plan approved by the Board of Regents in November 1990 sets four major goals for the university in the areas of demonstrated baccalaureate excellence, effective regional service, fiscal accountability, and personnel involvement and support. A comprehensive program of assessment of institutional effectiveness supports the achievement of the plan.

The central focus of the university's educational mission is its degree programs at the associate, baccalaureate, master's and specialist levels; its non-degree professional and technical programs; and its joint doctoral programs with the University of Kentucky and the University of Louisville. MuSU's commitment to quality is evident in each of these programs.

Fifty-seven degree programs have achieved accreditation from 14 national professional organizations. Degrees are conferred through the six colleges: Business and Public Affairs, Education, Fine Arts and Communication, Humanistic Studies, Industry and Technology, and Science.

MuSU also serves the western Kentucky region through the Breathitt Veterinary Center, the West Kentucky Small Business Development Center, the National Aeronautics and Space Administration (NASA) Teacher Resource Center, the National Scouting Museum, Wrather West Kentucky Museum, and WKMS-FM.

Northern Kentucky University. Northern Kentucky University ("NKU"), the newest of Kentucky's eight state universities, was founded in 1968. However, the roots of Northern can be traced back another twenty years. In 1948, a two-year Extension Center of the University of Kentucky was located in Covington, Kentucky. Then, as Northern Community College, the Center moved to the Park Hills area of Covington in 1962. Six years later the General Assembly of Kentucky authorized the creation of a four-year college, Northern Kentucky State College. A board of regents and a consultant were appointed by the Governor to assist in planning the new school.

In September 1970, Northern Kentucky State College began offering courses for students pursuing a bachelor's degree. Also, technical and semi-professional two-year programs leading to the degree of Associate of Applied Science were offered in accounting technology, nursing, and professional secretaryship. In 1971, third-year courses were added to the curriculum with the degrees of Bachelor of Arts and Bachelor of Science being initiated in business, education, and most of the basic arts and sciences. Also in 1971, the Salmon P. Chase College of Law, formerly an independent law school in Cincinnati, merged with Northern Kentucky State College.

Graduate programs were initiated in education in 1975; in business administration in 1979; in public administration in 1989; and in nursing in 1992; and in accountancy in 1998. The Graduate Center was established on the NKU campus in 1977 to administer graduate programs; programs in social work, library science, nursing, public affairs, and community nutrition are available through the center.

The first building on the new campus in Highland Heights was completed in time for fall semester in 1972. In addition to the opening of Louis B. Nunn Hall, the University added fourth-year courses to the curriculum in 1972. The first bachelor's degrees were awarded in May 1973, and course offerings have been continually expanded to meet the needs of a growing student body. On February 25, 1976, Governor Julian Carroll signed House Bill 180, making Northern Kentucky State College a university. Full status was recognized on June 19, 1976. Major construction of the campus began in 1972 and continues today to accommodate a growing enrollment that now is about 12,000 students.

NKU serves the citizens of northern Kentucky with a particular focus on the metropolitan area contiguous to greater Cincinnati. Student residential services are provided.

NKU offers students a broad range of educational programs emphasizing traditional collegiate and liberal studies. Recognizing the needs of its region, NKU's primary mission is to provide instruction at the associate and bachelor's degree levels.

NKU offers selected master's degree programs, approved by the Council on Post-Secondary Education, and the degree of Juris Doctor through Chase College of Law.

A metropolitan university, NKU takes advantage of its close proximity to other higher education and post-secondary institutions through reciprocity agreements with the University of Cincinnati and Cincinnati State Technical and Community College. NKU serves Indiana students through a contract agreement with the State of Indiana. NKU also provides applied research, service, and continuing education programs related to the needs of the region.

The proximity of NKU to urban area provides unusual potential for growth. It is not only situated within the Greater Cincinnati metropolitan community, but also within 50 miles of 350,000 Kentuckians. NKU's headcount enrollment has been stable over the last nine years in the range of 11,260 to 12,024 after a period of substantial growth.

University of Kentucky. The University of Kentucky ("UK") was established in 1865 and is located in Lexington. UK 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 UK to offer baccalaureate, professional, master's, specialist, doctoral and postdoctoral programs and to conduct joint doctoral programs in cooperation with other institutions. It designates UK as the Commonwealth's principal institution to conduct statewide research and service programs.

As one of the Commonwealth's land-grant institutions, UK 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, UK disseminates new knowledge for the welfare and benefit of the citizens of the Commonwealth.

UK is organized into sixteen colleges and graduate schools plus extension programs, and also operates the Lexington Community College.

University of Louisville. The University of Louisville ("UL") is a metropolitan university which has had close historical and legal ties with the City of Louisville and Jefferson County, Kentucky. UL was founded in 1798 as Jefferson Seminary, later known as Louisville College, and in 1846 became the University of Louisville by legislative charter. UL became a member of Kentucky's public higher education system on July 1, 1970, and amended its charter to reflect its status as a state institution. UL is located on three campuses in Jefferson County, Kentucky which, combined, cover over 667 acres of land.

UL has established as independent components the following divisions: the College of Arts and Sciences, the Graduate School, the School of Dentistry, the Speed Scientific School, the Division of Transitional Studies, the School of Music, the School of Nursing, the College of Business and Public Administration, Continuing Studies, the School of Medicine, the School of Law, the School of Education, the Kent School of Social Work and the School of Allied Health Sciences.

The mission statement of the UL provides that it shall serve as Kentucky's urban/metropolitan university and shall serve the specific educational, intellectual, cultural, services and research needs of the greater Louisville region. UL has a special obligation to serve the needs of a diverse population, including many ethnic minorities, placebound, part-time and nontraditional students.

Western Kentucky University. Western Kentucky University ("WKU"), which was established in 1906 by the General Assembly, offers a broad spectrum of instruction, scholarly activity and professional service within an academic climate encouraging intellectual excellence.

WKU, by authorization of the Council on Postsecondary Education, provides instruction at the associate, baccalaureate and graduate levels in the liberal arts and sciences, traditional pre-professional programs and emerging career areas and professional fields including agriculture, business, communications, education, health and technology. WKU supports diverse scholarship, including basic and applied research and creative activity, in order to expand knowledge, improve instruction and serve its varied clientele. WKU directly supports its constituents with professional and technical expertise, cultural enrichment and educational assistance.

WKU is committed to increase access for both traditional and nontraditional students and to improve educational attainment at all levels. This commitment is renewed through the expansion of the Western Kentucky University Community College.

WKU is divided into colleges and other support units to facilitate the offering of these programs and services. The major instructional colleges/divisions include the Bowling Green College of Business Administration; College of Education and Behavioral Sciences; Ogden College of Science, Technology and Health; Potter College of Arts, Humanities and Social Sciences; Community College and Continuing Education; and Graduate Studies.

Kentucky Community and Technical College System. The Kentucky Community and Technical College System ("KCTCS") was created by House Bill 1, the Kentucky Postsecondary Education Improvement Act of 1997, of the First Extraordinary Session of 1997 of the Kentucky General Assembly. The KCTCS includes the Commonwealth's 25 postsecondary technical education institutions and 13 community colleges. Prior to House Bill 1, the Community College System was governed and administered by UK and the Technical Institutions were governed and administered by the Cabinet for Workforce Development. The effective date of delegation of governance of the Community College System from UK to the KCTCS was January 14, 1998. The effective date of transfer of governance of the technical institutions from the Workforce Development Cabinet to the KCTCS was July 1, 1998. The KCTCS provides postsecondary education and training at the diploma, associate degree, technical degree and certificate levels. Students can transfer credits easily from one institution to another within the system.

KCTCS gives access to two-year general studies programs for students who plan to transfer to a university or technical career program. Remedial adult education and continuing education credits can also be achieved through the system.

KCTCS also provides short-term customized training for business and industry, adult basic education and remedial education, and other services associated with comprehensive community and technical colleges.

THE PROJECT

The Cabinet will lease all of the facilities, renovations and improvements constructed with the proceeds of the Bonds from the Commission under the Lease (collectively, the "Project"). The various individual projects that compose the Project are as follows:

Eastern Kentucky University	
Minor Projects Maintenance	$2,410,000
Subtotal	2,410,000
Kentucky State University	
ADA Projects Pool	250,000
General Maintenance Projects	411,000
Subtotal	661,000
Morehead State University	
Life Safety: Dam Repair/Restoration	400,000
Life Safety: Elevator Repairs	175,000
ADA Compliance	75,000
Protect Investment in Plant	750,000
Subtotal	1,400,000

Murray State University	
Deferred Maintenance	983,500
Life Safety	539,000
CFC Compliance: Chillers Replacement	448,500
Subtotal	1,971,000
Northern Kentucky University	
Landrum Safety Repairs	325,000
Fire Safety: Sprinklers	100,000
ADA Compliance	150,000
Minor Projects Pool	436,000
Energy Conservation/Management Pool	152,000
Subtotal	1,163,000
University of Kentucky	
Life Safety Pool	2,448,300
Student Center Sprinkler System	350,000
Handicapped Access Pool	300,000
Deferred Maintenance Pool Replacement	4,136,700
4KV to 12KV Electrical Conversion	
Storm Sewer Improvements – Funkhouser	
Electrical Substation #1 and #2 Connection	
Subtotal	7,235,000
University of Louisville	
ADA Project Pool	701,000
Code Improvements	250,500
Major Maintenance Pool Phase 1	2,705,500
Subtotal	3,657,000
Western Kentucky University	
Life Safety Fire Alarm Improvements	238,000
Thompson Complex North Wing HVAC	500,000
Primary Electrical Service (State II)	750,000
Roof Repair/Deferred Maintenance	137,250
Cherry Hall Window Replacement	317,500
Cooling Towers and Chiller Renovations	32,500
Repair/Replacement of Walks and Lots	140,750
Subtotal	2,116,000
Kentucky Community and Technical College System	
Maintenance Pool - CCS/KY Tech Schools	4,387,000
Total	$25,000,000

SUMMARIES OF THE PRINCIPAL DOCUMENTS

The following statements are brief summaries of certain provisions of the Resolution and the Lease. Such statements do not purport to be complete and reference is made to the Resolution and the Lease, copies of which are available for examination at the Office of Financial Management and Economic Analysis, 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. Bond Service Fund. 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. Cost of Issuance Fund. 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, 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; or

[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], [b] or [c] 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 Lease notwithstanding, the Cabinet may, in its sole discretion, change, substitute or otherwise modify components of the Project, including economic development projects, so long as all Bond proceeds are applied to facilities, payments or undertakings which are included in and subject to rental payments under the Lease 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 Service 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 Service 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 Lease

The Commission and the Cabinet have entered into the Lease whereby the Cabinet 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 Lease is for an initial term ending June 30, 2000. The Commission has granted the Cabinet the exclusive option to renew the Lease for successive and ensuing renewal terms of two years commencing July 1 in each even-numbered year beginning July 1, 2000. The last renewal term for the Lease relating to the Bonds ends June 30, 2020, the final maturity of the Bonds being November 1, 2018. Under the provisions of the Constitution of the Commonwealth, the Commission and the Cabinet are each prohibited from entering into lease obligations extending beyond their biennial budget period. Notwithstanding the foregoing, the Lease provides that each succeeding renewal term will be deemed to be automatically renewed unless written notice of the election by the Cabinet 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 Cabinet is bound for the entire amount of the rent becoming due during such term payable from, but not limited to, appropriations, 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 Cabinet has covenanted and agreed in the Lease that when appropriations bills are prepared for introduction at the various successive sessions of the General Assembly of the Commonwealth it will cause to be included in the appropriations proposed for that biennial period to be made for the Cabinet sufficient amounts (over and above all other requirements of the Cabinet) to enable the Cabinet to make rental payments under the Lease 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 Cabinet to make rental payments is subject to the appropriations of the General Assembly. There can be no assurance that such appropriations will be forthcoming at any time after June 30, 2000. The failure of the 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 Lease is renewed, then on the first day of the biennial renewal term the Cabinet is firmly bound for the entire amount of rental payments coming due during such renewal term.

In the Resolution, the Commission has covenanted that it will receive and apply the lease-rental payments from the Cabinet 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 Lease 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 Cabinet's 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 Cabinet under the Lease upon delivery of an opinion of counsel that the subletting or reletting will not cause the interest on the Bonds to be includible 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

Moody's Investors Service, Inc. ("Moody's") has given the Bonds the rating of "A2", Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") has given the Bonds the rating of "A+" and Fitch IBCA, Inc. ("Fitch") has given the Bonds the rating of "A+". Such ratings reflect only the views of the respective rating agencies. An explanation of the significance of the rating given by Moody's may be obtained from Moody's Investors Service at 99 Church Street, New York, New York 10007, (212) 553-0300; an explanation of the rating given by S&P may be obtained from Standard & Poor's Rating Services at 25 Broadway, New York, New York 10004, (212) 208-8000; and 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. 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 form of the approving legal opinion of Bond Counsel is attached hereto as Exhibit B.

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 EXEMPTION

In the opinion of Bond Counsel for the Bonds, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds is excludable from gross income for Federal income tax purposes and interest on the 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. Furthermore, Bond Counsel for the Bonds is of the opinion that 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.

A copy of the opinion of Bond Counsel for the Bonds is set forth in Exhibit B, attached hereto.

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 Bonds. The Commission has covenanted to comply with certain restrictions designed to ensure that interest on the 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 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 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 Bonds may adversely affect the tax status of the interest on the 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 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 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 Bonds is excludable from gross income for Federal income tax purposes and that interest on the 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 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 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 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 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 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 Bonds.

The Commission has not designated the Bonds as “qualified tax-exempt obligations” under Section 265 of the Code.

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 Bonds that mature on November 1 in the years 1999 through 2002 (the “Premium Bonds”) are being initially offered and sold to the public at an Acquisition Premium. 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.

Original Issue Discount

The Bonds maturing on November 1 in the years 2003 through 2011 and on November 1 in the years 2013 through 2018 (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 the Bonds at an aggregate purchase price of $25,064,995.85 (which is equal to the principal amount of the Bonds less net OID of $208,715.30 and less underwriting discount of $166,288.85) plus accrued interest from the dated date of the 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 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.

TRUSTEE'S YEAR 2000 COMPLIANCE

The Bank of Louisville (the “Bank”) is devoting significant resources to achieve year 2000 compliance. Under the leadership of key management, it has developed a highly detailed, five-phase master plan, implemented by an inter-department team, to ensure that all mission-critical systems shall continue to operate into the next century. The Bank’s plan incorporates the guidance and milestones set out by Federal Financial Institutions Examination Council (FIFE).

The five phases are: awareness, assessment, renovation, validation and implementation. The first phase, awareness, includes informing and educating pertinent bank personnel, executives and board members about year 2000 issues and creating committees and teams from these groups to implement the bank’s plan.

Assessment includes compiling an inventory of all systems of the Bank including hardware, software, equipment and key suppliers. A determination is made as to the date sensitivity of each system or piece of equipment. For systems provided by third parties, assessment includes certification that their product is or will be year 2000 compliant.

The third phase, renovation, covers fixing those systems that have been identified as non-compliant. For those systems or services provided by third parties, renovation includes monitoring the vendors’ progress renovating their own systems and delivery date of the vendors’ renovated product.

Validation is testing of systems to ensure that the renovation accomplished year 2000 compliance. The Bank will be conducting its own tests and using the test results of other parties to verify year 2000 readiness of its systems.

The final phase is implementation. This phase will move all renovated systems into current use, and allow interfacing systems to communicate. Implementation will allow for final testing and the opportunity to make any final changes to ensure that systems run smoothly.

The Bank has completed its awareness campaign and assessment of its systems. As of March 31, 1999, it had also completed testing and implementation of over 90% of its internal mission-critical systems. The Bank plans, pursuant to FFIEC guidelines, to complete implementation of substantially all of its mission critical systems by June 30, 1999.

In addition to assessing its own systems, Bank of Louisville is inquiring into the year 2000 readiness of major suppliers and business partners. The interdependent nature of today's financial systems means that the bank must rely on third parties to ensure that the parties are year 2000 ready and that their systems are capable of handling year 2000 dates. Consequently, Bank of Louisville's success depends, in part, on the year 2000 capabilities of systems under the control of third parties. The bank is working with these parties to meet the common goal of uninterrupted service into the year 2000.

To help overcome possible failures with respect to its mission-critical systems, the bank is developing contingency plans for any mission-critical system or service that fails to perform as expected before or after the year 2000. Contingency planning will help ensure that the bank will continue to operate in spite of problems and continue to provide products and services to our valued customers and business partners.

OTHER MATTERS

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

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 and
Economic Analysis (Secretary to the Commission)

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EXHIBIT A

DEBT INFORMATION PERTAINING TO THE COMMONWEALTH OF KENTUCKY

COMMONWEALTH DEBT MANAGEMENT

Overview of Kentucky's Debt Authorities

Kentucky's indebtedness is comprised of bonds and notes which are either direct obligations of the State or obligations of one of the debt-issuing entities created by the Kentucky General Assembly to finance various projects or programs. Direct debt is General Obligation debt that pledges the full faith, credit, and taxing powers of the state as security 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. The State has not incurred any General Obligation debt since 1966. There is currently no General Obligation debt outstanding.

The second type of debt incurred by the State is project revenue debt. Project revenue debt pledges as security for repayment of the debt only the revenues produced by the projects funded from the debt. Project revenue bonds are not a direct obligation of the State. Project revenues are, in some cases, derived partially, or solely, from General Assembly appropriations which are subject to biennial renewal by the General Assembly. In other cases, revenues generated from the project financed by the debt are used to make the debt service payments in full.

The third type of debt incurred by the State is moral obligation debt. These obligations are not direct obligations of the State and no appropriations of the State are pledged to pay the debt service. Rather these entities covenant to request funds of the Governor and General Assembly in the event of a shortfall in the debt service reserve account.

Debt-Issuing Entities of the State

Project revenue debt has been incurred by eighteen of the commissions, corporations, authorities, or boards created by the General Assembly. Eleven of these eighteen debt-issuing entities are listed in Table I along with the specific statutory authority which created these debt entities and the purposes for which each entity may incur debt.

Seven of the debt-issuing authorities listed in Table I issue bonds to finance projects that are not repaid by state revenues. These are the Kentucky Housing Corporation, the Kentucky Infrastructure Authority, the Kentucky Higher Education Student Loan Corporation, the School Facilities Construction Commission, the Kentucky Economic Development Finance Authority, the Kentucky Local Correctional Facilities Construction Commission and the Kentucky Agricultural Finance Corporation. None of these entities, except for some of the debt of the School Facilities Construction Commission and the Kentucky Infrastructure Authority, receive an appropriation of the General Assembly for the payment of debt service for their borrowings. Project revenues are used to repay debt service for these debt authorities. The General Assembly has placed specific debt limitations on the principal debt outstanding of the Kentucky Housing Corporation ($1.125 billion), the Kentucky Higher Education Student Loan Corporation ($950 Million) and the Kentucky Agricultural Finance Corporation ($500 Million). The debt of the Kentucky Local Correctional Facilities Construction Authority is limited to the level of debt service supported by a $10 fee collected from certain cases in the District Courts of the State. Currently, no debt limitation exists for the Kentucky Economic Development Finance Authority.

The remaining debt-issuing entities of the State receive a General Assembly appropriation biennially for the payment of debt service. The appropriation to the School Facilities Construction Commission is used to subsidize the debt service payments, in whole or in part, made by local school districts on local school construction projects. The subsidy has varied by project. Two financing programs of the Kentucky Infrastructure Authority, the Governmental Agencies Program and the Multiple Projects Construction Loan Program, receive no General Assembly appropriation and have a debt ceiling. Bonds and notes with a maturity of 3 years or less are limited to $60 Million, those with maturities greater than 3 years are limited to $125 Million in bonds outstanding. The three other financing programs of the Kentucky Infrastructure Authority created by the 1988 General Assembly, the Federally Assisted Waste Water Program and the Infrastructure Revolving Fund Program and the Solid Waste Revolving Loan and Grant Program, have been appropriated General Fund monies. The State Property and Buildings Commission, the Turnpike Authority of Kentucky and the State Universities cannot incur debt for any project without prior approval of the projects and appropriation of debt service by the General Assembly. During the 1997 Extraordinary Session the General Assembly enacted House Bill 5 which created the Kentucky Asset/Liability Commission ("ALCo"). ALCo develops and implements programs to assist in the management of net interest rate margin and issues tax and revenue anticipation notes and project notes or bond anticipation notes.

TABLE I
ACTIVE DEBT ISSUING ENTITIES

ENTITY	**STATUTORY AUTHORITY**	**PURPOSE**
State Property and Buildings Commission	KRS 56.450	Provide financing for capital construction projects and financing programs approved by the General Assembly.
Kentucky Asset/Liability Commission	KRS 56.860	Provide for short-term financing of capital projects and the management of cash flow borrowings.
Turnpike Authority of Kentucky	KRS 175.410-175.990	Construct, maintain, repair and operate various road and other transportation related projects.
The State Universities (consisting of eight)	KRS 56.495	Construct educational buildings and housing and dining facilities.
Kentucky Housing Corporation	KRS 198A	Make low interest mortgage loans and construction loans to increase the supply of affordable housing in the State.

ENTITY	STATUTORY AUTHORITY	PURPOSE
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.
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.
School Facilities Construction Commission	KRS 157.800-157.895	Assist local school districts with the financing and construction of school buildings and to finance the construction of vocational education facilities.
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 high unemployment counties.
Kentucky Local Correctional Facilities Construction Authority	KRS 441.605-441.695	Provide an alternative method of constructing, improving, repairing and financing local jails.
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.

Default Record

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

Debt Management

The Office of Financial Management and Economic Analysis, Finance and Administration Cabinet, has central responsibility for the issuance and management of state debt. Specific functions of the Office include the review and approval of bonds sold by all entities which issue bonds in the name of the state, as well as all entities created by the state. The Office is also responsible for coordination and monitoring of cash needs relative to debt activity, making debt service payments, and the development and maintenance of a debt management plan. The Office serves as primary staff to the State Property and Buildings Commission and the Kentucky Asset/Liability Commission.

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EXHIBIT B

FORM OF BOND COUNSEL OPINION FOR THE BONDS

June 3, 1999

Commonwealth of Kentucky
State Property and Buildings Commission
Frankfort, Kentucky

Re: $25,440,000 Commonwealth of Kentucky State Property and Buildings Commission Revenue Bonds, Project No. 63

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 Revenue Bonds, Project No. 63, in the aggregate principal amount of $25,440,000 (the "Bonds"), dated May 1, 1999. The Bonds are being issued on behalf of the Finance and Administration Cabinet of the Commonwealth of Kentucky (the "Cabinet"), 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 April 19, 1999 (the "Resolution") for the purpose of (A) paying the cost of constructing, acquiring, installing and equipping the Project, as defined in the Resolution, and (B) 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 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 Lease dated as of May 1, 1999 (the "Lease") between the Commission and the Cabinet and a Sublease dated as of May 1, 1999 (the "Sublease") between the Cabinet and Council on Postsecondary Education of the Commonwealth (the "State Agency"), 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 Agency 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 Cabinet to make payments under the Lease and the State Agency to make payments under the Sublease is dependent upon legislative appropriations to the Cabinet and the State Agency. The Lease and the Sublease have initial terms ending June 30, 2000, with the right to renew the Lease and the Sublease 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 not 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 Lease, the Sublease, 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