NEW ISSUE - Book-Entry-Only

RATINGS: Moody's: Aa3
S&P: A
Fitch: A+
See "Ratings" herein

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 EXEMPTION," interest on the Bonds is excludible 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. See "TAX EXEMPTION" herein for a more complete discussion, and EXHIBIT E –"FORM OF BOND COUNSEL OPINION FOR THE BONDS."

$20,075,000
COMMONWEALTH OF KENTUCKY
State Property and Buildings Commission
Judicial Branch Agency Fund Revenue Bonds, Project No. 109

Dated: Date of delivery **Due: As shown on the inside cover**

The Judicial Branch Agency Fund Revenue Bonds, Project No. 109 (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 April 1 and October 1, commencing on April 1, 2016. Principal of and interest on the Bonds will be paid directly to DTC by U.S. Bank National Association, Louisville, Kentucky, as Trustee and Paying Agent.

The Bonds mature on the dates, in the principal amounts, bear interest at the rates per annum and have the prices or yields as shown on the inside cover.

The Bonds are not subject to redemption prior to maturity.

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 Administrative Office of the Courts (the "State Agency") pursuant to a Bond Resolution adopted August 11, 2015 to (i) pay the costs of acquiring and installing the Project (as described and defined herein under the caption "THE PROJECT") for the benefit of the State Agency (as defined herein), (ii) to refund certain interim financing related thereto and (iii) pay the costs of issuing the Bonds.

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE COMMISSION. THE BONDS DO NOT CONSTITUTE A DEBT, LIABILITY, OR OBLIGATION OF THE COMMONWEALTH, OR A PLEDGE OF THE FULL FAITH AND CREDIT OR TAXING POWER OF THE COMMONWEALTH, BUT ARE PAYABLE SOLELY FROM AMOUNTS DEPOSITED IN CERTAIN FUNDS AND ACCOUNTS CREATED BY THE RESOLUTION AND FROM RENTAL INCOME DERIVED FROM A BIENNIALLY RENEWABLE LEASE AGREEMENT WITH THE STATE AGENCY, THE RENT FROM WHICH IS SUBJECT TO JUDICIAL BRANCH AGENCY FUND APPROPRIATIONS 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. See "SECURITY FOR THE BONDS" herein.

The Bonds are offered when, as and if issued and accepted by the Underwriters, subject to the approving legal opinion of Peck, Shaffer & Williams, a division of Dinsmore & Shohl LLP, Covington, Kentucky, Bond Counsel. Certain legal matters will be passed on for the Underwriters by their counsel, Frost Brown Todd, LLC, Louisville, Kentucky. It is expected that delivery of the Bonds will be made on or about October 8, 2015, in Louisville, Kentucky, through the facilities of DTC, against payment therefor.

J.J.B. HILLIARD, W.L. LYONS, LLC

Raymond James **PNC Capital Markets LLC**

Dated: September 16, 2015

$20,075,000
COMMONWEALTH OF KENTUCKY
State Property and Buildings Commission
Judicial Branch Agency Fund Revenue Bonds, Project No. 109

Maturity (October 1)	Principal Amount	Interest Rate	Price/or Yield	CUSIP*
2016	$2,450,000	4.000%	103.469	49151FJF8
2017	2,245,000	3.000%	103.912	49151FJG6
2017	300,000	5.000%	107.824	49151FJP6
2018	770,000	3.000%	104.834	49151FJH4
2018	1,870,000	5.000%	110.658	49151FJQ4
2019	1,345,000	4.000%	108.936	49151FJJ0
2019	1,415,000	5.000%	112.772	49151FJR2
2020	2,895,000	5.000%	114.358	49151FJK7
2021	1,485,000	2.100%	99.331	49151FJL5
2021	1,530,000	4.000%	109.917	49151FJS0
2022	2,000,000	3.000%	103.769	49151FJM3
2022	1,120,000	5.000%	116.548	49151FJT8
2023	650,000	3.000%	102.792	49151FJN1

COMMONWEALTH OF KENTUCKY
STATE PROPERTY AND BUILDINGS COMMISSION

MEMBERS

STEVEN L. BESHEAR
Governor
(Chairman of the Commission)

CRIT LUALLEN
Lieutenant Governor

JACK CONWAY
Attorney General

LORI H. FLANERY
Secretary
Finance and Administration Cabinet
(Executive Director of the Commission)

LARRY M. HAYES
Secretary
Cabinet for Economic Development

JANE DRISKELL
State Budget Director

EDGAR C. ROSS
State Controller

RYAN BARROW
Executive Director
Office of Financial Management
(Secretary to the Commission)

REGARDING USE OF THIS OFFICIAL STATEMENT

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 SECURITIES 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.

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

Circular 230: THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT IS NOT INTENDED TO BE USED, AND CANNOT BE USED, BY A PURCHASER OF THE BONDS FOR THE PURPOSE OF AVOIDING FEDERAL TAX PENALTIES. EACH PURCHASER OF THE BONDS IS URGED TO CONTACT AN INDEPENDENT TAX ADVISOR CONCERNING AN INVESTMENT IN THE BONDS.

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SUMMARY

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

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

The Offering The Commission is offering its $20,075,000 Judicial Branch Agency Fund Revenue Bonds, Project No. 109 (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 Bond Resolution (the "Resolution") adopted by the Commission on August 11, 2015 authorizing the issuance of the Bonds pursuant to the Lease Agreement (the "Lease") dated as of October 1, 2015, between the Commission, as lessor, and the Administrative Office of the Courts (the "State Agency").

Use of Proceeds The Bonds are being issued to provide funds with which to (i) pay the costs of acquiring and installing the Project (as described and defined herein under the caption "THE PROJECT") for the benefit of the State Agency, (ii) to refund certain interim financing related thereto and (iii) pay the costs of issuing the Bonds.

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

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 STATE AGENCY, THE RENT FROM WHICH IS SUBJECT TO JUDICIAL BRANCH AGENCY FUND APPROPRIATIONS 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. See "SECURITY FOR THE BONDS" herein.

Features of Bonds The Bonds are being offered in the authorized denominations of $5,000 or any integral multiple thereof, at the interest rates and prices or yields 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 April 1 and October 1, commencing on April 1, 2016. Principal of and interest on the Bonds will be paid directly to DTC by U.S. Bank National Association, Louisville, Kentucky, as Trustee and Paying Agent (the "Trustee").

Redemption

The Bonds are not subject to redemption prior to maturity.

Delivery of Bonds

It is expected that delivery of the Bonds will be made on or about October 8, 2015, in New York, New York, against payment therefor.

Tax Status

Subject to compliance by the Commission, the State Agency and others with certain covenants, in the opinion of Peck, Shaffer & Williams, a division of Dinsmore & Shohl LLP, Bond Counsel, under present law, interest on the Bonds (including original issue discount treated as interest) is (i) excluded from gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, except that such interest must be included in the "adjusted current earnings" of certain corporations for purposes of calculating alternative minimum taxable income.

It is also the opinion of Bond Counsel, under the laws of the Commonwealth of Kentucky, as presently enacted and construed, that 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 political subdivisions thereof. See "TAX EXEMPTION" herein and "EXHIBIT E – FORM OF BOND COUNSEL OPINION FOR THE BONDS" for a more complete description of the opinions of Bond Counsel and additional federal tax law consequences.

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. See "CONTINUING DISCLOSURE AGREEMENT" herein.

General

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

Information

Information regarding the Bonds is available by contacting the Office of Financial Management, 702 Capitol Avenue, Suite 76, Frankfort, Kentucky 40601, Telephone: (502) 564-2924; or, during the initial offering period, by contacting the Underwriter, J.J.B. Hilliard, W.L. Lyons, LLC, 500 W. Jefferson Street, Suite 700, Louisville, KY, 40202, (502) 588-8462 . This Official Statement will be posted with the Electronic Municipal Market Access ("EMMA") system.

OFFICIAL STATEMENT
Relating to

$20,075,000
COMMONWEALTH OF KENTUCKY
State Property and Buildings Commission
Judicial Branch Agency Fund Revenue Bonds, Project No. 109

INTRODUCTION

This Official Statement, including the cover page, inside cover page and the exhibits attached hereto, provides information in connection with the issuance and sale by the State Property and Buildings Commission (the "Commission"), an independent agency of the Commonwealth of Kentucky (the "Commonwealth"), of its Judicial Branch Agency Fund Revenue Bonds, Project No. 109 (the "Bonds"), issued at the request of the Administrative Office of the Courts of the Commonwealth (the "State Agency") to provide funds with which to (i) pay the costs of acquiring and installing the Project (as described and defined herein under the caption "THE PROJECT") for the benefit of the State Agency (as defined below), (ii) to refund certain interim financing related thereto and (iii) 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 Bond Resolution (the "Resolution") on August 11, 2015, authorizing the issuance of the Bonds and approving the Lease hereafter described.

The State Agency, as lessee, has entered into a Lease Agreement dated as of October 1, 2015, with the Commission, as lessor (as amended, the "Lease"), to provide the Commission with amounts to pay the principal of and interest on the Bonds as they become due. The initial term of the Lease ends June 30, 2016, and the Lease renews automatically (unless terminated in writing by the last business day of the preceding May by the State Agency) for successive biennial periods to and including the biennial period which includes the final maturity of the Bonds.

The Lease requires the State Agency, for each biennial period during which Bonds are outstanding, to request legislative appropriations to the State Agency in amounts which are sufficient to permit the State Agency to make rental payments to the Commission in amounts sufficient to pay principal of and interest on the Bonds. THE KENTUCKY GENERAL ASSEMBLY HAS NOT APPROPRIATED ANY AMOUNTS TO THE COMMISSION TO MAKE PAYMENTS OF PRINCIPAL OF AND INTEREST ON THE BONDS. THE ONLY CURRENT SOURCE OF PAYMENTS OF PRINCIPAL OF AND INTEREST ON THE BONDS IS AMOUNTS RECEIVED BY THE COMMISSION FROM THE STATE AGENCY UNDER THE LEASE.

The Commission has pledged to the payment of its obligations under the Resolution, payments to be received by the Commission from the State Agency under the Lease. The Kentucky General Assembly has approved a budget for the State Agency having amounts projected to be sufficient to pay required rent under the Lease through June 30, 2016. The required rent payments are sufficient to meet principal and interest requirements on the Bonds through June 30, 2016.

Under the provisions of the Constitution of the Commonwealth, the State Agency is prohibited from entering into financing obligations extending beyond the biennial budget. The proposed budget for the State Agency is submitted to the General Assembly of the Commonwealth every two years and is subject to the discretion and approval of each successive regular or extraordinary session of the General Assembly of the Commonwealth. There can be no assurance (i) that the State Agency will include rent payments in future budgets submitted to the General Assembly, (ii) that the General Assembly will approve appropriations in amounts sufficient to enable the State Agency to make rent payments under the Lease or (iii) that the Governor, in the performance of his or her obligation to balance the Commonwealth's annual budget, will not reduce or eliminate any such appropriations.

The appropriations to the State Agency, from which payment of the principal of and interest on the Bonds are derived, are "Judicial Branch Agency Fund" appropriations and not "General Fund" appropriations. See "THE STATE AGENCY – Agency Fund Appropriations within the Judicial Branch" for a discussion of the difference between Agency Fund appropriations and General Fund appropriations to the Judicial Branch of the Commonwealth (the "Judicial Branch").

THE GENERAL ASSEMBLY OF THE COMMONWEALTH IS UNDER NO OBLIGATION TO MAKE APPROPRIATIONS FOR RENTAL PAYMENTS TO THE STATE AGENCY OR THE COMMISSION NOR IS THE STATE AGENCY OR THE COMMISSION UNDER ANY OBLIGATION TO RENEW THE LEASE. THE BONDS ARE PAYABLE SOLELY FROM AND SECURED BY AMOUNTS DEPOSITED IN CERTAIN FUNDS AND ACCOUNTS CREATED BY THE RESOLUTION AND FROM 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 State Agency, the Resolution, the Bonds, the Lease and the Project are included in this Official Statement. Capitalized terms not otherwise defined herein have the meanings assigned to them in the Resolution. All summaries of documents and agreements in this Official Statement are qualified in their entirety by reference to such documents and agreements, copies of which are available at the Office of Financial Management, 702 Capitol Avenue, Suite 76, Frankfort, Kentucky 40601 (502) 564-2924. This Official Statement will be posted with the Electronic Municipal Market Access ("EMMA") System.

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 the date of their delivery, and will bear interest payable on each April 1 and October 1, commencing April 1, 2016, at the interest rates set forth on the inside cover page of this Official Statement. Interest will be calculated on the basis of a 360 day year of twelve 30-day months. U.S. Bank National Association, Louisville, Kentucky is the trustee for the Bonds (the "Trustee").

Redemption

The Bonds are <u>not</u> subject to redemption prior to their maturity.

Book-Entry-Only System

The Bonds initially will be issued solely in book-entry form to be held in the book-entry-only system maintained by The Depository Trust Company ("DTC"), New York, New York. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Bonds and, except as otherwise provided herein with respect to tenders by Beneficial Owners of Beneficial Ownership Interests, each as hereinafter defined, Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the Resolution. For additional information about DTC and the book-entry-only system see "EXHIBIT D - BOOK-ENTRY-ONLY SYSTEM."

PLAN OF FINANCE

The proceeds of the Bonds will be used by the Commission to (i) pay the costs of acquiring and installing the Project for the State Agency, (ii) refund certain interim financing related thereto and (iii) pay the costs of issuing the Bonds. See "SOURCES AND USES OF FUNDS FOR THE BONDS" and 'SUMMARIES OF PRINCIPAL DOCUMENTS" herein.

SECURITY FOR THE BONDS

The Commission has pledged to the payment of its obligations under the Resolution payments to be received by the Commission from the State Agency under the Lease. The Kentucky General Assembly has approved a budget for the State Agency having amounts projected to be sufficient to pay required rent under the Lease through June 30, 2016. The required rent payments are sufficient to meet principal and interest requirements on the Bonds through June 30, 2016. The Lease will be automatically renewed unless written notice of the election by the State Agency 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.

Under the provisions of the Constitution of the Commonwealth, the State Agency is prohibited from entering into financing obligations extending beyond the biennial budget. The proposed budget for the State Agency is submitted to the General Assembly of the Commonwealth every two years and is subject to the discretion and approval at each successive regular or extraordinary session of the General Assembly of the Commonwealth. There can be no assurance (i) that the State Agency will include rent payments in future budgets submitted to the General Assembly, (ii) that the General Assembly will approve appropriations in amounts sufficient to enable the State Agency to make rent payments under the Lease or (iii) that the Governor, in the performance of his or her obligation to balance the Commonwealth's annual budget, will not reduce or eliminate any such appropriations. FAILURE OF THE STATE AGENCY 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 appropriations to the Judicial Branch, from which payment of the principal of and interest on the Bonds is derived, are "Agency Fund" appropriations and not "General Fund" appropriations or Federal government appropriations. See "THE STATE AGENCY – Agency Fund Appropriations within the Judicial Branch" for a discussion of the difference between Agency Fund appropriations and General Fund appropriations for the Judicial Branch.

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

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	$20,075,000.00
Net Original Issue Premium/Discount	1,570,051.45
Cash Deposit	5,819,805.96
TOTAL SOURCES	27,464,857.41
USES OF FUNDS:	
Deposit to Project Fund	$18,919,805.96
Term Note Payoff	8,377,335.90
Costs of Issuance*	166,700.53
Additional proceeds	1,015.02
TOTAL USES	$27,464,857.41

* Includes underwriters' discount and fees of the Trustee and counsel and other costs of issuance.

THE PROJECT

The Project to be financed with proceeds of the Bonds consists of the acquisition, construction, equipping and financing of the Phase 1 E-Case and Docket Management System (the "Project").

THE STATE PROPERTY AND BUILDINGS COMMISSION

General

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, the State Budget Director and the State Controller. The Office of Financial Management ("OFM") in the Finance and Administration Cabinet serves as staff to the Commission, and the Executive Director of the OFM 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 state agencies, 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 and revenue refunding 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 State Agency has applied to the Commission to issue the Bonds secured by revenues from the Lease.

As of August 5, 2015, the Commission had outstanding bonds in the aggregate principal amount of $3,691,550,000, of which $3,535,555,000 is payable from General Fund appropriations, $68,215,000 is payable from Road Fund appropriations and $87,785,000 is payable from Agency Restricted Fund appropriations. The Commission has not previously issued bonds supported by Judicial Branch Agency Fund appropriations.

Future Financings of the Commonwealth

The 2010 Extraordinary (Special) Session of the General Assembly delivered House Bill 1 (Executive Branch Budget other than Transportation Cabinet) and House Bill 3 (Kentucky Transportation Cabinet Budget) to the Governor on May 29, 2010, establishing an Executive Branch Budget for the biennium ending June 30, 2012. Governor Beshear took final action on the bills on June 4, 2010. Together, the bills authorized bond financing for projects totaling $1,980.2 million to support various capital initiatives of the Commonwealth. Of the total authorization, $507.4 million is General Fund supported, $515.3 million is Agency Restricted Fund supported, $522.5 million is supported by Road Fund appropriations and $435 million is Federal Highway Trust Fund supported through Grant Anticipation Revenue Vehicle Bonds designated for the Lake Barkley and Kentucky Lake Bridges Project and the Louisville-Southern Indiana Bridges Ohio River Bridges Project. A portion of the General Fund, Agency Restricted Fund, Road Fund and Federal Highway Trust Fund authorizations have been permanently financed.

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

The 2013 Regular Session of the General Assembly delivered House Bill 7 to the Governor on February 20, 2013 authorizing a list of capital projects for the Kentucky state universities. Governor Beshear took final action on House Bill 7 on February 21, 2013. The bill authorized bond financing for various university capital projects totaling $ 363.3 million to support various capital initiatives of the state universities, which are Agency Fund supported, of which $9.6 million is still authorized to be issued.

In addition, House Bill 238 was signed by the Governor on March 22, 2013 authorizing an agency fund bond supported capital project for the Judicial Branch in conjunction with the Administrative Office of the Courts for financing of Phase I E-Case and Docket Management system capital project totaling $28.1 million. The full appropriation of $28.1 million is still authorized to be issued.

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

The 2015 Regular Session of the General Assembly delivered House Bill 298 to the Governor on March 4, 2015 authorizing a general fund bond supported project for the University of Kentucky for the financing of a Research Building totaling $132.5 million. Governor Beshear took final action on House Bill 298 on March 9, 2015. The full appropriation is still authorized to be issued.

The balance of prior bond authorizations of the General Assembly dating from 2006 through 2015 totals $1,708.73 million. Of these prior authorizations, $834.44 million is General Fund supported, $551.79 million is Agency Restricted Fund supported, $142.50 million is supported by Road Fund appropriations and $180.00 million is Federal Highway Trust Fund supported.

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

State Property and Buildings Commission
Summary of Authorized but Unissued Debt by Fund Type
as of August 5, 2015

Legislative Session (Year)	General Fund (millions)	Agency Fund (millions)	Road Fund (millions)	Federal Fund (millions)	TOTAL (millions)
2010 and prior	$58.95	$17.50	$125.00	$180.00	$381.44
2012	18.17	0.00	12.50		30.67
2013		37.70			37.70
2014	624.82	496.59	5.00		1,126.42
2015	132.50				132.50
TOTAL	$834.44	$551.79	$142.50	$180.00	$1,708.73

The Kentucky General Assembly may authorize debt financing to support various capital initiatives of the Commonwealth in future sessions. Bonds may also be issued to refund outstanding Commission or ALCo bonds and notes.

THE STATE AGENCY

General Information on the State Agency

The State Agency (the Administrative Office of the Courts) serves as the staff for the Court of Justice, which is administered by the Commonwealth's Chief Justice of the Supreme Court.

The Court of Justice was created after Kentucky residents voted in 1975 to amend the Kentucky Constitution to replace the Commonwealth's then-fragmented judicial system with the current four-tiered system. The tiered system is comprised of the following courts:

Supreme Court. The Supreme Court consists of seven (7) justices, elected from the seven appellate districts and serve eight year terms. A Chief Justice is chosen by the seven justices for a four year term. The Chief Justice is the administrative head of the State's court system.

Court of Appeals. The Court of Appeals is made up by fourteen (14) judges, two elected from each of the seven appellate districts. Each member on the Court of Appeals serves for a term of eight years.

Circuit Court. Circuit courts are considered as the court of general jurisdiction and normally hear civil matters involving more than $4,000. Circuit judges have jurisdiction over cases involving capital offenses and felonies, divorces, adoptions, termination of parental rights, land disputes and contested probates of will. Circuit courts have the power to issue injunctions, writs of prohibition, writs of mandamus and hear appeals from district courts and administrative agencies. Currently, there are 97 circuit judges serving Kentucky's circuit court system. Circuit judges serve eight year terms and are assigned to one or more counties depending upon population and caseload.

District Court. District courts have limited jurisdiction and are often referred to as the "people's court." District courts hear matters involving civil matters less than $4,000, juvenile offenses, city and county ordinances, traffic offenses, probates of will, felony preliminaries, cases involving guardianship, conservatorship, voluntary or involuntary commitment and domestic violence and abuse. Currently, there are 125 district judges in Kentucky. District judges serve four year terms and are assigned to one or more counties depending upon population and caseload.

The State Agency's primary duties for the Court of Justice include the following:

- Preparation of the biennial budget and administration of the funds and accounts of the Court of Justice;
- Maintenance of data processing systems for the purpose of publishing statistical reports, evaluating special projects and operating case management systems;
- Dispersal and maintenance of supplies and equipment;
- Provision of offices and court space for the entire court system;
- Supervision of the State Law Library; and
- Oversight of the pretrial and juvenile services, drug court and mediation programs.

As of December 31, 2014, the State Agency has entered into 117 leases with local governments (typically Kentucky counties) for construction of local courthouse facilities. Aggregate lease payments in the amount of $782,469,000 support local government bonds with debt service payments that run through March 1, 2033.

Financial Information Regarding the State Agency

Certain financial information with respect to the State Agency is presented in *The Kentucky Comprehensive Annual Financial Report* (the "CAFR") and the related *Supplementary Information to The Kentucky Comprehensive Annual Financial Report* (the "Supplementary Information"), published annually by the Commonwealth. Copies of the CAFR and the Supplementary Information for Fiscal Year 2014 have been filed and may be obtained EMMA or from the Office of Financial Management. Additionally, the CAFR and the Supplementary Information for Fiscal Year 2014 may be found on the Internet. The CAFR and the Supplementary Information for Fiscal Year 2014 have been incorporated herein by reference. See "THE COMMONWEALTH - Certain Financial Information Incorporated by Reference; Availability from NRMSIR and the Commonwealth" for information on how to obtain copies of the CAFR and the Supplementary Information for Fiscal Year 2014 from EMMA or the Office of Financial Management or through the Internet.

The CAFR for Fiscal Year 2014 contains the following information with respect to the Commonwealth of Kentucky, including the Administrative Office of the Courts: (i) Statement of Net Position, page 27 and (ii) Statement of Activities, pages 28 and 29. The Supplementary Information for Fiscal Year 2014 contains certain information with respect to the Agency Revenue Fund of the Judicial Cabinet of which the State Agency is a part as follows: Detailed Statement of Receipts, page 116, Detailed Statement of Cash Transactions pages 138 and 139. Copies of the foregoing pages from the CAFR for Fiscal Year 2014 and the Supplementary Information for Fiscal Year 2014 are set forth in EXHIBIT A to this Official Statement.

Agency Fund Appropriations within the Judicial Branch

The appropriations to the Judicial Branch, from which payment of the principal of and interest on the Bonds is derived, are "Agency Fund" appropriations and not "General Fund" appropriations or Federal government appropriations.

The State Agency is required to develop and submit a balanced budget for consideration by the General Assembly during its regular session, which begins in January of each even-numbered year. These budgets are required to include all fund sources, which may include General Funds, Road Funds, Federal Funds and Agency Funds. Agency Funds are defined as any fund except General, Road or Federal Funds.

The State Agency has agreed to include an amount for rent under the Lease in each request. While the State Agency has a variety of fund sources, rent payments for the Bonds may only be made from Agency Funds within the Judicial Branch Budget available to the State Agency. The Kentucky General Assembly has approved an individual budget for the State Agency having Agency Fund amounts within the Judicial Branch Budget projected to be sufficient to enable the State Agency to pay required rent under its Lease through June 30, 2016. The required rent payments are, in the aggregate, sufficient to meet principal and interest requirements on the Bonds through June 30, 2016.

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

THE COMMONWEALTH

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

The Kentucky economy, once dominated by coal, horses, bourbon and tobacco has become a diversified, modern, international economy -- illustrated by the fact that Kentucky's manufacturing employment concentration as a percentage of non-farm employment is now higher than the national average, and recessionary employment declines in these sectors were more muted in Kentucky than the national equivalent. The Commonwealth's parks, horse breeding and racing industry, symbolized by the Kentucky Derby, play an important role in expanding the tourism industry in the Commonwealth.

By most accounts, the losses endured by Kentucky from the national recession that ended in June 2009 were less severe than most states. The loss of household wealth was muted in Kentucky since the Commonwealth did not experience a pronounced run-up in home values prior to the recession. Additionally, Kentucky's abundance of coal provided stable employment and wealth in the mining sector throughout the recession. Finally, Kentucky has a broad mix of manufacturing employment rather than an overreliance on a single industry. The automobile industry was one of the first sectors to rebound from the recession, and Kentucky is overrepresented in the automotive industries.

Like most states, Kentucky non-farm employment was particularly hard hit by the 2007 recession. After peaking almost simultaneously with the start of the recession, the trough occurred in the third quarter of Fiscal Year 2010, nine quarters later. Job growth was positive in every quarter of Fiscal Year 2014 and recent months have seen record decreases in the unemployment rates across all Kentucky counties. The rate of growth in employment in goods-producing, service producing and government sectors are projected to be solidly positive going into Fiscal Year 2016.

Kentucky's General Fund receipts for the fiscal year that ended June 30, 2015 (Fiscal Year 2015) rose by 5.3 percent, primarily due to the strength of individual income, corporation income, and the sales and use taxes. For Fiscal Year 2015, General Fund receipts totaled $9,966.6 million or $504.6 million more than Fiscal Year 2014 collections. Final Fiscal Year 2015 General Fund revenues were $165.4 million, or 1.7 percent, more than the official revenue estimate which projected 3.6 percent growth. Revenue collections increased in all four quarters of the fiscal year as the rate of growth gathered strength throughout the year. Growth was the strongest in the final quarter as revenues increased 8.4 percent. The quarterly rate of increase was the largest since the fourth quarter of Fiscal Year 2011.

Financial Information Regarding the Commonwealth

Information regarding debt issuing authorities of the Commonwealth is included in EXHIBIT B. Information regarding projects for the benefit of the Commonwealth financed under public private partnerships is included in EXHIBIT C.

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

Certain Financial Information Incorporated by Reference; Availability from NRMSIR and the Commonwealth

The Kentucky Comprehensive Annual Financial Report for Fiscal Year 2014 is incorporated herein by reference. The Commonwealth has filed *The Kentucky Comprehensive Annual Financial Report* for Fiscal Year 2014 with the following Nationally Recognized Municipal Securities Information Repository ("NRMSIR") in accordance with Rule 15c2-12 under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"):

Municipal Securities Rulemaking Board
Electronic Municipal Market Access System ("EMMA")
Internet: http://emma.msrb.org

A copy of *The Kentucky Comprehensive Annual Financial Report* for Fiscal Year 2014 may be obtained from EMMA or from the Office of Financial Management, 702 Capitol Avenue, Suite 76, Frankfort, Kentucky

40601, (502) 564-2924. Additionally, *The Kentucky Comprehensive Annual Financial Report* for Fiscal Year 2014 and certain other fiscal years may be found on the Internet at:

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

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

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

Budgetary Process in the Commonwealth

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

In the absence of a legislatively enacted budget, the Supreme Court has ruled that the Governor has no authority to spend money from the state treasury except where there is a statutory, constitutional or federal mandate and the Commonwealth may be prevented from expending funds for certain state governmental functions, including the ability to pay principal of and interest, when due, on obligations that are subject to appropriation. The Bonds are obligations that are subject to appropriation.

Fiscal Year 2012

The Commonwealth's combined net assets (governmental and business-type activities) totaled $10.69 billion at the end of 2012, as compared to $11.5 billion at the end of the previous year.

The largest portion of the Commonwealth's net assets, $19.95 billion, is invested in capital assets (e.g. land, infrastructures, buildings and improvements and machinery and equipment), minus any related debt, which is still outstanding and used to acquire those assets. The Commonwealth uses these capital assets to provide services to its citizens; therefore, these assets are not available for future spending.

The second largest portion of the Commonwealth's net assets, totaling $1.5 billion, is restricted and represents resources that are subject to either external restrictions or legislative restrictions on how they may be used. The remaining balance is unrestricted net assets. The unrestricted net assets, if they have a positive value, could be used at the Commonwealth's discretion. However, the unrestricted balance is $(11) billion; therefore funds are not available for discretionary purposes. A contributing factor to the negative balance is that liabilities are recognized on the government-wide statement of net assets when the obligation is incurred. Accordingly, the Commonwealth recognizes long-term liabilities (such as general bonded debt, compensated absences, unfunded employer pension cost, and contingent liabilities) on the statement of net assets.

The Commonwealth received program revenues of $11.5 billion and general revenues (including transfers) of $10.9 billion for total revenues of $22.4 billion during Fiscal Year 2012. Expenses for the Commonwealth during Fiscal Year 2012 were $23.2 billion, which resulted in a total decrease of the Commonwealth's net assets in the amount of $794 million, net of contributions, transfers and special items.

During the fiscal year, the change in net assets resulted in a decrease from the previous year. The decrease in net assets of governmental activities was $987 million or 8 percent. Approximately 53.6 percent of the governmental activities' total revenue came from taxes, while 37.6 percent resulted from grants and contributions (including federal aid). Overall, program revenues were insufficient to cover program expenses for governmental activities. Therefore, the net program expenses of these governmental activities were supported by general revenues, mainly taxes.

At June 30, 2012, the Commonwealth's governmental funds reported combined ending fund balances of $2.4 billion, an increase of $205 million in comparison with the prior year. $120.8 million is nonspendable and is comprised of inventories, notes receivables, cash with fiscal agents, and restricted cash that must remain intact. The $2.45 billion is restricted for certain purposes and is not available to fund current operations. The $(134) million is considered unrestricted (committed, assigned, or unassigned) and is available for spending either at the government's discretion or upon legislative approval.

The General Fund balance at June 30, 2012, was $95.1 million. The balance reported reflects a decrease of $201 million from the previously reported amount, which represents a decrease of 67.7 percent. The major factor for the decrease is enhanced federal participation in Medicaid, thus increasing the state's share of these expenditures. Another major factor is the state's increased contributions to the various pension plans.

The fund balance is segregated into nonspendable and spendable amounts with the spendable amounts further segregated as restricted, committed, assigned, and unassigned. Inventory of $5.5 million represents the nonspendable amount, $35.6 million is assigned and represents continuing appropriations and the remaining $54 million is unassigned and is available for spending at the government's discretion or upon legislative approval.

The major special revenue funds experienced normal cyclical changes in revenues and expenditures, except for the Federal Fund, which experienced a significant decrease in grant revenue as a result of the decrease in American Reinvestment and Recovery Act (ARRA) funds, resulting in a significant decrease in federal fund expenditures. The Transportation Fund experienced an increase in revenues due to increased tax receipts and a slight increase in expenditures, resulting in an increase in fund balance of $166.7 million.

The Commonwealth of Kentucky's bonded debt increased by $314 million to $6.5 billion, a 5 percent increase during Fiscal Year 2012. The major factors in this increase were the issuance of bonds to fund new capital projects and to refund debt outstanding to reduce future interest costs. No general obligation bonds were authorized or outstanding at June 30, 2012.

Fiscal Year 2013

The Commonwealth's combined net position (governmental and business-type activities) totaled $10.5 billion at the end of 2013, as compared to $10.6 billion at the end of the previous year.

The largest portion of the Commonwealth's net assets, $20.5 billion, is invested in capital assets (e.g. land, infrastructures, buildings and improvements and machinery and equipment), minus any related debt, which is still outstanding and used to acquire those assets. The Commonwealth uses these capital assets to provide services to its citizens; therefore, these assets are not available for future spending.

The second largest portion of the Commonwealth's net assets, totaling $1.2 billion, is restricted and represents resources that are subject to either external restrictions or legislative restrictions on how they may be used. The remaining balance is unrestricted net assets. The unrestricted net assets, if they have a positive value, could be used at the Commonwealth's discretion. However, the unrestricted balance is $(11.2) billion; therefore funds are not available for discretionary purposes. A contributing factor to the negative balance is that liabilities are recognized on the government-wide statement of net assets when the obligation is incurred. Accordingly, the Commonwealth recognizes long-term liabilities (such as general bonded debt, compensated absences, unfunded employer pension cost, and contingent liabilities) on the statement of net assets.

The Commonwealth received program revenues of $11.4 billion and general revenues (including transfers) of $11.8 billion for total revenues of $23.2 billion during Fiscal Year 2013. Expenses for the Commonwealth during Fiscal Year 2013 were $23.3 billion, which resulted in a total decrease of the Commonwealth's net assets in the amount of $108 million, net of contributions, transfers and special items.

During the fiscal year, the change in net assets resulted in a decrease from the previous year. The decrease in net assets of governmental activities was $240 million or 2.1 percent. Approximately 54 percent of the governmental activities' total revenue came from taxes, while 35.7 percent resulted from grants and contributions (including federal aid). Overall, program revenues were insufficient to cover program expenses for governmental activities. Therefore, the net program expenses of these governmental activities were supported by general revenues, mainly taxes.

At June 30, 2013, the Commonwealth's governmental funds reported combined ending fund balances of $2.3 billion, a decrease of $174 million in comparison with the prior year. $106.5 million is nonspendable and is comprised of inventories, notes receivables, cash with fiscal agents, and restricted cash that must remain intact. The $2.4 billion is restricted for certain purposes and is not available to fund current operations. The $(220.2) million is considered unrestricted (committed, assigned, or unassigned), and when positive, it is available for spending either at the government's discretion or upon legislative approval.

The General Fund balance at June 30, 2013, was $201.2 million. The balance reported reflects an increase of $104.3 million from the previously reported amount, which represents an increase of 109.7 percent. The major factor for the increase in fund balance is an increase in tax revenue of $405.3 million or 4.71 percent.

The fund balance is segregated into nonspendable and spendable amounts with the spendable amounts further segregated as restricted, committed, assigned, and unassigned. Inventory of $7.3 million represents the nonspendable amount, $34.7 million is assigned and represents continuing appropriations and the remaining $159.2 million is unassigned and is available for spending at the government's discretion or upon legislative approval.

The major special revenue funds experienced normal cyclical changes in revenues and expenditures, except for the Federal Fund, which experienced an increase in other revenues of $68.8 million while expenditures decreased across a majority of all functions. The Transportation Fund experienced a slight increase in revenues due to increased tax receipts and a slight increase in expenditures, resulting in an increase in fund balance of $38.7 million.

The Commonwealth of Kentucky's bonded debt decreased by $128 million to $6.4 billion, a 2 percent decrease during Fiscal Year 2013. The major factor in this decrease is a result of the refunding of old issues by the Fiscal Year 2013 new issues. Therefore, the remaining liability on the retired bonds plus the Fiscal Year 2013 principal payments on the remaining outstanding bonds were greater than the Fiscal Year 2013 issues for new projects. No general obligation bonds were authorized or outstanding at June 30, 2013.

Fiscal Year 2014

The Commonwealth's combined net position (governmental and business-type activities) totaled $10.058 billion at the end of 2014, as compared to $10.5 billion at the end of the previous year.

The largest portion of the Commonwealth's net position, $21.3 billion, is net investment in capital assets (e.g. land, infrastructures, buildings and improvements, and machinery and equipment), minus any related debt, which is still outstanding and used to acquire those assets. The Commonwealth uses these capital assets to provide services to its citizens; therefore these assets are not available for future spending.

The second largest portion of the Commonwealth's net position, totaling $1.2 billion, is restricted and represents resources that are subject to either external restrictions or legislative restrictions on how they may be used. The remaining balance is unrestricted net position. The unrestricted net position, if it has a positive value, could be used at the Commonwealth's discretion. However, the unrestricted balance is $(12.4) billion; therefore funds are not available for discretionary purposes. A contributing factor to the negative balance is that liabilities are recognized on the government-wide statement of net position when the obligation is incurred. Accordingly, the Commonwealth recognizes long-term liabilities (such as general bonded debt, compensated absences, unfunded employer pension cost, and contingent liabilities) on the statement of net position.

The Commonwealth received program revenues of $13.1 billion and general revenues (including transfers) of $12 billion for total revenues of $25.1 billion during Fiscal Year 2014. Expenses for the Commonwealth during Fiscal Year 2014 were $25.6 billion, which resulted in a total decrease of the Commonwealth's net position in the amount of $442.6 million, net of contributions, transfers and special items.

The change in net position resulted in a decrease from the previous year. The decrease in net position of governmental activities was $774.4 million or 7.0 percent. Approximately 49.7 percent of the governmental activities' total revenue came from taxes, while 41.2 percent resulted from grants and contributions (including federal aid). Overall, program revenues were insufficient to cover program expenses for governmental activities. Therefore, the net program expenses of these governmental activities were supported by general revenues, mainly taxes.

At June 30, 2014 the Commonwealth's governmental funds reported combined ending fund balances of $2.2 billion, a net decrease of $42.1 million in comparison with the prior year. $74 million is nonspendable and is comprised of inventories, notes receivables, cash with fiscal agents, and restricted cash that must remain intact. The $2.1 billion is restricted for certain purposes and is not available to fund current operations. The $61.9 million is considered unrestricted (committed, assigned, or unassigned). When the unrestricted balance is positive it is available for spending either at the government's discretion or upon legislative approval.

The General Fund balance at June 30, 2014, was ($130.8) million. The balance reported reflects a decrease of $333 million from the previously reported amount, which represents a decrease of 164.6 percent. The major factor for the decrease in fund balance is an increase in expenditures of $458.5 million or 5.2 percent.

The General Fund balance is segregated into nonspendable and spendable amounts with the spendable amounts further segregated as restricted, committed, assigned, and unassigned. Inventory of $6.5 million represents the nonspendable amount. The unrestricted had a negative balance of $137.3, therefore is not available for spending at the government's discretion or upon legislative approval.

The major special revenue funds experienced normal cyclical changes in revenues and expenditures, except for the Federal Fund, which experienced an increase in intergovernmental revenues of $1.9 billion. Expenditures decreased across a majority of all functions, except for Health and Family Services (CHFS) which experienced an increase in expenditures of $2 billion (a 28.4 percent increase in expenditures for total federal expenditures).

The Commonwealth's bonded debt decreased by $135.9 million to $6.3 billion, a 2.1 percent decrease during Fiscal Year 2014. The major factor in this decrease is a result of the refunding of old issues by the fiscal Year 2014 new issues. Therefore, the remaining liability on the retired bonds plus the Fiscal Year 2014 principal payments on the remaining outstanding bonds were greater than the Fiscal Year 2014 issues for new projects. No general obligation bonds were authorized or outstanding at June 30, 2014.

Fiscal Year 2015 (Unaudited)

Official Consensus Forecasting Group Revenue Forecast for Fiscal Year 2015-16 Biennium

The CFG official revenue estimate as legislatively enacted for the General Fund for FY 2015 is $9,801.2 million which represents a growth rate of 2.7 percent over the revised estimate for FY 2014. For FY 2016, the official revenue estimate is $10,067.2 million which is a growth rate of 2.7 percent over FY 2015. Official revenue estimates for the Road Fund forecast a 2.3 percent decline to $1,546.7 million for FY 2015 and 0.8 percent growth to $1,558.4 million for FY 2016. The official estimates for Phase I Tobacco MSA payments are $73.1 million in FY 2015 and $88.6 million in FY 2016.

As reported by the Office of the State Budget Director, on August 10, 2015, the July 2015 General Fund receipts grew by 4.0 percent compared to July 2014. Total revenues for the month were $733.8 million, compared to $705.9 million during July 2014, an increase of $27.9 million. Receipts increased 4.0 percent for the first month of the fiscal year, and need to increase 0.8 percent over the remaining eleven months of Fiscal Year 2016 to achieve the official revenue estimate of $10,067.2 million. Road Fund receipts for July totaled $127.6 million, a 1.8 percent increase from July 2014 levels. Based on year to date collections, Road Fund receipts must increase 2.1 percent for the rest of the fiscal year to meet the official Fiscal Year 2016 estimate of $1,558.4 million.

The Office of the State Budget Director makes available on its website monthly updates to the General Fund receipts and the Road Fund receipts.

Investment Policy

The Commonwealth's investments are governed by KRS 42.500 et seq. and KAR Title 200 Chapter 14. The State Investment Commission ("SIC"), comprised of the Governor, the Treasurer, Secretary of the Finance and Administration Cabinet and gubernatorial appointees of the Kentucky Banker's Association, is charged with the oversight of the Commonwealth's investment activities. The Commission is required to meet at least quarterly, and delegates day to day investment management to the Office of Financial Management. OFM engaged PFM Asset Management LLC ("PFM") to conduct an evaluation of existing statutes and regulations, general investment functions, and portfolio performance benchmarks reporting and suggested best practices. PFM has made its recommendations to OFM and the SIC, and some recommendations are being implemented. The Kentucky State Investment Commission Investment Program Review dated March 22, 2012 prepared by PFM may be found on the Internet at:

http://finance.ky.gov/services/ofm/Documents/SIC%20Invest%20Prog%20Rev.pdf

On July 31, 2015, the Commonwealth's operating portfolio was approximately $3.836 billion in cash and securities. The composition of investments was as follows: U.S. Treasury securities (34%); securities issued by agencies and instrumentalities of the United States Government (14%); mortgage-backed securities and collateralized mortgage obligations (11%); repurchase agreements collateralized by the aforementioned (8%); municipal securities (1%); and corporate and asset-backed securities, including money market securities (32%). The portfolio had a current yield of 0.45% and an effective duration of 0.63 years.

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

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, which include: the securities lending program, over the counter treasury options, interest rate swaps, mortgage–backed securities, collateralized mortgage obligations and asset–backed securities.

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

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

State Retirement Systems

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

Pension Plans. Eligible state employees participate in one of two multi-employer defined benefit plans, the Kentucky Retirement Systems and the Teachers' Retirement System of the State of Kentucky ("KTRS"). The Kentucky Retirement Systems is comprised of five retirement plans, Kentucky Employees Retirement System ("KERS") Non-Hazardous, KERS Hazardous, County Employees Retirement System ("CERS") Non-Hazardous, CERS Hazardous, and State Police. Each retirement plan is state supported, except for the CERS plans, which have been excluded from the Kentucky Retirement Systems information provided herein. The Kentucky Retirement Systems and KTRS (collectively, the "Pension Plans") provide both pension and Other Post Employment Benefits to state employees and teachers based upon their years of service and retirement dates. Most retirement benefits are subject to a statutory inviolable contract under which the benefits shall not, with limited exceptions, be reduced or impaired by alteration, amendment or repeal. The Pension Plans are component units of the Commonwealth for financial reporting purposes and are included in *The Kentucky Comprehensive Annual Financial Report.* For a brief description of the Pension Plans and of the Pension Plans' assets and liabilities, see *The Kentucky Comprehensive Annual Financial Report for Fiscal Year 2014* Note 8 beginning on page 86. Additional information regarding the Kentucky Retirement Systems and KTRS can be found in their respective web sites at http://kyret.ky.gov and http://www.ktrs.ky.gov, including their respective Comprehensive Annual Financial Reports (collectively, the "CAFRs") and the accompanying actuarial studies, described under Other Post Employment Benefits ("OPEB"). Only information contained on the Internet web page identified above is incorporated herein and no additional information that may be reached from such page by linking to any other page should be considered to be incorporated herein.

Pension Funding. Based upon the assumptions employed in the Pension Plans' June 30, 2014 actuarial valuation reports used in preparing the associated Pension Plans' 2014 CAFRs, the Kentucky Retirement Systems had a state supported pension Unfunded Actuarial Accrued Liability (the "UAAL") of $9,853 million, while KTRS had a UAAL of $14,010 million. The state supported portion of the Pension Plans for Fiscal Year ended June 30, 2014 had funding percentages of 24.5% for the Kentucky Retirement Systems and 53.6% for KTRS. The Kentucky Retirement Systems state supported Annual Required Contribution for Fiscal Year ended June 30, 2014 pension benefits was $560.2 million; $318.8 million was contributed. The KTRS state supported Annual Required Contribution for Fiscal Year ended June 30, 2014 was $823.4 million; $563.3 million was contributed.

Other Post Employment Benefits ("OPEB"). The Governmental Accounting Standards Board has promulgated Statement 45 ("Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pensions"), which the Commonwealth has adopted.

The Commonwealth is obligated to provide healthcare benefits to certain retired state employees and teachers. The Pension Plans administer two multi-employer defined benefit healthcare plans (collectively, the "Health Plans") for which the Commonwealth pays a portion of the cost of the benefits of the retired employees. As of January 1, 2006, the Commonwealth commenced self-funding of healthcare benefits for state employees. The Kentucky Retirement Systems also adopted, on January 1, 2006, a self-funding health care plan for Medicare Eligible Retirees. KTRS became self-insured for post retirement healthcare costs for Medicare Eligible Retirees on July 1, 1991. Beginning January 1, 1997, KTRS offered non-Medicare Eligible Retirees insurance through the state health insurance program, which has since become self-insured. Beginning January 1, 2007, KTRS offered its Medicare Eligible Retirees an insured Medicare Advantage Plan and, beginning July 1, 2010, offer this group an insured Employer Group Waiver Drug Plan.

The Pension Plans commissioned actuarial studies which provided results for consideration, under certain actuarial funding methods and sets of assumptions. A five year experience study was completed for the period ending June 30, 2013 for the Kentucky Retirement Systems which was dated April of 2014. KTRS' last five-year experience study was for the period ending June 30, 2010 and was presented to the KTRS board in September 2011. In addition to the experience studies, annual actuarial reports are performed on both retirement systems. Pursuant to their respective actuarial studies, the OPEB UAAL as of June 30, 2014 has been estimated to not exceed $1,662 million for the Kentucky Retirement Systems and $2,687 million for KTRS. These estimates represent the present value of the amount of healthcare benefits under the respective Health Plans, payable over future periods and allocated by the actuarial cost method, as of June 30, 2014. The actuarial estimates for the Kentucky Retirement Systems' OPEB liabilities decreased from the $1,731.9 million previously reported in the Kentucky Retirement Systems' 2013 CAFR. The actuarial estimates for KTRS decreased from the $3,108 million previously reported in their 2013 CAFR.

The Kentucky Retirement Systems' state supported OPEB Annual Required Contribution for Fiscal Year ended June 30, 2014 was $245.4 million; $204.98 million was contributed. The KTRS state supported OPEB Annual Required Contribution for Fiscal Year ended June 30, 2014 was $160.6 million; $163.6 million was contributed. The state supported portion of the OPEB for Fiscal Year ended June 30, 2014 had funding percentages of 41.9% for the Kentucky Retirement Systems and 18.4% for KTRS.

The Commonwealth's 2012-2014 biennial budget increased employer contribution rates by 39% in Fiscal Year 2013 and 35% in Fiscal Year 2014 for the Kentucky Retirement Systems' non-hazardous duty retirement system. The increase for the State Police Retirement System is 40% in Fiscal Year 2013 and 36% in Fiscal Year 2014. The Commonwealth's 2014-2016 biennial budget increased employer contribution rates by 64% in Fiscal Year 2015 and 45% in Fiscal Year 2016 for the Kentucky Retirement Systems' non-hazardous duty retirement system. The increase for the State Police Retirement System is 19% in Fiscal Year 2015 and 6% in Fiscal Year 2016.

Changes to State Retirement Systems. In June 2008, the Governor called a special session of the General Assembly after both the House and Senate reached an agreement on pension reform, which ultimately became House Bill 1. The final agreement accomplished several things, including, for Kentucky Retirement Systems: a schedule to improve state funding by reaching the full actuarially required contribution ("ARC") by 2025; proposed a new benefit tier for future hires that would require workers to stay longer and place more money into their own retirement accounts over time in order to reach their full retirement benefit; established a floor for annual cost of living adjustments ("COLA") equal to 1.5% of the Consumer Price Index with the potential for future increases if the COLA is pre-funded; closed several loopholes; and created increased legislative oversight of the pension funds in future years.

As a result of the passage of House Bill 1, and viewed without regard to other intervening factors, the growth in the Commonwealth's unfunded liability is expected to be slowed. These results are expected to be augmented by proposed changes in the Commonwealth's investment strategies and allocations to bring the retirement systems closer to their peer group performance levels over time. By using the dual combination of the best practices and findings of the Kentucky Public Pension Working Group established in 2008 and by following the schedule of payments included in House Bill 1, the Commonwealth expects to see reductions in the liability that have accrued over time.

On April 12, 2010, House Bill 146 was signed by the Governor, amending KRS 61.650, KRS 16.642, and KRS 78.790 to establish a five-member investment committee for the Kentucky Retirement System, the State Police Retirement System, and the County Employees Retirement System, comprised of two gubernatorial appointees with investment experience and three trustees appointed by the board chair. In addition, House Bill 540 was signed by the Governor on April 13, 2010, creating the Teachers' Retirement System of the State of Kentucky insurance trust fund to supplement the current medical insurance fund, specifically dedicated to health benefits. The purpose of this bill is to increase over a six-year period the active employee and employer contributions to the KTRS for retiree health benefits and to authorize the KTRS Board to require retirees not eligible for Medicare to pay the equivalent for the Medicare Part B program towards their cost of health coverage. Once the medical insurance fund achieves sufficient funding status, the KTRS Board may recommend to the General Assembly that the member contributions be decreased, suspended, or terminated.

Also, House Bill 545 was signed by the Governor on April 26, 2010, amending certain sections of KRS 161 regarding the administration of KTRS including federal tax compliance relating to establishing a medical insurance trust fund under Section 115 of the Internal Revenue Code to supplement the current Section 401(h) medical insurance trust fund as well as other technical amendments. The legislation will not increase or decrease benefits or the participation in benefits or change actuarial liability of KTRS.

Financing and Refinancing of Certain KTRS Obligations. On April 26, 2010, the Governor signed House Bill 531, which amended certain sections of the Kentucky Revised Statutes by modifying the definition of "funding notes" and authorizing funding notes to be issued by ALCo for the purpose of financing or refinancing obligations owed under KRS 161.550(2) or 161.553(2) to KTRS (the "Funding Obligation"). This authorization, together with certain authorizations in the Budget Act, permits ALCo to issue funding notes in an amount not to exceed $875 million to finance obligations owed to KTRS or refinance loans previously made from the KTRS Pension Fund to the KTRS Medical Insurance Fund for stabilization funding in prior Fiscal Years. In August 2010, ALCo issued its $467.555 million Funding Notes, 2010 General Fund First Series to repay in full all loans previously made from the KTRS Pension Fund to the KTRS Medical Insurance Fund. In February 2011, ALCo issued its $269.815 million Funding Notes, 2011 General Fund First Series to provide the state-supported portion of healthcare benefit contributions to KTRS for Fiscal Years 2011 and 2012. Pursuant to authorization granted in the State Budget for Fiscal Years 2013-2014, ALCo issued its $153.290 Funding Notes General Fund First Series (Taxable) in February, 2013 to provide the state-supported portion of healthcare benefit contributions to KTRS for Fiscal Years 2013 and 2014. Under the provisions of House Bill 540, discussed earlier, the elimination of future borrowings is expected once the plan is fully phased in over a period of six years.

HCR 162. House Concurrent Resolution (HCR) 162 from the 2012 Regular Session of the General Assembly, which was signed by Governor Beshear on April 23, 2012, established the Kentucky Public Pensions Task Force (the "PP Task Force"). The purpose of the PP Task Force was to study issues regarding Kentucky's state-administered pension funds and to develop consensus recommendations concerning the benefits, investments, and funding of those funds. The PP Task Force was required to submit its findings, recommendations, and any proposed legislation to the Legislative Research Commission by December 7, 2012. Recommendations for proposed changes for Kentucky Retirement Systems include: Phase-in for the full payment of the Annual Required Contribution beginning in Fiscal Year 2014-2015 for the Kentucky Employees Retirement System ("KERS") and the State Police Retirement System ("SPRS"), reset amortization period for KERS, County Employees Retirement System, and SPRS for the payment of the unfunded liability to a 30-year period, repeal COLA provisions for all employees/retirees, extend required break in reemployment after retirement to two years, require employer to pay costs of "spiking" pensions, increase Kentucky Retirement Systems Board composition from nine to eleven members, increase transparency by establishing a web page with information for the public regarding its financial and actuarial condition, and change the retirement plan for new hires from a Defined Benefit Plan to a Hybrid Cash Balance Plan.

Senate Bill 2 from the 2013 Regular Session of the General Assembly, which was signed into law by the Governor on April 4, 2013, incorporated most of the above mentioned PP Task Force's recommendations. The bill created a new section in KRS Chapter 7A establishing a 13 member Public Pension Oversight Board to oversee the Kentucky Retirement Systems and report to the General Assembly on benefits, administration, investments, funding, laws, administration regulations and legislation pertaining to Kentucky Retirement Systems. The bill also states that new employees hired after January 1, 2014 will be placed in a Hybrid Cash Balance Plan. This plan has a guaranteed rate of return of 4.0% for both hazardous and non-hazardous employees, plus 75% of the investment return in the plan in excess of 4.0% to the employee. Hazardous employees' employer contribution is set at 7.5% of salary and non-hazardous employees have an employer contribution of 4.0%. The bill further provides for a 1.5% COLA only if it is prefunded and appropriated by the General Assembly or if the pension plan is 100% funded. New employees as of January 1, 2014 are no longer party to the inviolable contract, and the General Assembly has the right to amend, suspend or reduce benefits with future legislation. The bill additionally makes provisions for a Health Savings Account as an insurance option for retirees, requires the General Assembly to start fully funding the ARC beginning in Fiscal Year 2015, and resets to a 30 year amortization beginning in 2015. House Bill 235 (the Executive Branch Budget) which was signed by the Governor on April 11, 2014 provides full funding of the ARC payments in Fiscal Year 2015 and Fiscal Year 2016 for KRS pensions and OPEB. Additionally, House Bill 235 provides for full funding of the ARC payments in Fiscal Year 2015 and Fiscal Year 2016 for KTRS OPEB as well as for the currently legislatively required funding for KTRS pensions, which is below the ARC for the biennium.

House Bill 440 was signed by the Governor on April 4, 2013, and while it is not dedicated to pensions, it is considered to be a companion bill to Senate Bill 2 to address the funding issue. It amends KRS 141.020 to reduce the personal tax credit from $20 to $10 for tax years beginning on or after January 1, 2014. It also creates a new section in KRS Chapter 61 to create a Kentucky Retirement Systems unfunded liability trust fund to collect monies from donations, gifts, contributions and grants, and is to be used to eliminate the unfunded liability and supplement the investable assets of the Kentucky Retirement System. The bill further amends KRS 138.4602 to allow for a trade-in allowance on new cars that is currently available with used cars.

Litigation Potentially Impacting KERS. In April 2013, Seven Counties Services, Inc. ("Seven Counties"), filed for Chapter 11 bankruptcy protection in the United States Bankruptcy Court for the Western

District of Kentucky (the "Bankruptcy Court"). Seven Counties provides mental health services for the Cabinet for Health and Family Services for the greater Louisville, Kentucky area and surrounding counties. For approximately the past twenty-five years, Seven Counties has been a participating employer in KERS. Seven Counties identified KERS as a creditor with a primary objective of discharging its continuing obligation to remit retirement contributions for approximately 1,300 employees and terminate its membership in KERS. The estimated impact of Seven Counties' objective on KERS would result in an unfunded liability of approximately $90 million.

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

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

In June 2014, KERS appealed the Bankruptcy Court's ruling. As a result of the issues pending on appeal, KERS did not file a proof of claim. On October 6, 2014, Seven Counties filed a formal reorganization plan with the Bankruptcy Court. On October 10, 2014, KERS filed a direct appeal of the May 30, 2014 ruling with the United States Sixth Circuit Court of Appeals. On December 30, 2014, the Sixth Circuit determined that a direct appeal was not warranted and remanded the matter to the U.S. District Court for the Western District of Kentucky (the "District Court") for consideration. On January 6, 2015, the Bankruptcy Court confirmed Seven Counties' plan of reorganization (the "Confirmation Order"). On January 19, 2015, KERS appealed the Confirmation Order. At a hearing on January 20, 2015, the Bankruptcy Court denied a motion by KERS seeking a stay of the Confirmation Order, which would have delayed implementation of the reorganization plan pending the determination of the issues on appeal. After the Bankruptcy Court denial of the stay, KERS filed an emergency motion for a stay with the District Court, which the District Court denied on February 4, 2015.

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

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, 702 Capitol Avenue, Suite 76, 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 April 1 or October 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.

Under the Resolution "Revenues" means, with respect to the Lease, all of the rental payments and other payments to be made by the State Agency to the Commission pursuant to the Lease, or any other amounts received by the Commission for the use of the Project and any other payments or deposits to be made to the Bond Fund, including proceeds from the disposition of any portion of the Project pursuant to the Resolution.

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 and other available moneys, if any, deposited by the Commission at the time of delivery of the Bonds, there will be deposited therein an amount sufficient to pay certain expenses in connection with the issuance of the Bonds. On payment of all duly authorized expenses incident to the issuance of such Bonds, any remaining balance in the Cost of Issuance Account will be transferred to the Bond Fund.

3. Construction Fund. The Resolution creates a Construction Fund (the "Construction Fund"), to be held by the Treasurer of the Commonwealth. Until disbursed as authorized by the Resolution, the Construction Fund constitutes a trust fund for the benefit of the Holders. The Construction Fund will be used for the purposes of funding that portion of the Project financed with proceeds of the Bonds consisting of the acquisition, construction or undertaking of new property in connection with buildings, real estate, 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 excludible from the gross income of the Holders of such Bonds for the purposes of federal income taxation and not permit the Bonds to be or become "arbitrage bonds," as defined in the Code. The Resolution creates a Rebate Fund (the "Rebate Fund") for the Bonds to be held and maintained by the Trustee, for the deposit of any amounts which are required to be deposited therein pursuant to the Tax Exemption Certificate and Agreement between the Commission and the Trustee.

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

The Resolution provides that upon the happening and continuance of any event of default thereunder, the Trustee may proceed, and upon the written request of the Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding, subject to its right to be indemnified to its satisfaction, 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, 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 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, 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 at least 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 materially 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 State Agency may, in its sole discretion, change, substitute or otherwise modify components of the Project, so long as all Bond proceeds are applied to facilities, payments or undertakings which are included in and subject to rental payments under the 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 Holders.

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 Resolution then the pledge of Revenues under the Resolution, and all covenants, agreements and other obligations of the Commission to the Holders of the Bonds shall cease, terminate and become void and shall be discharged and satisfied.

Whenever there shall be held by the Trustee in the Bond Fund or an escrow fund established for such purpose, either (a) moneys in an amount which shall be sufficient, or (b) Defeasance Obligations (as defined below) the principal of and interest on which when due (without consideration of reinvestment income) will provide moneys which, together with other moneys, if any, then on deposit in the Bond Fund or such escrow fund, shall be sufficient, as set forth in a verification report from a firm of independent certified public accountants, 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 or will mature, 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) non-callable direct obligations of the United States of America, non-callable and, non-prepayable direct federal agency obligations the timely payment of principal of and interest on which is fully and unconditionally guaranteed by the United States of America, non-callable direct obligations of the United States of America which have been stripped by the United States Treasury itself or by any Federal Reserve Bank (not including "CATS," "TIGRS" and "TRS" unless the Commission obtains a confirmation that the Bonds defeased thereby shall be rated in the highest rating category by S&P (as hereinafter defined) and Moody's (as hereinafter defined) with respect thereto) and the interest components of REFCORP bonds for which the underlying bond is non-callable (or non-callable before the due date of such interest component) for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form, and shall exclude investments in mutual funds and unit investment trusts;

(b) non-callable obligations, timely maturing and bearing interest, to the extent that the full faith and credit of the United States of America are pledged to the timely payment thereof;

(c) certificates rated "AAA" by S&P at the time of purchase, "Aaa" by Moody's at the time of purchase and "AAA" by Fitch (as hereinafter defined) at the time of purchase (if rated by Fitch), evidencing ownership of the right to the payment of the principal of and interest on obligations described in clause (b), provided that such obligations are held in the custody of a bank or trust company satisfactory to the Trustee in a segregated trust account in the trust department separate from the general assets of such custodian; and

(d) 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 (i) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, (ii) timely payment of which is fully secured by a fund consisting only of cash or obligations of the character described in clause (a), (b) or (c) which fund may be applied only to the payment when due of such bonds or other obligations and (iii) rated "AAA" by S&P at the time of purchase, "Aaa" by Moody's at the time of purchase and "AAA" by Fitch at the time of purchase (if rated by Fitch).

The Lease

The Commission and the State Agency have entered into the Lease whereby the State Agency 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 has a current initial term ending June 30, 2016. The Commission has granted the State Agency the exclusive option to renew the Lease for successive and ensuing renewal terms of two years commencing July 1 in each even-numbered year. The last renewal term for the Lease relating to the Bonds ends June 30, 2024, the final maturity date for the Bonds to be issued by the Commission for the Project being October 1, 2023. Under the provisions of the Constitution of the Commonwealth, the State Agency is prohibited from entering into lease obligations extending beyond its 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 State Agency 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 State Agency is bound for the entire amount of the rent becoming due during such term, payable from any funds of the State Agency, including, 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; provided, however, that nothing herein contained shall be construed as binding the State Agency to pay rentals for more than one biennial renewal term at a time. See "THE STATE AGENCY – Agency Fund Appropriations within the Judicial Branch" herein.

The State Agency 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 budgets proposed for that biennial period, sufficient amounts (over and above all other requirements) to enable the State Agency to pay rent 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.

If the Lease is renewed, then on the first day of the biennial renewal term the State Agency is firmly bound for the entire amount of rent payments coming due under the Lease during such renewal term.

The ability of the State Agency to pay rent under the Lease is subject to appropriations of rent to the State Agency by the General Assembly. There can be no assurance that such appropriations will be forthcoming at any time after June 30, 2016. The failure of the State Agency or the General Assembly to approve and enact such appropriations will have a material adverse effect on the ability of the Commission to pay amounts due on the Bonds. In addition, there can be 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.

In the Resolution, the Commission has covenanted that it will receive and apply the rent payments from the State Agency 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 due under the Lease 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 under the Lease, 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 State Agency'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 State Agency under such Lease upon delivery of an opinion of counsel that the subletting or reletting will not cause the interest on the Bonds to be includable in the gross income of the Holders. The Holders have no security interest in any properties constituting the Project or any amounts derived therefrom.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("S&P") and Fitch Ratings ("Fitch") have given the Bonds the ratings of “Aa3”, “A”, and “A+”, respectively.

Such ratings reflect only the views of the respective rating agencies. An explanation of the significance of the ratings given by Moody's may be obtained from Moody's Investors Service, Inc. at 7 World Trade Center 250 Greenwich Street, New York, New York 10007, (212) 553-0300; an explanation of the ratings given by S&P may be obtained from Standard & Poor's Ratings Services at 55 Water Street, New York, New York 10041, (212) 438-2124; and an explanation of the rating given by Fitch may be obtained from Fitch Ratings 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 Service, 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, a division of Dinsmore & Shohl LLP, Covington, Kentucky, Bond Counsel, who has been retained by, and acts as Bond Counsel to, the Commission. The form of the approving legal opinion of Bond Counsel is attached hereto as EXHIBIT E. Certain legal matters will be passed upon for the Commission by its counsel. Certain legal matters will be passed upon for the Underwriters by Frost Brown Todd LLC, Louisville, Kentucky.

LITIGATION

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

TAX EXEMPTION

General

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 excludible 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 D.

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 or become 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 retroactive 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 Federal tax status of the interest on the Bonds.

Certain requirements and procedures contained or referred to in the Resolution 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, a division of Dinsmore & Shohl LLP.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excludible from gross income for Federal income tax purposes and that interest on the Bonds is excludible 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. For example, such effects may include, 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, increasing the federal tax liability of certain individual recipients of Social Security or the Railroad Retirement benefits under Section 86 of the Code and limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any of the 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 the 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. 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.

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

Tax Treatment of Original Issue Discount

The Bonds that have an interest rate that is lower than the yield, as shown on the inside cover page hereto (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 sold as a Discount 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 excludible 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.

Tax Treatment of Bond 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 have an interest rate that is greater than the yield, as shown on the inside cover page hereto (the "Premium Bonds"), are being initially offered and sold to the public at an Acquisition Premium. For federal income tax purposes, the amount of Acquisition Premium on each Bond the interest on which is excludible 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.

UNDERWRITING

J.J.B. Hilliard, W.L. Lyons, LLC, as representative of the Underwriters, has agreed to purchase the Bonds for an aggregate purchase price of $21,572,175.30 (which is equal to the principal amount of such Bonds plus a net original issue premium of $1,570,051.45 and less underwriting discount of $72,876.15). The Underwriters intend to make an initial public offering of all of the Bonds at not in excess of the public offering price or prices set forth on the inside cover page hereof. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering price or prices stated on the inside cover page hereof.

CONTINUING DISCLOSURE AGREEMENT

The Commission will comply with the requirements of the Securities and Exchange Commission regarding secondary market disclosure as set forth in Rule 15c2-12 (the "Rule"), as amended, under the Securities Exchange Act of 1934. Specifically, the Commission will enter into a Continuing Disclosure Agreement in which it will covenant to provide notice in a timely manner, not later than ten business days after the event, to the Municipal

Securities Rulemaking Board (the "MSRB"), and the appropriate state information depository, if any, of any of the following types of events with respect to the Bonds (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security; (vii) modifications to rights of security holders, if material; (viii) bond calls (except in the case of a mandatory, scheduled redemption, not otherwise contingent upon the occurrence of an event, if the terms under which the redemption is to occur are set forth in detail in the Official Statement and the only open issue is which Bonds will be redeemed in the case of a partial redemption, provided notice of the redemption is given to the Bondholders and the public; see Exchange Act Release No. 23856, Dec. 3, 1986); (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the securities, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person); (xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Effective on July 1, 2009, the MSRB became the sole nationally recognized municipal securities information repository and the Commission's filings with the MSRB will be in accordance with the MSRB's Electronic Municipal Market Access (EMMA) system, as applicable to the Continuing Disclosure Agreement. The Commonwealth is providing, and for the five (5) years preceding the date of issuance of the Bonds has provided, ongoing market disclosure as required by Rule 15c2-12 pursuant to agreements entered into in connection with other outstanding securities, including timely notices of changes in the Commission's underlying ratings affecting its outstanding securities. In addition, ongoing financial disclosure regarding the Commonwealth will be available through the filing, within nine (9) months of the end of the fiscal year, commencing with the fiscal year ending June 30, 2014, by the Commonwealth of two documents entitled The Kentucky Comprehensive Annual Financial Report and Supplementary Information to the Kentucky Comprehensive Annual Financial Report (or successor reports) with EMMA as required under Rule 15c2 12 and in accordance with the Continuing Disclosure Agreement. The Commonwealth and the Commission have learned that in some instances prior rating changes on certain securities issued by the Commonwealth and its agencies, including the Commission, resulting from rating downgrades on certain bond insurers, were not the subject of material event notices, due, in part, to the lack of any direct notification to the Commonwealth of the specific rating impact on such particular securities of the Commonwealth and its agencies. The Commonwealth and the Commission have taken necessary actions to assure compliance with Rule 15c2-12 with respect to such events. Additionally, the Commonwealth and the Commission have put procedures in place to assure that future material event notices will be timely filed with respect to such events.

OTHER MATTERS

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

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

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

THE COMMONWEALTH OF KENTUCKY STATE PROPERTY AND BUILDINGS COMMISSION

By: /s/ Ryan Barrow
Executive Director
Office of Financial Management
(Secretary to the Commission)

EXHIBIT A

**FINANCIAL INFORMATION ON
THE ADMINISTRATIVE OFFICE OF THE COURTS**

The CAFR for Fiscal Year 2014 contains the following information with respect to the Commonwealth of Kentucky, including the Administrative Office of the Courts: (i) Statement of Net Position, page 27 and (ii) Statement of Activities, pages 28 and 29. The Supplementary Information for Fiscal Year 2014 contains certain information with respect to the Agency Revenue Fund of the Judicial Cabinet of which the State Agency is a part as follows: Detailed Statement of Receipts, page 116, Detailed Statement of Cash Transactions pages 138 and 139. Copies of the foregoing pages from the CAFR for Fiscal Year 2014 and the Supplementary Information for Fiscal Year 2014 are attached.

The complete CAFR for Fiscal Year 2014 the Supplementary Information to the CAFR for Fiscal Year 2014 may be obtained from the NRMSIRs or from the Office of Financial Management, 702 Capitol Avenue, Suite 76, Frankfort, Kentucky 40601 (502) 564-2924. Additionally, the CAFR for Fiscal Year 2014, which has been incorporated herein by reference, may be found on the Internet at:

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

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

Pages from the Kentucky Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2014

COMMONWEALTH OF KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2014
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Cash and cash equivalents (Note 5)	$ 593,440	$ 325,638	$ 919,078	$ 1,360,985
Cash with fiscal agents (Note 5)	28,119		28,119	
Restricted cash (Note 5)	7,471		7,471	
Restricted investments (Note 5)				89,205
Investments, net of amortization (Note 5)	1,800,392	10,991	1,811,383	2,539,341
Invested security collateral (Note 5)	640,820	276,206	917,026	
Receivables, net (Note 4)	2,781,351	288,002	3,069,353	3,514,024
Notes receivable	5,421		5,421	
Capital lease receivable (Note 4)	352,235		352,235	
Internal balances (Note 7)	(64,596)	64,596		
Inventories	56,268	2,166	58,434	53,325
Prepaid expenses	5,421	64	5,485	27,896
Unamortized cost of issuance	7,521		7,521	
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents (Note 5)				623,660
Investments (Note 5)		437,268	437,268	2,116,256
Capital assets (Note 6):				
Land	216,387	21,583	237,970	299,206
Improvements other than buildings	21,395	144,933	166,328	416,845
Buildings	1,387,996	339,873	1,727,869	6,765,609
Machinery and equipment	644,285	21,094	665,379	2,022,044
Other capital assets				218,085
Easements and other intangibles	177,575	2,322	179,897	
Less: Accumulated depreciation and amortization	(1,039,852)	(225,327)	(1,265,179)	(4,403,410)
Construction in progress	1,847,484	23,720	1,871,204	970,636
Infrastructure	19,880,500		19,880,500	
Total Capital Assets	23,135,770	328,198	23,463,968	6,289,015
Other assets	290		290	283,924
Total Assets	29,349,923	1,733,129	31,083,052	16,897,631
Deferred outflows of resources (Note 15)	6,583		6,583	14,651
Liabilities				
Accounts payable (Note 4)	2,252,509	74,880	2,327,389	551,498
Tax refunds payable	338,032		338,032	
Unearned revenue	4,384	1,836	6,220	193,395
Other liabilities		73,703	73,703	127,543
Liabilities from restricted assets				7,666
Obligations under securities lending	640,820	276,206	917,026	
Noncurrent liabilities:				
Due within one year (Note 15)	830,444	192,739	1,023,183	314,906
Due in more than one year (Note 15)	15,004,256	1,328,912	16,333,168	5,659,326
Total Liabilities	19,070,445	1,948,276	21,018,721	6,854,334
Deferred inflows of resources (Note 15)	12,952		12,952	46,374
Net Position				
Net investment in capital assets	20,986,040	315,131	21,301,171	4,378,216
Restricted for:				
Debt service	125,732		125,732	323,347
Capital projects	245,584	8,706	254,290	243,768
Highways	728,333		728,333	
Unemployment benefits				
Other purposes (Note 1)		55,141	55,141	3,409,090
Unrestricted	(11,812,580)	(594,125)	(12,408,705)	1,657,153
Total Net Position	$ 10,273,109	$ (215,147)	$ 10,057,962	$ 10,011,574

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

COMMONWEALTH OF KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	$ 2,840,370	$ 699,518	$ 192,895	$ 27,594
Legislative and judicial	420,929	25,584	3,363	
Commerce	112,067	44,538	23,487	188
Education and humanities	5,539,119	43,192	957,073	2,000
Human resources	10,000,356	230,057	6,898,384	52,041
Justice	933,126	23,434	45,463	
Natural resources and environmental protection	192,059	45,334	81,111	
Public protection and regulation	92,798	83,516	4,737	
Transportation	2,127,851	269,701	4,803	719,530
Interest expense	355,842			
Total Governmental Activities	22,614,517	1,464,874	8,211,316	801,353
Business-Type Activities:				
State Parks	96,587	49,016	1,428	
Kentucky Horse Park	19,511	10,679	581	378
Kentucky Public Employees Health Plan	1,642,048	1,692,801		
Insurance Administration	86,063	113,248	1,867	
Unemployment Compensation	1,092,231	561,692	170,359	
Total Business-Type Activities	2,936,440	2,427,436	174,235	378
Total Primary Government	$ 25,550,957	$ 3,892,310	$ 8,385,551	$ 801,731
Component Units:				
Authorities:				
Kentucky Housing Corporation	$ 296,560	$ 103,426	$ 202,065	$
Kentucky Higher Education Student Loan Corporation	34,216	43,896		
Kentucky Lottery Corporation	846,372	843,258		
Kentucky Public Transportation Infrastructure Authority	4,447			447,503
Universities, Colleges, & Related Entities:				
University of Kentucky	2,441,583	1,807,574	496,825	55,631
University of Louisville	1,085,131	639,021	166,022	
Kentucky Community and Technical College System	630,121	83,684	95,233	
Other component units	1,728,326	774,815	365,623	72,426
Total Component Units	$ 7,066,756	$ 4,295,674	$ 1,325,768	$ 575,560

General Revenues (Note 1):
Taxes:
Sales and gross receipt tax
Individual income tax
Corporate income tax
Property tax
License and privilege tax
Severance tax
Inheritance and estate tax
Miscellaneous taxes
Unrestricted grants and contributions
Unrestricted investment earnings
Gain on sale of capital assets
Miscellaneous general
Transfers
Total General Revenues and Transfers
Change in Net Position
Net Position at July 1, As Restated (Note 2)
Net Position at June 30

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Totals	Component Units
$ (1,920,363)	$	$ (1,920,363)	
(391,982)		(391,982)	
(43,854)		(43,854)	
(4,536,854)		(4,536,854)	
(2,819,874)		(2,819,874)	
(864,229)		(864,229)	
(65,614)		(65,614)	
(4,545)		(4,545)	
(1,133,817)		(1,133,817)	
(355,842)		(355,842)	
(12,136,974)		(12,136,974)	
	(46,143)	(46,143)	
	(7,873)	(7,873)	
	50,753	50,753	
	29,052	29,052	
	(360,180)	(360,180)	
	(334,391)	(334,391)	
(12,136,974)	(334,391)	(12,471,365)	
			$ 8,931
			9,680
			(3,114)
			443,056
			(81,553)
			(280,088)
			(451,204)
			(515,462)
			(869,754)
5,575,312		5,575,312	
3,752,868		3,752,868	
456,601		456,601	
553,339		553,339	
21,170		21,170	
251,231		251,231	
51,513		51,513	
184,605		184,605	
12,663		12,663	620,159
(37)	13,546	13,509	138,101
10,969	32	11,001	478
496,504	648,434	1,144,938	1,057,785
(4,214)	4,214		
11,362,524	666,226	12,028,750	1,816,523
(774,450)	331,835	(442,615)	946,769
11,047,559	(546,982)	10,500,577	9,064,805
$ 10,273,109	$ (215,147)	$ 10,057,962	$ 10,011,574

Pages from the Supplementary Information to the
Kentucky Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2014

COMMONWEALTH OF KENTUCKY
AGENCY REVENUE FUND
DETAILED STATEMENT OF RECEIPTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NAME OF ACCOUNT	ACTUAL RECEIPTS
REVENUES	
Legislative Cabinet	
General Assembly	
General Sales To Public	180,346.75
Interest Income	378.46
DEPARTMENT TOTAL	$180,725.21
CABINET TOTAL	$180,725.21
Judicial Cabinet	
Judicial Department	
Operators License Reinst Fees	279,107.30
General Permits	796,660.00
Registration/Filing Fee	5,000,000.00
Other Fees Related To Licenses	5,059,368.38
General Fees From Public	12,067,928.58
General Services To Public	667,395.11
Court Cost	1,365,519.31
Other Receipts	20,229,174.41
DEPARTMENT TOTAL	$45,465,153.09
CABINET TOTAL	$45,465,153.09
Cabinet of the General Government	
Unified Prosecutorial System	
General Fees From Public	59,851.94
Local Grants & Revenues	1,187,787.25
Forefeitures	705,042.77
DEPARTMENT TOTAL	$1,952,681.96
Department Of Agriculture	
Teen Tobacco Education Fund	5,150.00
General Permits	4,727,763.07
Specialized License Plates	78,440.00
General Sales To Public	561.25
General Fees From Public	152,703.17
General Rentals To Oth St Agy	942,485.04
General Fees From Other St Agy	482,685.19
Fines	68,102.03

NAME OF ACCOUNT	ACTUAL RECEIPTS
Interest Income	1,911.09
Misc Private Grants & Gifts	25,000.00
Misc. Donations	42,279.60
Proceeds From Asset Dispositn	425,587.57
Other Receipts	655.89
Refund Of Prior Year Expend	11,111.57
DEPARTMENT TOTAL	$6,964,435.47
Attorney General	
Registration/Filing Fee	202,033.54
Legal Servs From Other St Agy	1,677,384.13
Rev From US Health & Hum Svs	(663.19)
Misc Private Grants & Gifts	5,000.00
Misc. Donations	2,500.00
Other Receipts	35,596,201.59
Other Deposits	15,829.88
Refund Of Prior Year Expend	6,687.58
DEPARTMENT TOTAL	$37,504,973.53
Auditor Of Public Accounts	
General Fees From Public	269,687.25
Fees For Acct&Aud Srv Frm/Publ	25,831.89
General Services To Public	(106,909.87)
Genl Servs To Other St Agy	1,150.00
Act/Aud Fees From Other St Agy	3,018,401.63
Auditing Fiscal Courts	834,484.27
Auditing Sheriffs Tax Setlmnts	1,287,506.41
Auditing Fee Officials	1,724,162.65
Other Receipts	5,494.59
Refund Of Prior Year Expend	1,820.12
DEPARTMENT TOTAL	$7,061,628.94
Governor's Office	
Other Receipts	30.00
DEPARTMENT TOTAL	$30.00
Department Of Veterans Affairs	
General Sales To Public	24,592.85
General Fees From Public	74,746.82

COMMONWEALTH OF KENTUCKY
AGENCY REVENUE FUND
DETAILED STATEMENT OF CASH TRANSACTIONS
FOR THE FISCAL YEAR ENDING JUNE 30, 2014

NAME OF ACCOUNT	BEGINNING BALANCE	COLLECTED REVENUE
Legislative Cabinet		
General Assembly		
GA Legislative Ethics Commission Fund	668,358.28	180,346.75
GA Long Term Policy Research Center Fund	46,672.70	378.46
GA Trans Fund	480,000.00	
DEPARTMENT TOTAL	$1,195,030.98	$180,725.21
Legislative Research Commission		
Legislative Research Commission Elect Fund	105,695.66	
Legislative Research Commission Gen Fund	46,897.94	
DEPARTMENT TOTAL	$152,593.60	
CABINET TOTAL	$1,347,624.58	$180,725.21
Judicial Cabinet		
Judicial Form Retirement System		
JFRS Admin Fund	171,537.62	
DEPARTMENT TOTAL	$171,537.62	
Judicial Department		
Circuit Clerks Fund	1,962,739.15	8,300,534.93
Civil Filing Fees		5,000,000.00
Court Services	7,764,422.75	10,870,940.85
Court Technology Fund	2,146,418.15	1,770,191.50
CourtNet		490,270.65
Drug Court Fund	3,110,443.06	1,889,050.68
Master Commissioner Fund	1,342,191.91	16,652,373.01
Pretrial Fund	95,773.75	246,752.30
Various Programs Fund	923,155.43	245,039.17
DEPARTMENT TOTAL	$17,345,144.20	$45,465,153.09
CABINET TOTAL	$17,516,681.82	$45,465,153.09
Cabinet of the General Government		
Unified Prosecutorial System		
Comm Atty Corrections Grant	13,319.00	
Commonwealth's Attorneys Other Local Grants	96,806.17	823,351.80
County Attorneys Local Funds Acount	91,838.52	364,435.45
UPS Co Atty Asset Forfeiture Fund	106,610.97	52,749.91
UPS Comm Atty Asset Forfeiture Fund	1,026,249.20	652,292.86

OTHER FIN SOURCES TRANS IN	EXPENDITURES	OTHER FIN USES TRANSFERS OUT	OTHER CASH	CASH BALANCE
				848,705.03
				47,051.16
				480,000.00
				$1,375,756.19
				105,695.66
				46,897.94
				$152,593.60
				$1,528,349.79
163,300.00	218,218.13			116,619.49
$163,300.00	$218,218.13			$116,619.49
	8,819,860.80			1,443,413.28
	5,000,000.00			
	10,360,614.56			8,274,749.04
	2,210,526.88			1,706,082.77
				490,270.65
	1,677,824.73			3,321,669.01
	16,870,454.54			1,124,110.38
	291,355.89			51,170.16
	181,248.93			986,945.67
	$45,411,886.33			$17,398,410.96
$163,300.00	$45,630,104.46			$17,515,030.45
				13,319.00
	758,810.56			161,347.41
	301,478.79			154,795.18
	69,140.46			90,220.42
	435,572.38			1,242,969.68

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EXHIBIT B

DEBT INFORMATION PERTAINING TO THE COMMONWEALTH OF KENTUCKY

COMMONWEALTH DEBT MANAGEMENT

Management

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

Structure

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

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

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

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

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

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

Default Record

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

TABLE I
ACTIVE DEBT ISSUING ENTITIES

ENTITY	STATUTORY AUTHORITY/PURPOSE	DEBT LIMITATIONS	RATINGS*
State Property and Buildings Commission	**KRS 56.450** Provide financing for capital construction projects and financing programs approved by the General Assembly.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	Aa3/A/A+
Kentucky Asset/Liability Commission	**KRS 56.860** Provide financing of capital projects and cash flow borrowings to meet working capital needs of the state.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly, exclusive of cash flow borrowings within a fiscal year.	Varies
Turnpike Authority of Kentucky	**KRS 175.410-175.990** Construct, maintain, repair, and operate Turnpike projects, resource recovery roads and economic development roads.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly	Aa2/AA/A+
The State Universities (consisting of nine)	**KRS 56.495** Construct educational buildings and housing and dining facilities.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	Varies
Kentucky Housing Corporation	**KRS 198A** Make low interest mortgage loans and construction loans to increase the supply of housing for low to moderate income residents of the State.	Limited to $ 5.0 billion of debt outstanding.	Aaa/AAA/NR
Kentucky Infrastructure Authority	**KRS 224A** Provide financial assistance to local governments for the construction or refinancing of infrastructure facilities and to provide loans to industries for construction of pollution control facilities.	Revolving Fund programs cannot incur debt without appropriation of debt service by the General Assembly. Without legislative approval, other programs are limited to debt outstanding of $500 million.	Aa3/A/A+ (Appropriation) Aaa/AAA/AAA (Leverage Loan)
Kentucky Higher Education Student Loan Corporation	**KRS 164A** Make guaranteed student loans to residents of the state to attend postsecondary institutions and to make loans to students attending postsecondary schools within the state.	Limited to $5.0 billion of debt outstanding.	Varies
School Facilities Construction Commission	**KRS 157.611-157.665** Assist local school districts with the financing and construction of school buildings. Finance the construction of vocational education facilities.	Cannot incur debt without appropriation of debt service by General Assembly.	Aa3
Kentucky Economic Development Finance	**KRS 154** Issue industrial revenue bonds on behalf of industries, hospitals, and commercial enterprises in the state. Provide low interest loans to developing businesses. Provide financing and tax credits to manufacturing entities expanding or locating facilities in the state.	None.	Varies
Kentucky Public Transportation Infrastructure Authority	**KRS 175B.005-175B.115** Facilitate construction, financing, operation, and oversight of significant transportation projects within the Commonwealth by entering into bi-state agreements and by creating bi-state authorities and project authorities.	Cannot incur debt without prior approval of projects by General Assembly.	Baa3//BBB-

* Ratings, where applicable, include Moody's, Standard & Poor's, and Fitch. Certain State Property and Buildings Commission Agency and Road Fund Revenue Bonds may have ratings different from those identified above.

<u>Notes</u>

- The Kentucky Infrastructure Authority's Governmental Agencies Program Revenue Bonds are rated "AA" by Standard & Poor's and are backed by the loans of the borrowers. The Kentucky Infrastructure Authority's Wastewater and Drinking Water Revolving Fund Revenue Bonds Series 2010A and Series 2012A are rated "Aaa/AAA/AAA" by Moody's, Standard & Poor's and Fitch, respectively.
- On February 18, 2014, Moody's downgraded certain stand-alone GARVEEs, issued by the Kentucky Asset/Liability Commission, backed by appropriations from the Federal Highway Trust Fund from "Aa3" to "A1" with a negative outlook. On June 16, 2014, Moody's downgraded certain GARVEEs, issued by the Kentucky Asset/Liability Commission, backed by appropriations from the Federal Highway Trust Fund from "A1" to "A2" and changed the outlook from negative to stable.
- On June 15, 2015, Standard & Poor's downgraded the Turnpike Authority of Kentucky's Road Fund appropriation-supported obligations from "AA+" to "AA" and changed the outlook from Stable to Negative.
- On September 3, 2015, Standard & Poor's downgraded the Commonwealth's issuer credit rating to "A+" from "AA-" and its rating on the Commonwealth's appropriation debt to "A" from "A+". At the same time, Standard & Poor's has lowered its rating on debt backed by the commonwealth state intercept programs for schools and university to "A" from "A+" and on lease debt issued by various Kentucky county public property corporations backed by the appropriations from Administrative Office of the Courts to "A-" from "A". The outlook for all is stable.

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EXHIBIT C
PROJECTS FOR THE BENEFIT OF THE
COMMONWEALTH OF KENTUCKY
FINANCED UNDER PUBLIC PRIVATE PARTNERSHIP

Overview

The Commonwealth of Kentucky has financed two capital construction projects through the Public-Private Partnership ("P3") structure as of September 1, 2015. The Commonwealth of Kentucky State Office Building project was financed through the issuance of $68,757,000 tax-exempt Certificates of Participation ("COPs"). The Next Generation-Kentucky Information Highway project was funded from proceeds of a conduit issue of $231,950,000 of tax-exempt senior bonds, $57,996,000 of taxable senior bonds and $15,229,110 of subordinate bonds via the Kentucky Economic Development Finance Authority ("KEDFA").

Due to varying factors, including but not limited to, political hurdles, fiscal environment challenges, project complexities, and the sheer size of need between varying sectors, the nation has been faced with the challenge to update fundamental, yet aging, infrastructure nationwide. For these reasons, state and local governments, including the Commonwealth, are driven to explore alternative means for procurement and delivery of such projects. This exploration has resulted in P3 structures being utilized on specific projects, as a viable method versus traditional public sector financing to design, build and operate required infrastructure projects in aspects of risk sharing, innovation and value to the taxpayer.

For a brief summary of P3 projects undertaken by the Commonwealth, please see "Table I, Active Public Private Partnerships," or read each project's description below.

Commonwealth P3 Projects

Commonwealth of Kentucky State Office Building project. The Certificates of Participation, Series 2015 (Commonwealth of Kentucky State Office Building project) closed on April 29, 2015. The proceeds of the Series 2015 Certificates provide funds to construct, install, and equip an office building consisting of approximately 371,160 square feet in Frankfort, Kentucky. The office building is designed to accommodate 1,400 workers which will be displaced due to the termination of a lease on privately owned office space used by Commonwealth agencies. Construction commenced in March 2015 and as of September 1, 2015, was approximately 35-40% complete and on schedule.

Under a "Design/Build/Finance/Operate/Maintain" structure, the Commonwealth's Department of Facilities Management issued a request for proposals for construction of the office building. The Commonwealth transferred state-owned property at Sower Boulevard, Frankfort, Kentucky to the winning proposer, CRM/D.W. Wilburn, a single-purpose Kentucky limited liability corporation comprised of a contract developer and contractor, and executed both a management contract and facilities lease (i.e. ease to purchase) agreement. Under the management contract, the building will be managed by the developer upon completion of the project. Additionally, the lease allows the Commonwealth to use and occupy the building subject to proper management and the payment of periodic lease payments, which consists of base rent and additional rent. The Commonwealth maintains an option to purchase.

The Series 2015 COPs are payable solely from the revenues to be derived from the rental payments of the Finance and Administration Cabinet under the lease and are additionally secured by a letter of credit provided by KeyBank National Association, which will be effective through and including the earlier of occupancy or June 15, 2017.

The complete Official Statement for the Commonwealth State Office Building project may be obtained from the NRMSIR and can be found on the Internet at:

http://emma.msrb.org/ER1080545.pdf

Next Generation Kentucky Information Highway project. The Kentucky Economic Development Finance Authority Senior Revenue Bonds (Next Generation Kentucky Information Highway project) closed on September 3, 2015. The proceeds of the bonds provide a loan to a non-profit project borrower for the purpose of paying a portion of the costs of the design, development and construction of the Next Generation Kentucky Information Highway ("NG-KIH") System. The statewide network, consisting of electronic equipment, fiber cable, outside plant installations, building facilities, interface equipment, network services and customer service is designed to upgrade the services available to its core users, as well as develop a state-wide middle-mile network with excess capacity that could deliver reliable, high-speed internet connectivity throughout Kentucky to stimulate economic activity.

Under a "Design/Build/Finance/Operate/Maintain" structure, the Commonwealth determined to develop the NG-KIH System and then entered into a project agreement with the project borrower. The Commonwealth granted the borrower an exclusive right to design, construct, finance, operate and maintain the system in return for payments by the Commonwealth in the form of a milestone payment, a designated equipment payment and availability payments.

The borrower's primary source of revenue is the receipt of availability payments, and in certain circumstances a termination payment, made by the Commonwealth to the borrower under the project agreement. All payments to be made by the Commonwealth are subject to appropriation by the General Assembly.

The complete Official Statement for the Next Generation Kentucky Information Highway project may be obtained from the NRMSIR and can be found on the Internet at:

http://emma.msrb.org/ES965582.pdf

Default Record

The Commonwealth has never defaulted on any payments relative to its P3 obligation.

TABLE I
ACTIVE PUBLIC PRIVATE PARTNERSHIPS

PROJECT	Structure	Status	Principal Outstanding
Commonwealth of Kentucky State Office Building	Capital lease payments, consisting of base rent and additional rent, made pursuant to a facilities lease agreement under a 30-year, tax-exempt structure.	Project commenced in March 2015 and is under construction with substantial completion date of July 1, 2016.	$68,575,000
Next Generation - Kentucky Information Highway	Availability payments under a taxable, tax-exempt and subordinate structure for a 30-year term.	Project commenced in 2015 and will be completed late 2018.	$305,175,110

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EXHIBIT D

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

Purchases of 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. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry-only system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any 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 Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

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

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

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

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

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EXHIBIT E

FORM OF BOND COUNSEL OPINION FOR THE BONDS

[Date of Delivery]

Commonwealth of Kentucky
State Property and Buildings Commission
Frankfort, Kentucky 40601

Re: $20,075,000 Judicial Branch Agency Fund Revenue Bonds, Project No. 109

Ladies and Gentlemen:

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 Judicial Branch Agency Fund Revenue Bonds, Project No. 109 in the aggregate principal amount of $20,075,000 (the "Bonds"), dated the date hereof. The Bonds are being issued at the request of the Administrative Office of the Courts (the "State Agency"), 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 Chapter 56 and Sections 58.010 to 58.140 of the Kentucky Revised Statutes (collectively, the "Act") and in accordance with the bond resolution of the Commission adopted on August 11, 2015 (the "Resolution") for the purpose of (i) paying the costs of the Project as defined in the Resolution (the "Project") and (ii) paying the costs of issuing the Bonds. The Project has been leased by the Commission to the State Agency, pursuant to a Lease Agreement dated as of October 1, 2015 (the "Lease").

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 original 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 on certificates of officials of the Commonwealth, the Commission and the State Agency as to certain factual matters.

We have assumed the authenticity of all documents submitted to us as originals, the legal capacity of natural persons and the conformity to the originals of all documents submitted to us as copies. We have assumed that parties other than the Commission and the State Agency had the requisite power and authority to enter into and perform all obligations of all documents to which they are parties. We have assumed the due authorization by all requisite action, and the execution and delivery by such other parties of such documents, and the validity and binding effect thereof on such other parties. We have relied for purposes of the opinions set forth below on the representations and warranties made in such documents by all parties thereto.

Based on the foregoing, and in reliance thereon, and on the basis of our examination of such other matters of fact and questions of law as we have deemed relevant in the circumstances, it is our opinion, under the law existing on the date of this opinion, that:

1. The Commission is an independent agency and public body corporate 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.

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, special and limited 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 the revenues to be derived by the Commission from the Lease. A sufficient portion of the revenues have been pledged to pay the interest on and principal of the Bonds as the same become due.

4. The Lease has been duly authorized, executed and delivered by the State Agency. The Lease is the legal, valid and binding obligations of the State Agency. The Lease is enforceable in accordance with its terms.

5. 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 State Agency or any other agency or political subdivision of the Commonwealth.

6. The Bonds are not secured by a pledge of, or lien on, any 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 the revenues to be derived from the Lease. The ability of the State Agency to make payments under the Lease, is dependent on legislative appropriations to the State Agency. The Lease currently has a term ending June 30, 2016, with the right to renew the Lease for additional successive terms of two years each until the Bonds and the interest thereon have been paid and discharged.

7. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the Bonds is excludible 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.

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

9. 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 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.

In rendering our opinion as to the due authorization, execution and delivery of the Lease, we have relied on opinions of counsel to the State Agency.

Very truly yours,

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

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