Book-Entry-Only Ratings: See "Ratings" herein

NEW ISSUE

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

$5,840,000
COMMONWEALTH OF KENTUCKY
State Property and Buildings Commission
Agency Fund Revenue Bonds, Project No. 86

Dated: Date of delivery **Due: May 1, as shown below**

The Agency Fund Revenue Bonds, Project No. 86 (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 May 1 and November 1, commencing on May 1, 2006. Principal of, redemption premium, if any, 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 follows:

Maturity (May 1)	Principal Amount	Coupon	Price or Yield	Maturity (May 1)	Principal Amount	Coupon	Price or Yield
2007	$205,000	3.000%	3.060%	2016	$275,000	4.000%	100.00%
2008	210,000	3.000	3.140	2017	290,000	4.000	4.080
2009	215,000	3.125	3.260	2018	300,000	4.000	4.140
2010	225,000	3.250	3.380	2019	310,000	4.125	4.190
2011	230,000	3.375	3.500	2020	325,000	4.125	4.220
2012	240,000	3.500	3.610	2021	335,000	4.125	4.260
2013	250,000	3.625	3.710	2022	350,000	4.250	4.300
2014	255,000	3.750	3.810	2023	365,000	4.250	4.340
2015	265,000	3.875	3.910				

$1,195,000 4.250% Term Bonds due May 1, 2026, yield 4.408%.

The Bonds are subject to redemption prior to maturity, as described herein.

The Bonds are being issued by the State Property and Buildings Commission (the "Commission"), an independent agency of the Commonwealth of Kentucky (the "Commonwealth"), at the request of the Finance and Administration Cabinet of the Commonwealth (the "Cabinet") and the Kentucky State Fair Board (the "State Agency") pursuant to a Resolution adopted August 15, 2005 to (i) pay the costs of constructing, acquiring, installing and equipping the Project (as described and defined herein), (ii) make the required deposit in the Reserve Fund (as described and defined herein), and (iii) pay the costs of issuing the Bonds.

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Bonds. See "BOND INSURANCE" herein.

Ambac

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 WITH THE CABINET (DEFINED HEREIN) AND A BIENNIALLY RENEWABLE SUBLEASE WITH THE STATE AGENCY (DEFINED HEREIN), THE RENT FROM WHICH IS SUBJECT TO AGENCY FUND APPROPRIATION BY THE GENERAL ASSEMBLY OF THE COMMONWEALTH ON A BIENNIAL BASIS. THE BONDHOLDERS HAVE NO SECURITY INTEREST IN ANY PROPERTIES CONSTITUTING THE PROJECT OR ANY AMOUNTS DERIVED THEREFROM. See "SECURITY FOR THE BONDS" herein.

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to the approving legal opinion of Peck, Shaffer & Williams LLP, Covington, Kentucky, Bond Counsel. Certain legal matters will be passed on for the Underwriter by its counsel, Frost Brown Todd LLC, Louisville, Kentucky. It is expected that delivery of the Bonds will be made on or about September 14, 2005, in New York, New York, through the facilities of DTC, against payment therefor.

Citigroup **J.J.B. Hilliard, W.L. Lyons, Inc.**

Dated: August 24, 2005

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 Underwriter. No dealer, salesman or any other person has been authorized to give any information or to make any representation, other than those contained in this Official Statement, in connection with the offering contained herein, and, if given or made, such information or representation must not be relied upon as having been authorized by the Commonwealth of Kentucky or the Underwriter. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor the sale of any 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.

COMMONWEALTH OF KENTUCKY
STATE PROPERTY AND BUILDINGS COMMISSION

Members

ERNIE FLETCHER
Governor
(Chairman of the Commission)

STEPHEN B. PENCE
Lieutenant Governor

GREGORY D. STUMBO
Attorney General

R. B. RUDOLPH, JR.
Secretary
Finance and Administration Cabinet
(Executive Director of the Commission)

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

F. THOMAS HOWARD
Acting Executive Director
Office of Financial Management
(Secretary to the Commission)

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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 $5,840,000 Agency Fund Revenue Bonds, Project No. 86 (the "Bonds").

Authority The Bonds are being issued pursuant to the provisions of the Constitution and laws of the Commonwealth, including particularly Chapters 56 and 58 of the Kentucky Revised Statutes ("KRS") and a Resolution (the "Resolution") adopted by the Commission on August 15, 2005 (i) authorizing the issuance of the Bonds, (ii) approving a Lease dated as of September 1, 2005 (the "Lease"), between the Commission, as lessor and the Finance and Administration Cabinet of the Commonwealth (the "Cabinet"), as lessee and (iii) approving a Sublease dated as of September 1, 2005 (the "Sublease") between the Cabinet, as sublessor, and the Kentucky State Fair Board (the "State Agency"), as sublessee.

Use of Proceeds The Bonds are being issued to provide funds with which to (i) pay the costs of constructing, acquiring, installing and equipping the Project (as described and defined herein), (ii) make the required deposit in the Reserve Fund (as described and defined herein), 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 made by the State Agency to the Cabinet under the Sublease and by the Cabinet to the Commission under the Lease. See "SUMMARIES OF THE PRINCIPAL DOCUMENTS - The Lease and Sublease." The Bonds are further secured by amounts on deposit in the various funds and accounts established by the Resolution, including a debt service reserve fund (the "Reserve Fund"), into which will be deposited, from the proceeds of the Bonds, an amount equal to the maximum annual debt service requirement on the outstanding Bonds (the "Reserve Fund Requirement").

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 WITH THE CABINET AND A

BIENNIALLY RENEWABLE SUBLEASE WITH THE STATE AGENCY, THE RENT FROM WHICH IS SUBJECT TO AGENCY FUND APPROPRIATION BY THE GENERAL ASSEMBLY OF THE COMMONWEALTH ON A BIENNIAL BASIS. THE BONDHOLDERS HAVE NO SECURITY INTEREST IN ANY PROPERTIES CONSTITUTING THE PROJECT OR ANY AMOUNTS DERIVED THEREFROM.

Bond Insurance The scheduled payment of principal of and interest on the Bonds, when due, will be guaranteed under a financial guarantee insurance policy to be issued concurrently with the delivery of the Bonds by Ambac Assurance Corporation. See "BOND INSURANCE" 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 cover page hereof. The Bonds are issuable only as fully registered Bonds, without coupons. 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, premium, if any, and interest due on the Bonds will be made directly to DTC.

The Bonds will bear interest payable on each May 1 and November 1, commencing on May 1, 2006. Principal of, premium, if any, 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").

The Bonds maturing on or before May 1, 2015 are not subject to optional redemption prior to maturity. The Bonds maturing after May 1, 2015 are subject to redemption at the option of the Commission on or after May 1, 2015, in whole or in part at any time, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date fixed for redemption. The Term Bonds maturing on May 1, 2026 are subject to mandatory sinking fund redemption beginning in 2024. See "THE BONDS - Redemption Provisions."

It is expected that delivery of the Bonds will be made on or about September 14, 2005, in New York, New York, against payment therefor.

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

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

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

Information Information regarding the Bonds is available by contacting the Office of Financial Management, 702 Capitol Avenue, Suite 76, Frankfort, Kentucky 40601, (502) 564-2924; or, during the initial offering period, by contacting the representative of the Underwriter, Citigroup Global Markets Inc., 390 Greenwich Street, New York, New York 10013, (212) 723-7093.

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OFFICIAL STATEMENT
Relating to

$5,840,000
COMMONWEALTH OF KENTUCKY
State Property and Buildings Commission
Agency Fund Revenue Bonds, Project No. 86

INTRODUCTION

This Official Statement, including the cover page and the exhibits attached hereto, provides information in connection with the issuance and sale by the State Property and Buildings Commission (the "Commission"), an independent agency of the Commonwealth of Kentucky (the "Commonwealth"), of its $5,840,000 Agency Fund Revenue Bonds, Project No. 86 (the "Bonds") issued at the request of the Finance and Administration Cabinet of the Commonwealth (the "Cabinet") and the Kentucky State Fair Board (the "State Agency") to provide funds with which to (i) pay the costs of constructing, acquiring, installing and equipping the Project (as described and defined herein), (ii) make the required deposit in the Reserve Fund (as described and defined herein), 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 Resolution (the "Resolution") authorizing the issuance of the Bonds.

The Cabinet, as lessee, has entered into a Lease dated as of September 1, 2005, with the Commission, as lessor (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, 2006, and the Lease renews automatically (unless terminated in writing by the last business day of the preceding May by the Cabinet) for successive biennial periods to and including the biennial period which includes the final maturity of the Bonds. The Cabinet has subleased the Project to the State Agency under a Sublease dated as of September 1, 2005 (the "Sublease"). The initial period of the Sublease ends June 30, 2006, and the Sublease renews automatically (unless terminated in writing by the last business day in the preceding April by the State Agency) for successive biennial periods to and including the biennial period which includes the final maturity of the Bonds.

The Sublease requires the State Agency, for each biennial period of the Sublease, beginning July 1, 2006, to request legislative appropriations of "Agency Funds" in amounts sufficient to permit the State Agency to make rental payments to the Cabinet which amounts are required to be sufficient to pay principal of and interest on the Bonds. The Lease requires the Cabinet, for each biennial period during which Bonds are outstanding, to request legislative appropriations to the Cabinet in amounts which are sufficient to permit the Cabinet to make rental payments to the Commission in amounts sufficient to pay principal of and interest on the Bonds, but only to the extent adequate amounts are not received by the Cabinet from the State Agency under the Sublease to make such rental payments. THE KENTUCKY GENERAL ASSEMBLY HAS NOT APPROPRIATED ANY AMOUNTS TO THE CABINET TO MAKE THE RENT PAYMENTS UNDER THE LEASE. THE ONLY CURRENT SOURCE OF PAYMENTS OF PRINCIPAL OF AND INTEREST ON THE BONDS IS AMOUNTS RECEIVED BY THE CABINET FROM THE STATE AGENCY UNDER THE SUBLEASE. The Lease and Sublease provide that, if appropriations in amounts sufficient to pay principal of and interest on the Bonds are made directly to the Cabinet in future biennial periods, the Sublease will terminate.

The Commission has pledged to the payment of its obligations under the Resolution, payments to be received by the Commission from the Cabinet under the Lease, which equal amounts to be paid to the Cabinet by the State Agency under the Sublease. The Kentucky General Assembly has approved a budget for the State Agency having amounts projected to be sufficient to pay required rent under the Sublease, which will permit the Cabinet to pay the required rent under the Lease. The required rent payments are sufficient to meet principal and interest requirements on the Bonds through June 30, 2006. The State Agency has, in its budget request for the biennium ending June 30, 2006, included amounts projected to be sufficient to pay required rent under the Sublease through June 30, 2006.

Under the provisions of the Constitution of the Commonwealth, the Cabinet and the State Agency are prohibited from entering into financing obligations extending beyond the biennial budget. The proposed budgets for the Cabinet and the State Agency are submitted to the General Assembly of the Commonwealth every two years and are subject to the discretion and approval of each successive regular or extraordinary session of the General Assembly of the Commonwealth. There can be no assurance (i) that the Cabinet or 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 Cabinet or the State Agency to make rent payments under the Lease or the Sublease 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 only current source of funds for payment of rent under the Lease is rent received by the Cabinet from the State Agency under the Sublease. No funds have been appropriated directly to the Cabinet to enable the Cabinet to pay rent under the Lease.

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

In addition to amounts to be received by the Commission as rent under the Lease, a debt service reserve fund (the "Reserve Fund") has been established under the Resolution as further security for the Bonds. The Reserve Fund will be held by the Trustee (defined below). The Commission is required to maintain an amount equal to the maximum annual debt service requirement on the outstanding Bonds (the "Reserve Fund Requirement") on deposit in the Reserve Fund. If amounts on deposit in the Reserve Fund are less than the Reserve Fund Requirement, the Cabinet and the State Agency are required to pay additional rent, under the Lease and Sublease, respectively, until the amount in the Reserve Fund equals the Reserve Fund Requirement. The Cabinet has covenanted to seek a General Fund appropriation at each future session of the General Assembly if the State Agency fails to pay rent and additional rent under the Sublease that is sufficient to pay rent and additional rent under the Lease. Bond proceeds in an amount equal to the Reserve Fund Requirement will be deposited in the Reserve Fund. Notwithstanding the foregoing, if the General Assembly appropriates, directly to the Cabinet, amounts from the General Fund that are sufficient to pay all rent and additional rent under the Lease (other than as a result of a default of the State Agency under the Sublease), the Reserve Fund Requirement will be eliminated.

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

The scheduled payment of the principal of and interest on the Bonds, when due, will be guaranteed under a municipal bond insurance policy (the "Financial Guaranty Insurance Policy") to be issued concurrently with the delivery of the Bonds by Ambac Assurance Corporation (the "Bond Insurer"). See "BOND INSURANCE" herein.

Brief descriptions of the Commonwealth, the Commission, the State Agency, the Resolution, the Bonds, the Lease, the Sublease, the Project and the Cabinet 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.

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 May 1 and November 1, commencing May 1, 2006, at the interest rates set forth on the cover page of this Official Statement. U.S. Bank National Association, Louisville, Kentucky, is the trustee for the Bonds (the "Trustee").

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 described in EXHIBIT C, 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 C - Book-Entry-Only System."

Redemption Provisions

Optional Redemption. The Bonds maturing on or before May 1, 2015 are not subject to optional redemption prior to maturity. The Bonds maturing after May 1, 2015 are subject to redemption at the option of the Commission on or after May 1, 2015, in whole or in part at any time, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption. The Term Bonds maturing on May 1, 2026 are subject to mandatory sinking fund redemption from mandatory sinking fund installments in part by lot on May 1 of the years and at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date fixed for redemption, as set forth below:

Redemption Dates (Year)	Principal Amount
2024	$380,000
2025	400,000
2026	415,000*

* Final Maturity

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

The Trustee also shall send a copy of such notice by registered or certified mail, overnight delivery service or electronic means for receipt not less than thirty-two (32) days before such redemption date to DTC, and at least two (2) national information services that disseminate notices of redemption of obligations such as the Bonds; provided however, that such mailing shall not be a condition precedent to such redemption and failure to mail any such notice shall not affect the validity of any proceedings for the redemption of Bonds.

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

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

SECURITY FOR THE BONDS

The Commission has pledged to the payment of its obligations under the Resolution payments to be received by the Commission from the Cabinet pursuant to the Lease, which payments will be received by the Cabinet from the State Agency under the Sublease. The Kentucky General Assembly has approved a budget for the State Agency having amounts projected to be sufficient to pay required rent under the Sublease through June 30, 2006. No funds have been appropriated directly to the Cabinet to enable the Cabinet to pay rent under the Lease. The required rent payments are sufficient to meet principal and interest requirements on the Bonds through June 30, 2006. The Lease will be automatically renewed unless written notice of the election by the Cabinet to not so renew is given to the Commission by the last business day of May prior to the beginning of the next succeeding biennial renewal term and the Sublease will be automatically renewed unless written notice of the election by the State Agency to not so renew is given to the Cabinet by the last business day of April prior to the beginning of the next succeeding biennial renewal term.

The proposed budgets for the Cabinet and the State Agency are submitted to the General Assembly of the Commonwealth every two years and are subject to the discretion and approval of each successive regular or extraordinary session of the General Assembly of the Commonwealth. There can be no assurance (i) that the Cabinet or 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 Cabinet or the State Agency to make rent payments under the Lease or the Sublease 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 only current source of funds for payment of rent under the Lease is rent received by the Cabinet from the State Agency under the Sublease.

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

The Bonds are also secured by certain other funds and accounts pledged therefor and described in the Resolution, including the Reserve Fund. Except as described below, the Commission is required to maintain (i) an amount equal to the Reserve Fund Requirement on deposit in the Reserve Fund or (ii) a Reserve Fund Facility in an amount equal to the Reserve Fund Requirement, as described under "SUMMARIES OF THE PRINCIPAL DOCUMENTS – The Resolution" herein. If amounts on deposit in the Reserve Fund are less than the Reserve Fund Requirement, the Cabinet and the State Agency are required to pay additional rent, under the Lease and Sublease, respectively, until the amount in the Reserve Fund equals the Reserve Fund Requirement. Although no funds have been appropriated from the General Fund to the Cabinet for the payment of rent or additional rent under the Lease, the Cabinet has covenanted in the Lease that it will seek a General Fund appropriation at each successive session of the General Assembly to pay any rent or additional rent if amounts received under the Sublease are not adequate for such purpose. Bond proceeds in an amount equal to the Reserve Fund Requirement will be deposited in the Reserve Fund. Notwithstanding the foregoing, if the General Assembly appropriates amounts from the General Fund to the Cabinet that are sufficient to pay all rent and additional rent under the Lease, other than as a result of a default of the State Agency under the Sublease, so that the receipt of rent and additional rent under the Sublease is not required to pay such amounts under the Lease, the Reserve Fund Requirement will be eliminated.

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

The Commission had outstanding bonds in the aggregate principal amount of $2,148,598,460 as of June 30, 2005. Included in that amount is $53,350,000 outstanding for the Commission's Agency Fund Revenue Bonds, Project No. 81 which are also supported by the State Agency. The Commission has further committed to issue its Revenue Bonds, Project No. 85 in the amount of $218,275,000 (the "Project No. 85 Bonds"), which are expected to be issued simultaneously with the delivery of the Bonds. Upon the issuance of the Bonds and the Project No. 85 Bonds, the Commission will have a total of $2,372,713,460 aggregate principal amount of bonds outstanding.

The scheduled payment of principal of and interest on the Bonds, when due, will be guaranteed under a financial guaranty insurance policy on the Bonds to be issued concurrently with the delivery of the Bonds by the Bond Insurer. See "BOND INSURANCE" and EXHIBIT E.

BOND INSURANCE

The following information has been furnished by Ambac Assurance Corporation (the "Bond Insurer" or "Ambac Assurance") for use in this Official Statement. Reference is made to EXHIBIT E for a specimen of Ambac Assurance's financial guaranty insurance policy.

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the Bonds to be effective as of the date of issuance of the Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Obligations and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates, in the case of principal, and on stated dates for payment, in the case of interest. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.

2. payment of any redemption, prepayment or acceleration premium.

3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Bond and will be fully subrogated to the surrendering Holder's rights to payment.

Ambac Assurance Corporation

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately $8,720,000,000 (unaudited) and statutory capital of approximately $5,287,000,000 (unaudited) as of June 30, 2005. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Bonds.

Ambac Assurance makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "BOND INSURANCE".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 and filed on March 15, 2005;

2. The Company's Current Report on Form 8-K dated April 5, 2005 and filed on April 11, 2005;

3. The Company's Current Report on Form 8-K dated and filed on April 20, 2005;

4. The Company's Current Report on Form 8-K dated May 3 and filed on May 5, 2005;

5. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2005 and filed on May 10, 2005;

6. The Company's Current Report on Form 8-K dated and filed on July 20, 2005;

7. The Company's Current Report on Form 8-K dated July 28, 2005 and filed on August 2, 2005; and

8. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2005 and filed on August 9, 2005.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information".

SOURCES AND USES OF FUNDS FOR THE BONDS

The following table sets forth the application of the proceeds of the Bonds.

SOURCES OF FUNDS:	
Par Amount of Bonds	$5,840,000.00
Less: Net Original Issue Discount	(57,849.55)
TOTAL SOURCES	$5,782,150.45
USES OF FUNDS:	
Deposit to Construction Fund*	$5,229,265.93
Deposit to Reserve Fund	434,787.50
Costs of Issuance**	118,097.02
TOTAL USES	$5,782,150.45

* Includes $229,265.93 in capitalized interest to pay interest on the Bonds through November, 2006.
** Includes underwriters' discount and fees of the trustee and counsel and other costs of issuance including bond insurance.

THE PROJECT

The Project consists of an East Wing renovation of the Kentucky Fair & Exposition Center located in Louisville, Kentucky, and operated by the State Agency. The Kentucky Fair & Exposition Center is the home of the Kentucky State Fair, and also serves as a multi-purpose and convention center facility. The East Wing's 216,000 square feet of exhibit area will be renovated to mirror the South Wing Complex and a major new lobby will be constructed to connect all of the public spaces including Freedom Hall. The Bonds will provide for the initial funding of the $55 million Design East Wing/Hall Renovation Project. The project also has General Fund bond authorization. The Commission will finance the Agency Fund share of the Project on behalf of the State Agency pursuant to the Lease and the Sublease.

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) and the Secretary of the Cabinet for Economic Development. 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 the Cabinet, to finance the acquisition of real estate and the construction and equipping of building projects and other public projects for any agency of the Commonwealth.

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

Future Financings

The 2005 Kentucky General Assembly authorized debt financing for projects totaling $2,056,315,300 to support various capital initiatives of the Commonwealth. Of the total authorization, $1,204,589,300 is General Fund supported, $251,726,000 is Agency Restricted Fund supported, $450,000,000 is Road Fund supported and $150,000,000 is Federal Highway Trust Fund supported (Grant Anticipation Revenue Vehicle Bonds). This authorization is in addition to the authority to issue refunding bonds to refund outstanding issues. It is anticipated that the projects will be funded in whole or in part prior to June 30, 2006. The Kentucky General Assembly may authorize debt financing to support various capital initiatives of the Commonwealth in future budgets.

THE FINANCE AND ADMINISTRATION CABINET

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

Senate Bill 49 of the 2005 General Assembly reorganized the Finance and Administration Cabinet to assume the responsibilities of the former Revenue Cabinet and the Governor's Office of Technology. In addition to the newly assumed responsibilities, Cabinet functions include, (1) coordination and supervision of the fiscal affairs and fiscal procedures of the Commonwealth; (2) accounting, fiscal reporting and auditing of Commonwealth accounts; (3) purchasing, storekeeping and control of property and stores; (4) the construction, maintenance and operation of public buildings, except those provided for the exclusive use of certain agencies; (5) providing administrative services of a financial nature to other agencies of state government; (6) the investment and management of all Commonwealth funds other than pension funds; and (7) oversight of the issuance and management of all debt incurred in the name of the Commonwealth or any agency thereof.

THE STATE AGENCY

General Information on the State Agency

The Kentucky State Fair Board was established in 1938, at which time it took on the responsibility for managing the annual Kentucky State Fair. In 1950, the State Agency undertook construction of the Kentucky Fair & Exposition Center, one of the largest exposition facilities of its kind at that time, located in Louisville, Kentucky, and managed by the State Agency. Since its initial construction, the State Agency has expanded the Kentucky Fair & Exposition Center many times. The Project is a renovation of that facility. See "THE PROJECT" herein. The State Agency also manages the Kentucky International Convention Center located in Louisville, Kentucky.

The State Agency is charged with stimulating the public interest in the Commonwealth by providing the Kentucky Fair & Exposition Center and the Kentucky International Convention Center for exhibitions, conventions, trade shows, public gatherings, cultural activities and other functions, thereby promoting the tourism industry and economy of the Commonwealth while serving the entertainment, cultural and educational interests of the public. The Kentucky Fair & Exposition Center includes arenas and theaters, such as Freedom Hall, Cardinal Stadium, Broadbent Arena and New Market Hall, and exhibit halls and convention center space. Annual events at the Kentucky Fair & Exposition Center include the Kentucky State Fair, the National Farm Machinery Show, the North American International Livestock Convention and many other conventions and events.

The State Agency consists of fifteen (15) members, including the Governor, the Commissioner of Agriculture, the Dean of the College of Agriculture at the University of Kentucky and twelve (12) members appointed by the Governor from throughout the Commonwealth.

The audited financial statements of the State Agency for Fiscal Years 2004 and 2003 are set forth in EXHIBIT A attached to and made a part of this Official Statement.

Agency Fund Appropriations

The budget of the Commonwealth is required to include all fund sources, which include General Funds, Road Funds, Federal Funds and Agency Funds. 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. Agency Funds of the State Agency are described in its financial statements included in EXHIBIT A.

The State Agency has agreed to include an amount for rent under the Sublease in each budget request. Payments of rent related to the Bonds may only be made from Agency Funds available to the State Agency.

The Kentucky General Assembly has approved the budget for the State Agency having amounts projected to be sufficient to enable the State Agency to pay required rents through June 30, 2006. The required rent payments are sufficient to meet principal and interest requirements on the Bonds through June 30, 2006.

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 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 Sublease will be automatically renewed unless written notice of the election by the State Agency to not so renew is given to the Cabinet by the last business day of April 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 Commonwealth's economy in many ways resembles a scaled-down version of the U.S. economy in its diversity. The Kentucky economy, once dominated by coal, horses, bourbon and tobacco has become a diversified modern economy including manufacturing of industrial machinery, automobiles and automobile parts and consumer appliances. In addition, Kentucky's nonmanufacturing industries have grown considerably in recent years, with strong gains in air transportation, health and business services, and retail trade. The Commonwealth's parks, horse breeding and racing industry, symbolized by the Kentucky Derby, play an important role in expanding the tourism industry in the Commonwealth.

Financial Information Regarding the Commonwealth

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

The Commonwealth annually publishes *The Kentucky Comprehensive Annual Financial Report* with respect to the Fiscal Year of the Commonwealth most recently ended. The *Kentucky Comprehensive Annual Financial Report* includes certain financial statements of the Commonwealth as well as general financial information pertaining to the Accounting System and Budgetary Controls, 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 Kentucky Comprehensive Annual Financial Report* includes information on Commonwealth revenue sources, Commonwealth expenditures by function, taxes and tax sources, taxable property, assessed and estimated values, property tax, levies and collections, demographic statistics (population, per capita income and unemployment rate), construction and bank deposits, sources of personal income and largest Commonwealth manufacturers.

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

The Kentucky Comprehensive Annual Financial Report for Fiscal Year 2004 is incorporated herein by reference. The Commonwealth has filed *The Kentucky Comprehensive Annual Financial Report* for Fiscal Year 2004 with the following Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs") in accordance with SEC Rule 15c2-12:

(i) Bloomberg Municipal Repositories
100 Business Park Drive
Skillman, New Jersey 08558
Internet: munis@bloomberg.com
Tel: (609) 279-3225
Fax: (609) 279-5962

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

(iii) Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, New York 10041
Internet: nrmsir_repository@sandp.com
Tel: (212) 770-4595
Fax: (212) 770-7994

(iv) FT Interactive Data
Attn: NRMSIR
100 Williams Street
New York, New York 10038
Internet: nrmsir@ftid.com
Tel: (212) 771-6899
Fax: (212) 771-7390 (Secondary Market Information)
(212) 771-7391 (Primary Market Information)
Website: http://www.InteractiveData.com

A copy of *The Kentucky Comprehensive Annual Financial Report* for Fiscal Year 2004 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 Kentucky Comprehensive Annual Financial Report* for Fiscal Year 2004 and certain other fiscal years may be found on the Internet at:

http://finance.ky.gov/ourcabinet/caboff/ooc/cafr.htm

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 in order to enable the purchaser of the Bonds to comply with the provisions of Rule 15c2-12. See "CONTINUING DISCLOSURE AGREEMENT" herein. In addition, ongoing financial disclosure regarding the Commonwealth will be available through the filing by the Commonwealth of two documents entitled *The Kentucky Comprehensive Annual Financial Report* and *Supplementary Information to the Kentucky Comprehensive Annual Financial Report* (or successor reports) with the NRMSIRs 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 each of the last two even numbered years, the regular legislative session of the General Assembly adjourned without adoption of a State Budget. On both occasions, the Governor signed Executive Orders authorizing the Secretary of the Finance and Administration Cabinet to issue warrants for the payment of all claims made by the Executive Branch of government in accordance with a Public Services Continuation Plan providing for the continued operation of state government in the absence of a legislatively adopted State Budget (the "Continuation Plan"). The Continuation Plans provided full spending authority for the total debt service payments. In both cases, the Kentucky General Assembly enacted a State Budget in March of the following odd numbered year, which incorporated the Continuation Plans and appropriated funds for the remainder of the biennium.

Fiscal Year 2003

The Commonwealth began Fiscal Year 2003 without a legislatively enacted budget for the Executive branch of government and operated under an Executive Spending Plan implemented by an Executive Order of the Governor. In the General Assembly's 2003 Regular Session, which concluded on

March 25, 2003, the legislature enacted House Bill 269, which included a budget for the Executive branch of government for the 2003-2004 biennium. The General Assembly also passed separate legislation that effectively ratified all amounts previously spent under the Executive Spending Plan.

The Commonwealth's Government-Wide Financial Statements provide a broad view of the state's operations in a manner similar to a private-sector business. The Commonwealth's combined net assets (governmental and business-type activities) totaled $16.2 billion at the end of 2003, as compared to $15.4 billion at the end of the previous year. Over time, net assets may serve as a useful indicator of a government's financial position.

The largest portion of the Commonwealth's net assets $16.6 billion reflects its investment in capital assets (e.g. land, infrastructure, buildings and improvements and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Commonwealth uses these capital assets to provide services to its citizens; therefore, these assets are not available for future spending.

An additional portion of the Commonwealth's net assets $1.65 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 which, if positive could be used at the Commonwealth's discretion, showed a negative balance of $(2.06) billion. Therefore, no funds were 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 $7.7 billion and general revenues of $8.1 billion for total revenues of $15.8 billion during Fiscal Year 2003. Expenses for the Commonwealth during Fiscal Year 2003 were $15 billion, which resulted in a total increase of the Commonwealth's net assets in the amount of $770 million, net of contributions, transfers and special items.

During the fiscal year, the net assets of governmental activities increased by $724 million or 4.6 percent. Approximately 57 percent of the governmental activities' total revenue came from taxes, while 43 percent resulted from grants and contributions (including federal aid). Overall, program revenues were insufficient to cover program expenses for governmental activities. The net program expenses of these governmental activities were therefore supported by general revenues, mainly taxes.

The focus of the Commonwealth's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Commonwealth's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of a Fiscal Year.

At the end of the fiscal year, the Commonwealth's governmental funds reported combined ending fund balances of $2.16 billion, a decrease of $196 million in comparison with the prior year. Just over two-thirds ($1.47 billion or 68 percent) of this total amount constitutes unreserved fund balance, which is available for spending in the coming year. The remainder of fund balance is reserved to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the Commonwealth. At the end of the fiscal year, the total fund balance reached $298 million, with an unreserved balance of $184 million. This compares to a General Fund unreserved balance of $(36) million as of June 30, 2002. An unreserved fund balance represents the excess of the assets of the General Fund over its liabilities and reserved fund balance accounts. Reservations of fund balances of governmental funds represent amounts that are not available for appropriation. Examples of fund balance reservations reported include reserves for encumbrances, inventories and capital outlay.

The fund balance of the Commonwealth's General Fund increased by $214 million during the fiscal year. This is a 253 percent increase from the prior year. The increase is the result of spending reduction efforts, lapses of appropriations, and an increased number of interfund transfers-in.

The Transportation Fund balance at June 30, 2003 totaled $439 million, a decrease of $114 million during the fiscal year. The decrease primarily relates to an accelerated program for the construction of road projects.

The Commonwealth of Kentucky's bonded debt decreased by $240 million to $3,165,223,000, a seven percent decrease during the fiscal year. No general obligation bonds were authorized or outstanding at June 30, 2003. The key factor in this decrease was the payment of principal on bonds outstanding and the absence of any new money bonds issued during Fiscal Year 2003.

Fiscal Year 2004

The Commonwealth's Government-Wide Financial Statements provide a broad view of the state's operations in a manner similar to a private-sector business. The Commonwealth's combined net assets (governmental and business-type activities) totaled $16.6 billion at the end of 2004, as compared to $16.2 billion at the end of the previous year.

At $17.4 billion, the largest portion of the Commonwealth's net assets is invested in capital assets (e.g. land, infrastructures, buildings and improvements and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. 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 $1.38 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, which if positive could be used at the Commonwealth's discretion, showed a negative balance of $2.2 billion. Therefore, no funds were 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 $7.3 billion and general revenues of $8.5 billion for total revenues of $15.8 billion during Fiscal Year 2004. Expenses for the Commonwealth during Fiscal Year 2004 were $15.5 billion, which resulted in a total increase of the Commonwealth's net assets in the amount of $311 million, net of contributions, transfers and special items.

During the fiscal year, the net assets of governmental activities increased by $344 million or 2.10 percent. Approximately 54 percent of the governmental activities' total revenue came from taxes, while 35 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.

The focus of the Commonwealth's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Commonwealth's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of a Fiscal Year.

At the end of the fiscal year, the Commonwealth's governmental funds reported combined ending fund balances of $2.03 billion, a decrease of $74 million in comparison with the prior year. Approximately half ($999 million or 49 percent) of this total amount constitutes unreserved fund balance, which is available for spending in the coming year. The remainder of fund balance is reserved to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the Commonwealth. At the end of the fiscal year, total fund balance reached $389 million, with an unreserved balance of $304 million. This compares to a General Fund unreserved balance of $184 million as of June 30, 2003. An unreserved fund balance represents the excess of the assets of the General Fund over its liabilities and reserved fund balance accounts. Reservations of fund balances of governmental funds represent amounts that are not available for appropriation. Examples of fund balance reservations reported include reserves for encumbrances, inventories and capital outlay.

The fund balance of the Commonwealth's General Fund increased by $94 million during the fiscal year. This is a 31.4 percent increase in net assets from the prior year. The increase is the result of spending reduction efforts, lapses of appropriations, and an increased number of interfund transfers-in.

The Transportation Fund balance at June 30, 2004 totaled $228 million, a decrease of $207 million during the fiscal year. The decrease primarily relates to an accelerated program for the construction of road projects.

The Commonwealth of Kentucky's bonded debt increased by $60 million to $3,225,431,000, a 1.90 percent increase during the fiscal year. No general obligation bonds were authorized or outstanding at June 30, 2004. The key factor in this increase was the issuance of new debt during Fiscal Year 2004.

Fiscal Year 2005 (Unaudited)

The Commonwealth began Fiscal Year 2005 without a legislatively enacted budget for the Executive branch of government and operated under quarterly Public Services Continuation Plans implemented by Executive Orders of the Governor. In the General Assembly's 2005 Regular Session, which concluded on March 22, 2005, the legislature enacted House Bill 267 (the "Budget Bill"), which included a budget for the Executive branch of government for the 2005-2006 biennium and effectively ratified all amounts previously spent under the Public Services Continuation Plans.

Fiscal Year 2005 General Fund revenues totaled $7,645.0 million versus $6,997.6 million for the prior fiscal year, which represents an increase of 9.6 percent. Actual revenues for Fiscal Year 2005 were $195.1 million above the official revenue estimate on which the Budget Bill was based. Most major taxes exhibited across-the-board growth. Sales and use tax grew 6.0 percent ($147.4 million), the highest growth rate since 1996. Individual income taxes increased 8.6 percent ($239.9 million), while corporate income taxes increased by a sharp 57.8 percent ($175.3 million) due primarily to lower refund payments. Coal severance taxes rose 25 percent ($36.9 million) due to strong energy markets. Property tax receipts grew 5.3 percent ($23.8 million), while the lottery fell 7.2 percent ($12.5 million). Cigarette tax receipts rose 97.1 percent ($16.5 million) in the last month due to an increase in the rate of the tobacco tax and the imposition of a one-time floor stock tax as of May 31, 2005. Per pack taxes increased from 3 cents to 30 cents per pack. The ending General Fund undesignated balance was $468.8 million, which is $214.3 million above the budgeted undesignated balance. $90.6 million of the undesignated balance will be deposited in the Budget Reserve Trust Fund, bringing the balance in the Fund to 1.5 percent of the estimated General Fund revenues in the Budget Bill for Fiscal Year 2006.

Fiscal Year 2006 (Unaudited)

On August 10, 2005, the Consensus Forecasting Group (the "Group") made a preliminary planning estimate for the Fiscal Year 2006 General Fund revenues of $8,151.6 million, an increase of $325.8 million over the estimate used in the Budget Bill. The Fiscal Year 2006 General Fund revenue estimate assumes 6.6 percent growth over the actual Fiscal Year 2005 General Fund revenues. These estimates exclude Phase I Tobacco Settlement Agreement ("MSA") payments, expected to be $108.6 million in Fiscal Year 2006. The MSA estimate remains unchanged from prior estimates.

July 2005 receipts were $596.8 million versus $546.9 million in July 2004, which represents an increase of 9.1 percent. There was solid growth in most of the major categories with sales and use up $12.3 million or 5.5 percent, while individual income tax collections were up $13.8 million or 6.2 percent as compared to July 2004 collections. Cigarette taxes and the floor stock tax provided an additional $17.6 million, which resulted from tax law changes authorized in the last session of the General Assembly. Coal severance was up $3.7 million or 26 percent due to continued strength in the energy sector. Lottery payments were down $2 million versus last year.

Investment Policy

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

At June 30, 2005, the Commonwealth's operating portfolio was approximately $3.4 billion in cash and securities. The composition of investments was as follows: U.S. treasury securities (11%); securities issued by agencies, corporations and instrumentalities of the United States Government, including mortgage backed securities and collateralized mortgage obligations (29%); repurchase agreements collateralized by the aforementioned (23%); municipal securities (5%); and corporate and asset backed securities, including money market securities (32%). The portfolio had a current yield of 3.19% and an effective duration of 0.85 years.

The Commonwealth's investments are currently categorized into three investment pools: Short-term, Intermediate-term and Bond Proceeds Pools. The purpose of these pools is to provide economies of scale that enhance yield, ease administration and increase accountability and control. The Short-term Pool consists primarily of General Fund and related accounts and provides liquidity to the remaining pools. The Intermediate-term Pool represents Agency Fund investments, state held component unit funds and fiduciary fund accounts held for the benefit of others by the Commonwealth. The Bond Proceeds Pool is where bond proceeds for capital construction projects are deposited until expended for their intended purpose.

The Commonwealth engages in selective derivative transactions. These transactions are entered into only with an abundance of caution and for specific hedge applications to minimize yield volatility in the portfolio. The State Investment Commission expressly prohibits the use of margin or other leveraging techniques. The Commonwealth executes a variety of transactions which may be considered derivative transactions, 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 used over-the-counter treasury options since the mid-1980s to hedge and add value to the portfolio of treasury securities. These transactions involve the purchase and sale of put and call options on a covered basis, holding either cash or securities sufficient to meet the obligation should it be exercised. The State Investment Commission limits the total option commitment to no more than twenty percent of the total portfolio of treasury and agency securities. Historically, actual commitments have been less than ten percent of the portfolio.

The Commonwealth has had a securities lending program since the mid-1980s. The 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 lends the Commonwealth's treasuries and agencies, takes the cash received from the loan and invests it in securities authorized for purchase pursuant to KRS 42.500. The income generated by these transactions is split between the agent and the Commonwealth. At the present time the Commonwealth has entered into an agent agreement that has a guarantee of 10 basis points of the average market value of securities in the program.

On June 20, 2003, the State Investment Commission adopted Resolution 03-03, which amended the Commonwealth's investment policy concerning asset-based interest rate swaps. The change modifies the exposure limits from a $200 million notional amount to a net market value approach, the absolute value of which cannot exceed $50 million for all counterparties. The Commonwealth engages in asset-based interest rate swaps to better manage its duration and to stabilize the volatility of interest income.

As of June 30, 2005, the Commonwealth owned an asset-based interest rate swaption straddle. This straddle gives the Commonwealth the right, but not the obligation, to enter into either a receiver or payer five year interest rate swap on December 13, 2005. The market value of the position as of June 30, 2005 was $ 564,641.

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

KAR Title 200 Chapter 14 provides, among other things that: corporate securities, inclusive of Commercial Paper, Banker's Acceptances and Certificates of Deposit are limited to twenty-five million per issuer and a stated final maturity of five years or less. Money market securities rated A1-P1 or higher are limited to 20% of any investment pool and when combined with corporate and asset backed securities (ABS) must not exceed 25% of any investment pool. United States Agency Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMO) are also limited to a maximum of 25% of any investment portfolio. ABS, MBS and CMO must have a weighted-average-life of four years or less at time of purchase.

SUMMARIES OF THE PRINCIPAL DOCUMENTS

The following statements are brief summaries of certain provisions of the Resolution, the Lease and the Sublease. Such statements do not purport to be complete and reference is made to the Resolution, the Lease and the Sublease, 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 May 1 or November 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. In the event that the amount on deposit in the Bond Fund is insufficient to pay the principal of, premium, if any, and interest on the Bonds on any Payment Date, the Trustee shall transfer moneys from the Reserve Fund in an amount sufficient to pay the principal of, premium, if any, and interest on the Bonds on such Payment Date.

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, to be held by the Treasurer of the Commonwealth. Until disbursed as authorized by the Resolution, the Construction Fund shall constitute a trust fund for the benefit of the Bondholders. The Construction Fund will be used for the purposes of financing that portion of the Project consisting of the acquisition, construction or undertaking of new property in connection with buildings or 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.

4. Reserve Fund. The Resolution creates the Reserve Fund to be maintained with the Trustee, into which there shall be paid and set aside the Reserve Fund Requirement on the date of issuance of the Bonds.

The Reserve Fund will be maintained by the Trustee as a separate trust fund and separate account statements with respect thereto shall at all times be kept and maintained.

An initial deposit to the credit of the Reserve Fund will be made in an amount which is equal to the Reserve Fund Requirement. Moneys in the Reserve Fund will at all times be maintained in an amount not less than the Reserve Fund Requirement. If on any date the amount on deposit in the Reserve Fund is less than the Reserve Fund Requirement, the Trustee will promptly notify the Commission, the Cabinet and the State Agency in writing of such deficiency, and the Trustee will deposit in the Reserve Fund any payments made by the Commission, the Cabinet or the State Agency to replenish the Reserve Fund, pursuant to the Lease and Sublease.

Moneys on deposit in the Reserve Fund on any Payment Date in excess of the Reserve Fund Requirement will be transferred to the Bond Service Fund. Except for such excess amounts, moneys on deposit in the Reserve Fund will be used to make up any deficiencies in the Bond Service Fund to pay the interest on and the principal of the Bonds (in the order listed). Upon any such transfer from the Reserve

Fund to the Bond Service Fund, the Trustee will promptly notify the Commission, the Cabinet and the State Agency of such transfer and the amount of such transfer. Investment Obligations in the Reserve Fund will be valued by the Trustee on each Payment Date on the basis of the amortized cost of such Investment Obligations, exclusive of accrued interest thereon.

The procurement and deposit of a Reserve Fund Facility, defined below, shall be treated as a proper deposit in lieu of cash to the credit of the Reserve Fund to the stated amount of such Reserve Fund Facility then in force and available to draw upon. In the event that such a Reserve Fund Facility is to be delivered to the Trustee to satisfy the Reserve Fund Requirement in whole or in part, an insurance agreement may specify the manner in which draws shall be made upon the Reserve Fund Facility, and may specify subrogation rights of the Reserve Fund Facility Provider, defined below, and provisions regarding reimbursement to the Reserve Fund Facility Provider; provided, that the Reserve Fund Facility Provider shall receive no payment of the principal of or the interest on the Bonds it is deemed to own until all of the principal of, interest on and past due interest on the Bonds have been paid to the other owners of the Bonds (other than the Reserve Fund Facility Provider).

In the event that the Sublease is terminated because appropriations are made directly to the Cabinet to fulfill its obligations under the Lease, the requirement of maintaining a Reserve Fund shall be terminated. In such event, all moneys on deposit in the Reserve Fund shall be transferred to a separate, segregated account in the Bond Service Fund. In the event that a Reserve Fund Facility is delivered to the Trustee in lieu of cash, a corresponding amount of money on deposit in the Reserve Fund shall be, at the direction of the Cabinet, transferred to the Bond Service Fund and deposited in a separate, segregated account in the Bond Service Fund. All moneys on deposit in any such separate, segregated account in the Bond Service Fund shall be invested in Investment Obligations with a yield no greater than the yield on the Bonds, and used to pay the principal of and interest on the Bonds as the same becomes due or to redeem Bonds prior to maturity on the next optional redemption date permitted with respect to the Bonds; provided, that such moneys may be otherwise used or invested if the Commission delivers to the Trustee an opinion of nationally recognized bond counsel to the effect that such other use or investment does not adversely affect the tax status of the interest on the Bonds for federal income tax purposes.

"Reserve Fund Facility" means a surety bond, insurance policy, guaranty, letter of credit or other credit facility issued to guarantee or assure timely payment of the principal of or interest on, or both, of all outstanding Bonds, subject only to notification that there are insufficient funds for such payment. The Reserve Fund Facility shall be in a stated amount which, when added to the funds deposited in the Reserve Fund and the stated amounts of all other Reserve Fund Facilities, will equal 100% of the Reserve Fund Requirement computed on a basis which includes all outstanding Bonds. The Reserve Fund Facility must be unconditional and irrevocable so long as any Bonds secured thereby are outstanding. This definition shall also include any related covenants or agreements contained in an agreement with the Reserve Fund Facility Provider. If more than one Reserve Fund Facility is held in the Reserve Fund at any time, references shall be to the related Reserve Fund Facility.

"Reserve Fund Facility Provider" means an insurance company, bank, savings and loan association, savings bank, thrift institution, credit union, trust company, surety company or other institution, which is, at the time of the issuance of the Reserve Fund Facility, of sufficient credit quality to entitle debt backed by its Reserve Fund Facility to be rated in the two highest rating categories by at least two (2) nationally recognized rating agencies.

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

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

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

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

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

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

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

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

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

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

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

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

In addition to the foregoing, the Commission and the Trustee may, without regard to the provisions set forth above, make any amendment or change to the Resolution (i) to cure any formal defect or ambiguity, if in the opinion of the Trustee such amendment or change is not adverse to the interest of the Holders of the Bonds, (ii) to grant to or confer on the Trustee for the benefit of the Holders of the

Bonds any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Resolution as theretofore in effect, (iii) to permit the Trustee to comply with any obligations imposed on it by law, (iv) to achieve compliance of the Resolution with any federal tax law, (v) to maintain or improve any rating on the Bonds, (vi) to provide for a Reserve Fund Facility, or (vii) 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 Commission 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 Bondholders.

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

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

As used herein, "Defeasance Obligations" means:

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

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

Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (1) which are rated, based on the escrow, in the highest rating category of Standard &

Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., and Moody's Investors Service, Inc., or any successors thereto; or (2) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or obligations described in paragraph (a) above, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate.

The Lease and Sublease

The Commission and the Cabinet have entered into the Lease whereby the Cabinet will lease the Project from the Commission and will pay rentals to the Commission during biennial renewal terms which will provide funds sufficient to pay the amounts due on the Bonds and the Cabinet and the State Agency have entered into the Sublease whereby the State Agency will sublease the Project from the Cabinet and will pay rentals to the Cabinet equal to amounts payable by the Cabinet to the Commission under the Lease.

The Lease and the Sublease have an initial term ending June 30, 2006. The Commission has granted the Cabinet the exclusive option to renew the Lease for successive and ensuing renewal terms of two years commencing July 1 in each even-numbered year and the Sublease has corresponding renewal provisions. The last renewal term for the Lease and Sublease relating to the Bonds ends June 30, 2026, the final maturity date permissible for any Bonds to be issued by the Commission for the Project. Under the provisions of the Constitution of the Commonwealth, the Cabinet and the State Agency are each prohibited from entering into lease obligations extending beyond their biennial budget period. Notwithstanding the foregoing, the Lease and Sublease provide that each succeeding renewal term will be deemed to be automatically renewed unless written notice of the election by the Cabinet or State Agency, respectively, to not so renew is given to the Commission by the last business day of May (or April under the Sublease) 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 as an obligation of the State Agency, limited to amounts appropriated for such purpose, payable from Agency Funds, see "THE STATE AGENCY - Agency Fund Appropriations" herein.

The Cabinet and the State Agency have covenanted and agreed in the Lease and Sublease, respectively, that when appropriations bills are prepared for introduction at the various successive sessions of the General Assembly of the Commonwealth they will cause to be included in the budgets proposed for that biennial period, sufficient amounts (over and above all other requirements) to enable the Cabinet and the State Agency to pay rent under the Lease and Sublease, respectively, and thereby produce income and revenues to the Commission to permit timely payment of the Bonds as the same become due during such period; provided that, the Cabinet is not required to seek an appropriation under the Lease (i) unless the State Agency fails to pay any rent under the Sublease so that there are not sufficient funds available to the Cabinet to pay rent under the Lease or (ii) if the General Assembly appropriates amounts from the General Fund to pay rent under the Lease and the Sublease is cancelled in accordance with its terms and the terms of the Lease.

The ability of the Cabinet to pay rent under the Lease is subject to appropriations of rent to the State Agency to pay rent under the Sublease and approval thereof by the General Assembly. There can be no assurance that such appropriations will be forthcoming at any time after June 30, 2006. The failure of the Cabinet, 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 no assurance that in the performance of his or her obligations to balance the Commonwealth budget annually, the Governor will not reduce or eliminate any appropriations which are made.

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

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

Events of default under the Lease and Sublease include a default in the due and punctual payment of any rent due under the Lease or Sublease 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 Cabinets' default, and the expense of reletting, including but not limited to any repairs, renovation or alteration of the Project, and then to the payment of rent and all other sums due from the Cabinet under such Lease upon delivery of an opinion of counsel that the subletting or reletting will not cause the interest on the Bonds to be includable in the gross income of the holders of the Bonds. The Cabinet has similar remedies in the event of a default by the State Agency under the Sublease. The Bondholders have no security interest in any properties constituting the Project or any amounts derived therefrom.

RATINGS

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 "AAA" and "AAA", respectively, each with the understanding that upon delivery of the Bonds, the Financial Guaranty Insurance Policy will be issued by the Bond Insurer.

Such ratings reflect only the views of the respective rating agencies. An explanation of the significance of the rating 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 agency, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving legal opinion of Peck, Shaffer & Williams LLP, Covington, Kentucky, Bond Counsel, 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 D. Certain legal matters will be passed upon for the Underwriter by its counsel, Frost Brown Todd LLC, Louisville, Kentucky. Certain legal matters will be passed upon for the Commission by their counsel and the State Agency by its counsel.

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 TREATMENT

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 excludable from gross income for Federal income tax purposes and interest on the Bonds is not a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986 (the "Code") for purposes of the Federal individual or corporate alternative minimum taxes. Furthermore, Bond Counsel for the Bonds is of the opinion that interest on the Bonds is exempt from income taxation by the Commonwealth and the Bonds are exempt from ad valorem taxation by the Commonwealth and any of its political subdivisions.

A copy of the opinion of Bond Counsel for the Bonds is set forth in EXHIBIT D attached hereto.

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

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

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

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

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

Original Issue Discount

The Bonds that have an interest rate that is lower than the yield, as shown on the 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 will accrue over the term of the bond, and for the Discount Bonds, the amount of accretion will be based on a single rate of interest, compounded semiannually (the "yield to maturity"). The amount of OID that accrues during each semi-annual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of a Discount Bond at its issue price, the portion of OID that accrues during the period that such purchaser owns the Discount Bond is added to such purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Bond and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes.

Holders of Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

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 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 excludable from gross income for federal income tax purposes ("tax-exempt bonds") must be amortized and will reduce the holder's adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining holder'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 holder'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

The Bonds are to be purchased by a syndicate managed by Citigroup, as representative of the underwriter identified on the cover page hereof (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Bonds at an aggregate purchase price of $5,736,594.86 (which is equal to the principal amount of the Bonds less original issue discount of $57,849.55 and less underwriting discount of $45,555.59). The Underwriter will be obligated to purchase all of the Bonds if any are purchased. The Underwriter has advised the Commission that it intends to make a public offering of the Bonds at the initial public offering yields set forth on the cover page hereof, provided, however, that the Underwriter has reserved the right to make concessions to dealers and to change such initial public offering prices as the Underwriter shall deem necessary in connection with the marketing of the Bonds.

CONTINUING DISCLOSURE AGREEMENT

The Bonds are subject to Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended (the "Rule"). In general, the Rule prohibits an underwriter from purchasing or selling municipal securities in an initial offering unless it has determined that the issuer of such securities has committed to provide annually, certain information, including audited financial information, and notice of various events described in the Rule, if material. In order to enable the Underwriter to comply with the provisions of the Rule, the Commission will enter into a Continuing Disclosure Agreement (the "Disclosure Agreement") with the Trustee. Specifically, the Commission will covenant to provide notice in a timely manner to each nationally recognized municipal securities depository or the Municipal Securities Rulemaking Board, and the appropriate state information depository, if any, of any of the following types of events with respect to the Bonds, if material: (i) principal and interest payment delinquencies; (ii) non-payment related defaults; (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 or events affecting the tax-exempt status of the securities; (vii) modifications to rights of security holders; (viii) bond calls; (ix) defeasances; (x) release, substitution, or sale or property securing repayment of the securities; and (xi) rating changes. The Commonwealth is already providing ongoing market disclosure as required by the Rule pursuant to agreements entered into in connection with other outstanding securities and has complied with requirements of the Rule.

OTHER MATTERS

This Official Statement has been prepared under the direction of the Acting 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/ F. Thomas Howard
Acting Executive Director
Office of Financial Management
(Secretary to the Commission)

EXHIBIT A

FINANCIAL STATEMENTS OF THE KENTUCKY STATE FAIR BOARD

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Financial Statements

KENTUCKY STATE FAIR BOARD

June 30, 2004 and 2003

KENTUCKY STATE FAIR BOARD

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Carpenter,
Mountjoy & Bressler

Certified Public Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kentucky State Fair Board
Louisville, Kentucky

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Kentucky State Fair Board, Commonwealth of Kentucky, as of and for the years ended June 30, 2004 and 2003, as shown in the accompanying table of contents. These financial statements are the responsibility of the Kentucky State Fair Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note A, the financial statements of the Kentucky State Fair Board, Commonwealth of Kentucky, are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities and the aggregate remaining fund information of the Commonwealth that is attributable to the transactions of the Kentucky State Fair Board. They do not purport to, and do not, present fairly the financial position of the Commonwealth of Kentucky as of June 30, 2004 and 2003, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information for the Kentucky State Fair Board, Commonwealth of Kentucky, as of June 30, 2004 and 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Kentucky State Fair Board has not presented the required supplementary information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated September 14, 2004, on our consideration of Kentucky State Fair Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As discussed in Note M, the financial statements as of and for the year ended June 30, 2004, have been restated.

Carpenter Mountjoy & Bressler, PSC

Louisville, Kentucky
November 16, 2004

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KENTUCKY STATE FAIR BOARD

STATEMENTS OF NET ASSETS

ASSETS	June 30 2004 (as restated)	2003
Current Assets		
Cash and cash equivalents	$ 7,675,292	$ 7,583,333
Accounts receivable, net of allowance for doubtful accounts of $107,374 in 2004 and $87,405 in 2003	2,443,028	2,230,047
Prepaid expenses and other	619,459	618,869
Total current assets	10,737,779	10,432,249
Non-current Assets		
Restricted cash and cash equivalents	49,563,463	3,550,369
Property, plant and equipment, net of accumulated depreciation	173,208,468	164,369,720
Other assets, net of accumulated amortization	1,142,890	355,557
Total non-current assets	223,914,821	168,275,646
Total assets	$ 234,652,600	$ 178,707,895
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	$ 1,652,375	$ 2,021,169
Interest payable	384,460	-
Deferred income	4,411,995	3,378,045
Bonds payable, current portion	1,959,209	-
Obligations under capital lease, current portion	45,125	60,356
Total current liabilities	8,453,164	5,459,570
Non-current Liabilities		
Obligations under Capital Lease, long-term portion	60,790	108,724
Bonds payable, long-term portion	55,061,874	-
Total non-current liabilities	55,122,664	5,459,570
NET ASSETS		
Invested in capital assets, net of related debt	162,731,075	164,369,720
Restricted for capital construction	3,803,014	3,550,370
Unrestricted	4,542,683	5,219,511
Total net assets	171,076,772	173,139,601
Total liabilities and net assets	$ 234,652,600	$ 178,707,895

See accompanying independent auditor's report
and notes to financial statements

KENTUCKY STATE FAIR BOARD

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year ended June 30 2004 (as restated)	2003
Operating Revenues		
Charges for services	$ 31,913,774	$ 31,657,857
Lease income	3,169,222	3,107,682
Total operating revenues	35,082,996	34,765,539
Operating Expenses		
General and administrative	7,614,295	7,367,413
Operating	9,807,052	10,087,630
Direct cost of events	13,928,136	14,069,799
Depreciation and amortization	6,305,687	5,907,640
Total operating expenses	37,655,170	37,432,482
Operating loss	(2,572,174)	(2,666,943)
Non-Operating Revenues		
Interest income (expense)	45,297	61,285
Other, net	551,750	2,299,032
Total non-operating income	597,047	2,360,317
Net loss before contributions and transfers	(1,975,127)	(306,626)
Contributions for Construction of Capital Assets	3,300,000	700,000
Transfers In	549,300	407,000
Transfers Out	(3,937,002)	(1,871,004)
Change in net assets	(2,062,829)	(1,070,630)
Total Net Assets, Beginning of Year	173,139,601	174,210,231
Total Net Assets, End of Year	$ 171,076,772	$ 173,139,601

See accompanying independent auditor's report
and notes to financial statements

KENTUCKY STATE FAIR BOARD

STATEMENTS OF CASH FLOWS

	Year ended June 30 2004 (as restated)	2003
Cash Flows from Operating Activities		
Cash received from customers	$ 35,903,965	$ 33,120,267
Cash payments to suppliers for goods and services	(16,700,084)	(17,449,739)
Cash payments for employee salaries and benefits	(15,018,782)	(13,764,614)
Net cash provided by operating activities	4,185,099	1,905,914
Cash Flows from Non-Capital Financing Activities		
Non-operating income	551,750	2,299,032
Transfers from other funds	549,300	407,000
Deficit reduction transfer	(3,413,500)	(1,500,000)
Net cash (used in) provided by non-capital financing activities	(2,312,450)	1,206,032
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(55,592,112)	(3,879,977)
Transfer to debt service fund	(1,470,710)	(371,004)
Contributions received for construction of capital assets	3,300,000	700,000
Proceeds from debt issued, net	52,000,000	-
Payments on capital lease liabilities	(63,165)	(3,169)
Net cash used in capital and related financing activities	(1,825,987)	(3,554,150)
Cash Flows from Investing Activities		
Interest and dividends on investments	45,297	61,285
Net Increase (Decrease) in Cash and Cash Equivalents	91,959	(380,919)
Cash and Cash Equivalents, Beginning of Year	7,583,333	7,964,252
Cash and Cash Equivalents, End of Year	$ 7,675,292	$ 7,583,333
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	$ (2,572,174)	$ (2,666,943)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	6,239,021	5,840,973
Amortization	66,667	66,667
Changes in assets and liabilities:		
Increase in accounts receivable	(212,981)	(376,661)
Increase in prepaid expenses	(590)	(78,918)
(Decrease) increase in accounts payable and accrued liabilities	(368,794)	389,408
Increase (decrease) in deferred income	1,033,950	(1,268,612)
Net cash provided by operating activities	$ 4,185,099	$ 1,905,914

See accompanying independent auditor's report and notes to financial statements

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying financial statements have been prepared as an enterprise fund of the Commonwealth of Kentucky. Enterprise funds are designed to accumulate the total cost of providing a particular service and to indicate the extent user charges are sufficient to cover these costs. Revenue generated from user charges is classified as operating revenue while all other sources of revenue are considered non-operating revenue. The Kentucky State Fair Board (Fair Board) uses the accrual basis of accounting for financial accounting and reporting purposes.

Scope of Entity: The Fair Board is a component unit of the Commonwealth of Kentucky and is included in the Commonwealth of Kentucky's comprehensive annual financial report. The criteria for inclusion, as defined by the Governmental Accounting Standards Board, is determined on the basis of: 1) selection of governing authority; 2) designation of management; 3) ability to significantly influence operations; and 4) accountability for fiscal matters.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Statement of Cash Flows: For purposes of the statement of cash flows, the Fair Board considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash paid for interest was $1,476,463 and $378,346 for the years ended June 30, 2004 and June 30, 2003, respectively.

Property, Plant and Equipment: Property, plant and equipment expenditures over $5,000 are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Amortization is provided over the estimated useful life of leased assets or the lease term, whichever is shorter. The following is a summary of the estimated useful lives used in computing depreciation:

Buildings and improvements	5-50 years
Machinery, equipment and leasehold improvements	3-25 years
Furniture and fixtures	3-25 years

Depreciation expense for the years ended June 30, 2004 and 2003 was $6,239,021 and $5,840,973, respectively.

Other Assets: Other assets consist primarily of deferred debt issuance costs and deferred charges for leasing start-up costs incurred in connection with leasing the Hyatt Regency Louisville. Debt issuance costs are deferred and amortized over the life of the bonds, utilizing the bonds outstanding method, which approximates the effective interest method. The deferred charges are being amortized using the straight-line method over approximately 30 years.

Advertising Costs: The Fair Board expenses the costs of advertising as incurred. Advertising expense was approximately $407,000 and $359,000 for the years ended June 30, 2004 and 2003, respectively.

Continued

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--CONTINUED

Deferred Revenue: The Fair Board receives revenue in advance for user charges prior to an event's occurrence. Revenue received in this way is recorded as deferred until the event is completed. Revenue is recognized upon completion of the event.

NOTE B--CONTINGENCIES

The Fair Board is party to certain litigation. Due to the fact the Fair Board is an agency of the Commonwealth of Kentucky, the Fair Board is subject to sovereign immunity and is not responsible to settle this litigation. The Commonwealth has the responsibility for settling all significant claims for the Fair Board; therefore, no disclosure or accrual regarding litigation is required as a part of these financial statements.

NOTE C--CONCENTRATION OF CREDIT RISK

The Fair Board maintains accounts at several financial institutions, each of which are insured by the Federal Deposit Insurance Corporation (FDIC) for up to $100,000 per customer. For the years ended June 30, 2004 and 2003, the Fair Board's cash balances exceeded the FDIC limit by $5,137,269 and $3,512,610, respectively. The excess funds are covered by collateral held by the pledging institution's trust department in the Fair Board's name.

NOTE D--CASH AND CASH EQUIVALENTS

The following tables categorize the Fair Board's cash and cash equivalents at June 30, 2004 and 2003, respectively, as: (1) insured or collateralized with securities held by the entity or by its agent in the entity's name, (2) collateralized with securities held by the pledging institution's trust department or agent in the entity's name, or (3) un-collateralized. At June 30, 2004 and 2003, the Fair Board had no cash or cash equivalents in category (3).

June 30, 2004	Category 1	Category 2	Total Bank Balance	Cost Amount	Fair Value
Cash	$1,461,408	$ -	$ 1,461,408	$ 1,461,408	$ 1,461,408
Repurchase agreements	-	4,168,194	4,168,194	4,168,194	4,168,194
	$1,461,408	$ 4,168,194	$ 5,629,602	5,629,602	5,629,602
State investment pool					
Cash				1,659,565	1,659,565
Investments				386,125	385,330
Total cash and cash equivalents				$ 7,675,292	$ 7,674,497

Continued

NOTE D--CASH AND CASH EQUIVALENTS--CONTINUED

June 30, 2003	Category 1	Category 2	Total Bank Balance	Cost Amount	Fair Value
Cash	$ 516,149	$ -	$ 516,149	$ 516,149	$ 516,149
Repurchase agreements	-	3,196,748	3,196,748	3,196,748	3,196,748
	$ 516,149	$ 3,196,748	$ 3,712,897	3,712,897	3,712,897
State investment pool					
Cash				233,263	233,263
Investments				3,637,173	3,698,030
Total cash and cash equivalents				$ 7,583,333	$ 7,644,190

NOTE E--RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents include construction fund accounts and a debt service reserve fund.

The construction funds accounts are retained by the Kentucky State Treasury as special accounts designated solely for the payment of all approved capital construction projects. The cost amount and fair value of the Fair Board's construction funds maintained by the State Treasury are as follows:

June 30, 2004	Cost Amount	Fair Value
Cash	$ 3,036,151	$ 3,036,151
Investments	42,289,470	42,083,245
	$ 45,325,621	$ 45,119,396

June 30, 2003	Cost Amount	Fair Value
Cash	$ 187,623	$ 187,623
Investments	3,362,746	3,437,681
	$ 3,550,369	$ 3,625,304

Bond proceeds in an amount equal to the debt service reserve fund requirement have been retained by the bond trustee and paying agent to secure payment of the bonds as further described in Note L.

NOTE F--PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following components:

	June 30	
	2004	2003
Land	$ 14,072,576	$ 14,072,576
Buildings and improvements	234,507,300	234,028,213
Machinery, equipment and leasehold improvements	4,151,867	4,946,940
Furniture and fixtures	382,163	390,288
Construction in progress	25,092,171	9,799,893
	278,206,077	263,237,910
Less accumulated depreciation	104,997,609	98,868,190
	$ 173,208,468	$ 164,369,720

NOTE G--OTHER ASSETS

Other assets consist of the following:

	2004	2003
Contribution to Hyatt Regency Louisville	$ 2,000,000	$ 2,000,000
Deferred debt issuance costs	855,075	-
Facility development plan cost	48,000	48,000
	2,903,075	2,048,000
Less accumulated amortization	1,760,185	1,692,443
	$ 1,142,890	$ 355,557

NOTE H--REVENUE BONDS ISSUED BY THE COMMONWEALTH OF KENTUCKY

The Commonwealth of Kentucky State Property and Buildings Commission (the Commission) has issued revenue bonds for the acquisition and construction of certain projects, including the development of the Kentucky International Convention Center, parking structures and various capital improvements, including an exposition hall, to the Kentucky Fair and Exposition Center. The revenue bonds are included in the general long-term debt account group of the Commonwealth of Kentucky (the Commonwealth) since the Commonwealth intends to make the required principal and interest payments on these obligations and has made all such payments to date. The properties have been contributed to the Fair Board and are included in property, plant and equipment.

NOTE I--LEASE INCOME

The Fair Board is the lessor of real property under non-cancelable operating leases for terms ranging from 3 to 40 years. The leases expire from 2006 through 2043. Most leases contain renewal options ranging from 5 to 50 years. Minimum future lease income under non-cancelable operating leases at June 30, 2004 is as follows:

Year ending June 30	
2005	$ 1,968,022
2006	2,004,318
2007	1,990,765
2008	1,631,770
Thereafter	24,545,743
Total minimum future lease income	$ 32,140,618

The above amounts do not include contingent lease income which may be received based upon percentages of gross receipts from tenants, as defined in the lease agreements. Contingent lease income was approximately $1,240,000 and $1,205,000 in fiscal 2004 and 2003, respectively.

NOTE J--PENSION PLAN

All full-time and certain part-time employees of the Fair Board participate in the Kentucky Employees Retirement System (KERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky Retirement System. The plan provides for retirement, disability and death benefits to plan members. Cost-of-living adjustments (COLA) are provided at the discretion of the State legislature.

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the KERS. That report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601-6124.

Plan members are required to contribute 5% of their annual covered salary and the Fair Board is required to contribute at an actuarially determined rate. The rate was 5.85% and 3.87% of annual covered payroll for 2004 and 2003, respectively. The contribution requirements of plan members and the Fair Board are established and may be amended by the Kentucky Retirement System's Board of Trustees. The Fair Board's contributions to KERS for the year ending June 30, 2004 and 2003 were approximately $534,800 and $330,100, respectively, equal to the required contributions for each year.

NOTE K--CAPITAL LEASES

The Fair Board leases various equipment under leases classified as capital leases. The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2004:

Year ending June 30	
2005	$ 48,636
2006	35,144
2007	19,867
2008	8,783
Total minimum lease payments	112,430
Less amount representing interest	6,515
Present value of net minimum lease payments*	$ 105,915

* Reflected in the balance sheet as current and non-current obligations under capital leases of $45,125 and $60,790, respectively.

NOTE L-- BONDS PAYABLE

On November 19, 2003, the Commonwealth of Kentucky State Property and Building Commission (Commission) issued $55,300,000 in bonds payable on behalf of the Fair Board. The proceeds of the bonds are to be used to finance the 237,000 square-foot expansion of the Kentucky Fair and Exposition Center in Louisville, Kentucky. The bonds bear interest at a fixed rate which vary from 2.00% to 5.00% and have a final maturity date of November 1, 2023. The bonds are special and limited obligations of the Commission. The bonds do not constitute a debt, liability, or obligation of the Commonwealth of Kentucky or a pledge of the full faith and credit or taxing power of the Commonwealth of Kentucky, but are payable solely from amounts deposited in certain funds and accounts created by the resolution and from rental income derived from the biennially renewable lease agreement with the Fair Board as described below. The bondholders have no security interest in any properties constituting the project or any amounts derived therefrom. The scheduled payment of principal and interest on the bonds are guaranteed under an insurance policy issued by AMBAC Assurance Corporation.

In connection with the issuance of the bonds, the Commonwealth of Kentucky Finance and Administration Cabinet (Cabinet) entered into a financing/lease agreement with the Commission whereby the Cabinet agreed to lease the newly constructed building. The Cabinet, in turn, entered into a financing/sublease agreement with the Fair Board whereby the Fair Board agreed to sublease the newly constructed building. The lease is for an initial eight month term ending June 30, 2004, with the right to renew for ten succeeding two-year renewal periods. The Fair Board can cancel the lease on the last business day in June immediately preceding the beginning of any renewal term. The lease payments are equal to the debt service required by the bond indenture. In connection with the agreements, the Commonwealth of Kentucky General Assembly appropriated sufficient spending authorization to the Fair Board to pay the lease payments required for the initial eight month term. There can be no assurance to make rent payments past the initial eight month lease period. The Fair Board renewed the lease for the biennium ending June 30, 2006.

Continued

NOTE L--BONDS PAYABLE--CONTINUED

The Fair Board has followed consolidation accounting principles as it relates to the issuance of the bonds and entering into the related sublease agreement. As such, the Fair Board has recorded the proceeds of the bonds as restricted cash and cash equivalents and recorded the related debt, debt issuance costs, and construction in progress incurred to date. The total estimated cost of the project is $52,000,000. Net interest costs incurred from the tax exempt debt incurred from the date of the issuance of the bonds has been capitalized as part of the building cost. A premium on bonds payable in the amount of $1,792,918 was received upon issuance of the bonds. At June 30, 2004, the unamortized bond premium in the amount of $1,721,083 has been reported as a direct addition to the face amount of the bonds and is being amortized over the life of the bonds using the effective interest method.

A summary of the activity for the bond issue, at principal amount, for the year ended June 30, 2004 is as follows:

	June 30, 2003	Additions	Payments	June 30, 2004
Bonds payable	$ -	$ 55,300,000	$ -	$ 55,300,000

Debt service requirements for the next five fiscal years and thereafter are as follows:

Year ending June 30	Principal	Interest
2005	$ 1,950,000	$ 2,287,243
2006	1,990,000	2,247,842
2007	2,030,000	2,207,642
2008	2,070,000	2,166,642
2009	2,115,000	2,120,562
Five years ending June 30		
2010-2014	11,755,000	9,421,844
2015-2019	14,640,000	6,530,152
2020-2024	18,750,000	2,428,363
	$ 55,300,000	$ 29,410,290

NOTE M--RESTATEMENTS

In November 2004, the Fair Board determined that its previously issued financial statements as of and for the year ended June 30, 2004, should be restated to record adjustments for the correction of an error in the accounting associated with the Fair Board's sublease as described in Note L. Upon reviewing the application of accounting principles as it relates to the issuance of the bonds and the related sublease agreement, the Fair Board determined that it should have recorded the transaction as a debt obligation on its financial statements instead of a contribution for construction of capital assets.

Continued

NOTE M--RESTATEMENTS--CONTINUED

The restatement of the change in net assets for the year ended June 30, 2004 is as follows:

Change in net assets previously reported	$ 48,989,963
Decrease in contributions for construction of capital assets	(52,000,000)
Decrease in transfers out	947,208
	$ (2,062,829)

Restatement of the June 30, 2004 statement of net assets resulted in the following change:

Increase in restricted cash and cash equivalents	$ 4,237,842
Increase in property, plant and equipment, net of accumulated depreciation	1,260,910
Increase in other assets, net of accumulated amortization	853,999
Increase in total assets	$ 6,352,751
Increase in interest payable	$ 384,460
Increase in bonds payable	57,021,083
Decrease in net assets	(51,052,792)
Increase in total liabilities and net assets	$ 6,352,751

The financial statements as of and for the year ended June 30, 2003, were not impacted by this restatement.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Carpenter, Mountjoy & Bressler

Certified Public Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kentucky State Fair Board
Louisville, Kentucky

We have audited the financial statements of Kentucky State Fair Board as of and for the years ended June 30, 2004 and 2003, and have issued our report thereon dated November 16, 2004. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Kentucky State Fair Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kentucky State Fair Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management. However, this report is a matter of public record and its distribution is not limited.

Carpenter, Mountjoy & Bressler, PSC

Louisville, Kentucky
November 16, 2004

Carpenter, Mountjoy & Bressler, PSC
2300 Waterfront Plaza
325 West Main Street
Louisville, Kentucky 40202-4244
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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 state agencies which are 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 State Property and Buildings Commission, the Kentucky Asset/Liability Commission, 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 State, or (ii) a project revenue obligation of one of its debt issuing agencies created by the Kentucky General Assembly to finance various projects which is subject to state appropriation for all or a portion of the debt service on the bonds.

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

Project revenue 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 revenues are not a direct obligation of the Commonwealth. Project revenues are, in some cases, derived partially or solely from biennial appropriations of the General Assembly. In other cases, the direct revenues generated from the project funded constitute the entire source of payment.

Non-appropriation or moral obligation debt carries the name of the Commonwealth for the benefit and convenience of other entities within the State. This type of indebtedness is a special obligation of the issuer, secured and payable solely from the sources pledged for the payment thereof and do not constitute a debt, liability, obligation or a pledge of the faith and credit of the Commonwealth. The General Assembly does not intend to appropriate any funds to fulfill the financial obligations represented by these types of indebtedness. In the event of a shortfall the issuer covenants to request from the Governor and the General Assembly sufficient amounts to pay debt service.

Default Record

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

TABLE I
ACTIVE DEBT ISSUING ENTITIES

ENTITY	STATUTORY AUTHORITY/ PURPOSE	DEBT LIMITATIONS	RATING*
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+/AA-
Kentucky Asset/Liability Commission	**KRS 56.860** Provide interim 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.	Aa3/A+/AA-
The State Universities (consisting of nine)	**KRS 56.495** Construct educational buildings and housing and dining facilities.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	Varies
Kentucky Housing Corporation	**KRS 198A** Make low interest mortgage loans and construction loans to increase the supply of housing for low and moderate income residents in the State.	Limited to $2.5 billion of debt outstanding	Aaa/AAA
Kentucky Infrastructure Authority	**KRS 224A** Provide financial assistance to local governments for the construction or refinancing of infrastructure facilities and to provide loans to industries for construction of pollution control facilities.	Revolving Fund programs cannot incur debt without appropriation of debt service by the General Assembly. Without legislative approval, other programs are limited to debt outstanding of $500 million.	Aa3/A+/AA-
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 $1.95 billion of debt outstanding.	Aaa/AA-
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/A+/A
Kentucky Economic Development Finance Authority	**KRS 154** Issue industrial revenue bonds on behalf of industries, hospitals, and commercial enterprises in the state. Provide low interest loans to developing businesses. Provide financing and tax credits to manufacturing entities expanding or locating facilities in the state.	None.	Varies
Kentucky Local Correctional Facilities Construction Authority	**KRS 441.605-441.695** Provide an alternative method of constructing, improving, repairing and financing local jails.	Limited to the level of debt service supported by court fees pledged as repayment for the bonds.	AAA (Insured)

*Ratings, where applicable, include Moody's, S&P and Fitch. S&P rates the Kentucky Infrastructure Authority's bonds which are paid from revenues (not appropriated funds), AA. Certain State Property and Buildings Commission Agency Fund Revenue Bonds may have ratings different than those identified above.

EXHIBIT C

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 (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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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: AAA. 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 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 DTC nominee do not effect 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 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 or its nominee, the Trustee or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commission or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 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 C concerning DTC and DTC's book-entry system has been obtained from sources that the Commission believes to be reliable, but the Commission takes no responsibility for the accuracy thereof.

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EXHIBIT D

FORM OF BOND COUNSEL OPINION FOR THE BONDS

[Date of Delivery]

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

Re: $5,840,000 Commonwealth of Kentucky State Property and Buildings Commission Agency Fund Revenue Bonds, Project No. 86

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 Agency Fund Revenue Bonds, Project No. 86 in the aggregate principal amount of $5,840,000 (the "Bonds"), dated on original issuance as of the date of their delivery.

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 15, 2005 (the "Resolution") for the purpose of (i) providing financing for a project (the "Project"); (ii) funding a debt service reserve fund with respect to the Bonds and (iii) paying the costs of issuing the Bonds. The Project has been leased to the Finance and Administration Cabinet of the Commonwealth of Kentucky (the "Cabinet") pursuant to a lease dated as of September 1, 2005 by and between the Commission and the Cabinet (the "Lease"). The Project has been subleased by the Cabinet to the Kentucky State Fair Board (the "State Agency") pursuant to a sublease dated as of September 1, 2005 by and between the Cabinet and the State Agency (the "Sublease").

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, the Cabinet 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 Cabinet 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 limited and special obligations of the Commission enforceable in accordance with their terms. The Bonds are payable as to principal and interest from and are secured by a pledge of the revenues to be derived by the Commission from the Lease and the Sublease. 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 and the Sublease have been duly authorized, executed and delivered by the Cabinet. The Lease and the Sublease are the legal, valid and binding obligations of the Cabinet and the State Agency. The Lease and the Sublease are enforceable in accordance with their respective 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 Cabinet, 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 and the Sublease. The ability of the Cabinet to make payments under the Lease, and of the State Agency to make payments under the Sublease, is dependent on legislative appropriations to the Cabinet and the State Agency. The Lease and the Sublease currently have terms ending June 30, 2006, with the right to renew the Lease and the Sublease 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 excludable from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax for individuals and corporations. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Bonds.

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

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

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

Very truly yours,

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EXHIBIT E

FORM OF FINANCIAL GUARANTY INSURANCE POLICY

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Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor: Policy Number:

Obligations: Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer of Insurance Trustee

Form No.: 2B-0012 (1/01)