Book-Entry Only **Ratings:**
<u>NEW ISSUE</u> **See "Ratings" herein**

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds (including original issue discount treated as interest) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, except that such interest must be included in the "adjusted current earnings" of certain corporations for purposes of calculating alternative minimum taxable income. Bond Counsel also is of the opinion that, under existing laws of the Commonwealth of Kentucky, interest on the Bonds is excluded from the gross income of the recipients thereof for Kentucky income tax purposes and the Bonds are exempt from ad valorem taxes by the Commonwealth of Kentucky and all political subdivisions thereof. See "Tax Exemption" herein.

COMMONWEALTH OF KENTUCKY
State Property and Buildings Commission

$305,145,000
Revenue and Revenue Refunding Bonds,
Project No. 74

$7,075,000
Agency Fund Revenue Bonds,
Project No. 75

Dated: Date of delivery **Due:** See inside cover

The Revenue and Revenue Refunding Bonds, Project No. 74 (the "Project No. 74 Bonds") and the Agency Fund Revenue Bonds, Project No. 75 (the "Project No. 75 Bonds") (collectively 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. The Project No. 74 Bonds will bear interest payable on each February 1 and August 1, commencing on August 1, 2002 (except for the Project No. 74 Bonds maturing February 1, 2002, which will pay interest at their maturity). The Project No. 75 Bonds will bear interest payable on each May 1 and November 1, commencing on May 1, 2002. Principal of, redemption premium, if any, and interest on the Bonds will be paid directly to DTC by BNY Trust Company of Missouri, St. Louis, Missouri, as Trustee and Paying Agent.

AMOUNTS, MATURITIES, INTEREST RATES AND PRICES ON INSIDE COVER

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

The scheduled payment of principal of and interest on certain Bonds, as indicated on the inside cover (the "Insured Bonds"), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by FINANCIAL SECURITY ASSURANCE INC.

FSA

The Bonds are being issued by the State Property and Buildings Commission (the "Commission"), an independent agency of the Commonwealth of Kentucky (the "Commonwealth"), at the request of the Finance and Administration Cabinet of the Commonwealth (the "Cabinet") pursuant to Resolutions adopted on December 18, 2001 and December 21, 2001. The Project No. 74 Bonds are being issued to provide funds with which to (i) refund certain of the Commission's outstanding bonds (as described herein), (ii) pay costs of constructing, acquiring, installing and equipping Project No. 74 (as described and defined herein) and (iii) pay costs of issuing the Project No. 74 Bonds. The Project No. 75 Bonds are being issued to provide funds with which to (i) pay costs of constructing, acquiring, installing and equipping Project No. 75 (as described and defined herein) and (ii) pay costs of issuing the Project No. 75 Bonds.

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE COMMISSION. THE BONDS DO NOT CONSTITUTE A DEBT, LIABILITY, OR OBLIGATION OF THE COMMONWEALTH, OR A PLEDGE OF THE FULL FAITH AND CREDIT OR TAXING POWER OF THE COMMONWEALTH, BUT ARE PAYABLE SOLELY FROM AMOUNTS DEPOSITED IN CERTAIN FUNDS AND ACCOUNTS CREATED BY THE RESPECTIVE RESOLUTIONS AND FROM RENTAL INCOME DERIVED FROM THE RESPECTIVE BIENNIALLY RENEWABLE LEASES AND SUBLEASES (EACH AS DESCRIBED AND DEFINED HEREIN), THE RENT FROM WHICH IS SUBJECT TO APPROPRIATION BY THE GENERAL ASSEMBLY OF THE COMMONWEALTH ON A BIENNIAL BASIS. THE BONDHOLDERS HAVE NO SECURITY INTEREST IN ANY PROPERTIES CONSTITUTING THE PROJECTS OR ANY AMOUNTS DERIVED THEREFROM.

The Bonds are offered when, as and if issued and accepted by the Underwriters, subject to the approving legal opinion of Kutak Rock LLP, Omaha, Nebraska, Bond Counsel. Certain legal matters will be passed on for the Underwriters by their counsel, Peck, Shaffer & Williams LLP, Covington, Kentucky. It is expected that delivery of the Bonds will be made on or about January 30, 2002, in New York, New York, through the facilities of DTC, against payment therefor.

Bear, Stearns & Co. Inc.

UBS PaineWebber Inc. **Morgan Stanley**

J.J.B. Hilliard, W.L. Lyons, Inc.	**Morgan Keegan & Company, Inc.**	**NatCity Investments, Inc.**
A.G. Edwards & Sons, Inc.	**Ross, Sinclaire & Associates, Inc.**	**First Kentucky Securities Corp.**
Banc One Capital Markets, Inc.	**Edward D. Jones & Co., L.P.**	**Merrill Lynch & Co.**
Raymond James and Associates, Inc.		**Salomon Smith Barney**

Dated: January 10, 2002.

$305,145,000
STATE PROPERTY AND BUILDINGS COMMISSION
REVENUE AND REVENUE REFUNDING BONDS
PROJECT NO. 74

Maturity	Principal Amount	Interest Rate	Price/ Yield	Maturity	Principal Amount	Interest Rate	Price/ Yield
Feb. 1, 2002	$2,475,000	2.000%	100%	Aug. 1, 2011	$2,385,000*	4.400%	100%
Feb. 1, 2003	6,675,000	3.500%	1.750%	Aug. 1, 2011	6,860,000*	5.375%	4.400%
Feb. 1, 2004	8,585,000	2.550%	100%	Feb. 1, 2012	16,655,000*	5.375%	4.500%
Aug. 1, 2004	3,130,000	2.600%	100%	Aug. 1, 2012	3,895,000*	4.500%	100%
Feb. 1, 2005	9,590,000	5.250%	3.125%	Aug. 1, 2012	10,925,000*	5.375%	4.500%
Aug. 1, 2005	4,225,000	3.125%	100%	Feb. 1, 2013	1,235,000*	4.600%	100%
Aug. 1, 2005	2,100,000	5.250%	3.125%	Feb. 1, 2013	21,345,000*	5.375%	4.600%
Feb. 1, 2006	9,225,000	5.250%	3.470%	Feb. 1, 2014	680,000*	4.700%	100%
Aug. 1, 2006	6,385,000	3.450%	3.470%	Feb. 1, 2014	9,990,000*	5.375%	4.700%
Aug. 1, 2006	2,300,000	5.250%	3.470%	Feb. 1, 2015	280,000*	4.750%	4.780%
Feb. 1, 2007	9,685,000*	5.250%	3.750%	Feb. 1, 2015	10,960,000*	5.375%	4.780%
Aug. 1, 2007	3,880,000	3.800%	100%	Feb. 1, 2016	405,000*	4.850%	4.860%
Aug. 1, 2007	1,550,000*	3.750%	100%	Feb. 1, 2016	11,435,000*	5.375%	4.860%
Feb. 1, 2008	3,815,000*	3.950%	3.960%	Feb. 1, 2017	1,815,000*	4.900%	4.920%
Feb. 1, 2008	5,525,000*	5.375%	3.960%	Feb. 1, 2017	10,660,000*	5.375%	4.920%
Feb. 1, 2009	150,000*	4.150%	4.160%	Feb. 1, 2018	970,000*	4.950%	4.970%
Feb. 1, 2009	8,085,000*	5.375%	4.160%	Feb. 1, 2018	12,165,000*	5.375%	4.970%
Aug. 1, 2009	5,085,000*	4.150%	4.160%	Feb. 1, 2019	13,840,000*	5.000%	5.080%
Aug. 1, 2009	1,045,000*	5.375%	4.160%	Feb. 1, 2020	14,530,000*	5.000%	5.110%
Feb. 1, 2010	9,725,000*	5.375%	4.300%	Feb. 1, 2021	15,255,000*	5.000%	5.125%
Aug. 1, 2010	1,880,000*	4.300%	100%	Feb. 1, 2022	8,180,000*	5.000%	5.150%
Aug. 1, 2010	4,245,000*	5.375%	4.300%	Feb. 1, 2022	7,840,000*	5.150%	100%
Feb. 1, 2011	13,480,000*	5.375%	4.400%				

*Insured

$7,075,000*
STATE PROPERTY AND BUILDINGS COMMISSION
AGENCY FUND REVENUE BONDS
PROJECT NO. 75

Maturity	Principal Amount	Interest Rate	Price/ Yield	Maturity	Principal Amount	Interest Rate	Price/ Yield
May 1, 2002	$155,000	2.000%	100%	May 1, 2012	$350,000	4.500%	100%
May 1, 2003	250,000	3.500%	2.000%	May 1, 2013	365,000	4.600%	100%
May 1, 2004	260,000	2.550%	100%	May 1, 2014	380,000	4.700%	100%
May 1, 2005	265,000	3.125%	100%	May 1, 2015	400,000	4.750%	4.780%
May 1, 2006	275,000	3.450%	3.470%	May 1, 2016	420,000	4.850%	4.860%
May 1, 2007	285,000	3.750%	100%	May 1, 2017	440,000	4.900%	4.920%
May 1, 2008	295,000	3.950%	3.960%	May 1, 2018	460,000	4.950%	4.970%
May 1, 2009	305,000	4.150%	4.160%	May 1, 2019	480,000	5.000%	5.080%
May 1, 2010	320,000	4.300%	100%	May 1, 2020	505,000	5.000%	5.110%
May 1, 2011	335,000	4.400%	100%	May 1, 2021	530,000	5.000%	5.125%

*All principal amounts insured.

COMMONWEALTH OF KENTUCKY
STATE PROPERTY AND BUILDINGS COMMISSION

Members

PAUL E. PATTON
Governor
(Chairman of the Commission)

STEPHEN L. HENRY
Lieutenant Governor

A. B. CHANDLER III
Attorney General

T. KEVIN FLANERY
Secretary
Finance and Administration Cabinet
(Executive Director of the Commission)

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

DANA B. MAYTON
Secretary
Revenue Cabinet

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

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

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION OR AUTHORITY, NOR HAS SUCH FEDERAL OR ANY STATE COMMISSION OR AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

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

TABLE OF CONTENTS

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 $305,145,000 Revenue and Revenue Refunding Bonds, Project No. 74 (the "Project No. 74 Bonds") and its $7,075,000 Agency Fund Revenue Bonds, Project No. 75 (the "Project No. 75 Bonds") (collectively the "Bonds").
Authority	The Bonds are being issued pursuant to the provisions of the Constitution and laws of the Commonwealth, including particularly Chapters 56 and 58 of the Kentucky Revised Statutes ("KRS"), the Project No. 74 Resolution (defined herein) and the Project No. 75 Resolution (defined herein) (collectively, the "Resolutions") adopted by the Commission authorizing the issuance of the Bonds and under the Project No. 74 Resolution, (i) approving the lease (the "Project No. 74 Lease") dated as of January 1, 2002, between the Commission, as lessor and the Finance and Administration Cabinet of the Commonwealth (the "Cabinet"), as lessee and (ii) approving Subleases dated as of January 1, 2002 (the "Subleases") between the Cabinet, as sublessor, and various state agencies described herein (the "State Agencies"), as sublessees and under the Project No. 75 Resolution affirming the Project No. 75 Lease (defined herein) with the Project No. 75 Lessee (defined herein) and approving a Supplemental Lease (defined herein).
Use of Proceeds	The Project No. 74 Bonds are being issued to provide funds with which to (i) refund certain of the Commission's outstanding bonds (as described herein), (ii) pay costs of constructing, acquiring, installing and equipping Project No. 74 (as described and defined herein) and (iii) pay costs of issuing the Project No. 74 Bonds. The Project No. 75 Bonds are being issued to provide funds with which to (i) pay costs of constructing, acquiring, installing and equipping Project No. 75 (as described and defined herein) and (ii) pay costs of issuing the Project No. 75 Bonds. See "PLAN OF FINANCE" and "SOURCES AND USES OF FUNDS FOR THE BONDS."
Security	The Project No. 74 Bonds and the interest thereon are payable solely from the Revenues to be derived from the rental payments of the Cabinet to the Commission under the Project No. 74 Lease and to the Cabinet by the State Agencies under the Subleases. The Project No. 75 Bonds are payable solely from the Revenues to be derived from the rental payments of Eastern Kentucky University to the Commission under the Project No. 75 Lease. See "SUMMARIES OF THE PRINCIPAL DOCUMENTS - The Lease and

Subleases". The Bonds are not secured by a lien on any of the properties constituting the Projects or any amounts derived therefrom.

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE COMMISSION. THE BONDS DO NOT CONSTITUTE A DEBT, LIABILITY, OR OBLIGATION OF THE COMMONWEALTH, OR A PLEDGE OF THE FULL FAITH AND CREDIT OR TAXING POWER OF THE COMMONWEALTH, BUT ARE PAYABLE SOLELY FROM AMOUNTS DEPOSITED IN CERTAIN FUNDS AND ACCOUNTS CREATED BY THE RESPECTIVE RESOLUTIONS AND FROM RENTAL INCOME DERIVED FROM THE RESPECTIVE BIENNIALLY RENEWABLE LEASES AND, WITH RESPECT TO THE PROJECT NO. 74 BONDS, BIENNIALLY RENEWABLE SUBLEASES WITH THE STATE AGENCIES, THE RENT FROM WHICH IS SUBJECT TO APPROPRIATION BY THE GENERAL ASSEMBLY OF THE COMMONWEALTH ON A BIENNIAL BASIS. THE BONDHOLDERS HAVE NO SECURITY INTEREST IN ANY PROPERTIES CONSTITUTING THE PROJECTS OR ANY AMOUNTS DERIVED THEREFROM.

Bond Insurance The scheduled payment of principal of and interest on certain Bonds as shown on the inside cover (the "Insured Bonds"), when due, will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by Financial Security Assurance Inc. See the caption "BOND INSURANCE."

Features of Bonds The Bonds are being offered in the authorized denominations of $5,000 or any integral multiple thereof, at the interest rates, yields and purchase prices set forth on the inside cover hereof. The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest due on the Bonds will be made directly to DTC. The Project No. 74 Bonds will bear interest payable on each August 1 and February 1, commencing August 1, 2002 (except for the Project No. 74 Bonds maturing February 1, 2002, which will pay interest at their maturity). The Project No. 75 Bonds will bear interest payable on each May 1 and November 1, commencing May 1, 2002. Principal of, redemption premium, if any, and interest on the Bonds will be paid directly to DTC by BNY Trust Company of Missouri, St. Louis, Missouri, as Trustee and Paying Agent (the "Trustee").

The Bonds are issuable only as fully registered Bonds, without coupons. The Project No. 74 Bonds maturing on or after August 1, 2012 are subject to optional redemption on or after February 1, 2012 at a redemption price equal to the principal amount thereof, plus accrued interest thereon, without premium. The Project No. 75 Bonds maturing on or after May 1, 2013 are subject to optional redemption on or after May 1, 2012 at a redemption price equal to the principal amount thereof, plus accrued interest thereon, without premium. See "THE BONDS - Redemption Provisions". It is expected that delivery of the Bonds will be made on or about January 30, 2002, in New York, New York, against payment therefor.

Tax Status Subject to compliance by the Commission, the Cabinet, the State Agencies, the Project No. 75 Lessee and others with certain covenants, in the opinion of Kutak

Rock LLP, Bond Counsel, under present law, interest on the Bonds (including original issue discount treated as interest) is excluded from gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, except that such interest must be included in the "adjusted current earnings" of certain corporations for purposes of calculating alternative minimum taxable income. It is also the opinion of Bond Counsel, under the laws of the Commonwealth of Kentucky, as presently enacted and construed, that interest on the Bonds is excluded from the gross income of the recipients thereof for Kentucky income tax purposes and the Bonds are exempt from ad valorem taxes by the Commonwealth of Kentucky and all political subdivisions thereof. See "TAX EXEMPTION" herein for a more complete discussion, and Exhibit D.

Continuing Disclosure

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

General

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

Information

Information regarding the Bonds is available by contacting the Office of Financial Management, 702 Capitol Avenue, Suite 261, Frankfort, Kentucky 40601, (502) 564-2924; or, during the initial offering period, by contacting the representative of the Underwriters, Bear, Stearns & Co. Inc., 383 Madison Avenue, 11th Floor, New York, New York 10179, (212) 272-4910.

OFFICIAL STATEMENT
Relating to

COMMONWEALTH OF KENTUCKY
State Property and Buildings Commission

$305,145,000	**$7,075,000**
Revenue and Revenue Refunding Bonds,	**Agency Fund Revenue Bonds,**
Project No. 74	**Project No. 75**

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 $305,145,000 Revenue and Revenue Refunding Bonds, Project No. 74 (the "Project No. 74 Bonds") and its $7,075,000 Agency Fund Revenue Bonds, Project No. 75 (the "Project No. 75 Bonds") (collectively the "Bonds") issued at the request of the Finance and Administration Cabinet of the Commonwealth (the "Cabinet"). The Project No. 74 Bonds are being issued to provide funds with which to (i) refund certain of the Commission's outstanding bonds (collectively the "Prior Bonds") (as described herein), (ii) pay costs of constructing, acquiring, installing and equipping Project No. 74 (as described and defined herein) and (iii) pay costs of issuing the Project No. 74 Bonds. The Project No. 75 Bonds are being issued to provide funds with which to (i) pay costs of constructing, acquiring, installing and equipping Project No. 75 (as described and defined herein) and (ii) pay costs of issuing the Project No. 75 Bonds. See the caption "PLAN OF FINANCE".

The Bonds have been authorized and issued pursuant to the Constitution and laws of the Commonwealth, including particularly Chapters 56 and 58 of the Kentucky Revised Statutes ("KRS"). The Commission has adopted a Resolution authorizing the Project No. 74 Bonds (the "Project No. 74 Resolution") and a Resolution authorizing the Project No. 75 Bonds (the "Project No. 75 Resolution") (collectively, the "Resolutions") authorizing the issuance of the Bonds and approving or affirming the lease of the Projects pursuant to the Leases hereinafter described.

The Cabinet, as lessee, has entered into a Lease Agreement dated as of January 1, 2002, with the Commission, as lessor (the "Project No. 74 Lease"), to provide the Commission with amounts to pay the principal of and interest on the Project No. 74 Bonds as they become due. The initial term of the Project No. 74 Lease ends June 30, 2002, and the Project No. 74 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 Project No. 74 Bonds. The Project No. 74 Lease requires the Cabinet, for each biennial period during which Project No. 74 Bonds are outstanding, to seek legislative appropriations to the Cabinet in amounts which are sufficient to permit the Cabinet to make rental payments to the Commission in amounts sufficient to pay principal of and interest on the Project No. 74 Bonds. The Kentucky General Assembly has appropriated to the Cabinet amounts sufficient to meet the rental payments under the Project No. 74 Lease, and therefore to permit the Commission to meet the debt service requirements of the Project No. 74 Bonds, through June 30, 2002.

In order to comply with the Commonwealth's budget process, the Cabinet has subleased portions of Project No. 74 to the various state agencies described under "THE STATE AGENCIES" (the "State Agencies") under Subleases dated as of January 1, 2002 (the "Subleases"). The initial period of each Sublease ends June 30, 2002, and the Subleases renew automatically (unless terminated in writing by the last business day in the preceding April by the applicable State Agency) for successive biennial periods to and including the biennial period which includes the final maturity of the Bonds. Each Sublease requires the applicable State Agency, for each biennial period of its Sublease, beginning July 1, 2002, to seek to have legislative appropriations made to the State Agency in amounts sufficient to permit the State Agency to make rental payments to the Cabinet. Under the Commonwealth's current budget process, appropriations to make payments under the Subleases which are included in the current budget will be made directly to the Cabinet in future biennial periods. If this process is continued, amounts sufficient to pay principal of and interest on all the Bonds will be appropriated to the Cabinet and the Subleases will terminate.

The Commission has pledged to the payment of its obligations under the Project No. 75 Resolution payments to be received by the Commission pursuant to a Financing/Lease Agreement entered into among the Commission, the Kentucky Asset/Liability Commission ("ALCo"), the Cabinet and Eastern Kentucky University (the "Project No. 75 Lessee") dated as of June 1, 2000, as amended by a First Supplemental Lease Agreement dated as of January 1, 2002 (collectively, the "Project No. 75 Lease"). The Kentucky General Assembly has approved the budget for the Project No. 75 Lessee having an amount projected to be sufficient to pay required Rent (hereinafter defined as the amount due on the Project No. 75 Bonds) under the Project No. 75 Lease. The required Rent payments are, in the aggregate, sufficient to meet principal and interest requirements on the Project No. 75 Bonds through June 30, 2002.

THE GENERAL ASSEMBLY OF THE COMMONWEALTH IS UNDER NO OBLIGATION TO MAKE APPROPRIATIONS FOR RENTAL PAYMENTS TO THE CABINET, THE STATE AGENCIES OR THE PROJECT NO. 75 LESSEE NOR IS THE CABINET UNDER ANY OBLIGATION TO RENEW THE PROJECT NO. 74 LEASE, NOR ANY STATE AGENCY ITS SUBLEASE, NOR THE PROJECT NO. 75 LESSEE THE PROJECT NO. 75 LEASE. THE PROJECT NO. 74 BONDS ARE PAYABLE SOLELY FROM AMOUNTS DEPOSITED IN CERTAIN FUNDS AND ACCOUNTS CREATED BY THE PROJECT NO. 74 RESOLUTION AND FROM A PLEDGE OF RENTAL PAYMENTS UNDER THE PROJECT NO. 74 LEASE AND ARE NOT SECURED BY ANY LIEN ON, OR INTEREST IN, THE PROPERTIES CONSTITUTING PROJECT NO. 74 OR ANY AMOUNTS DERIVED THEREFROM. THE PROJECT NO. 75 BONDS ARE PAYABLE SOLELY FROM AMOUNTS DEPOSITED IN CERTAIN FUNDS AND ACCOUNTS CREATED BY THE PROJECT NO. 75 RESOLUTION AND FROM A PLEDGE OF RENTAL PAYMENTS UNDER THE PROJECT NO. 75 LEASE AND ARE NOT SECURED BY ANY LIEN ON, OR INTEREST IN, THE PROPERTIES CONSTITUTING PROJECT NO. 75 OR ANY AMOUNTS DERIVED THEREFROM.

The scheduled payment of principal of and interest on certain Bonds as shown on the inside cover (the "Insured Bonds"), when due, will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by Financial Security Assurance Inc. See the caption "BOND INSURANCE."

Brief descriptions of the Commonwealth, the Commission, the Resolution, the Bonds, the Leases, the Subleases, the Project, the State Agencies, Project No. 75 Lessee and the Cabinet are included in this Official Statement. Capitalized terms not otherwise defined herein have the meanings assigned to them in the Resolutions. All summaries of documents and agreements in this Official Statement are qualified in their entirety by reference to such documents and agreements, copies of which are available at the Office of Financial Management, 702 Capitol Avenue, Suite 261, Frankfort, Kentucky 40601 (502) 564-2924.

THE BONDS

General

The Bonds are issuable only as fully registered Bonds. The Bonds will be issuable in the denominations of $5,000 or integral multiples thereof and will be dated the date of their delivery. Except for the Project No. 74 Bonds maturing February 1, 2002, which will pay interest at their maturity, the Project No. 74 Bonds will bear interest payable on each February 1 and August 1, commencing August 1, 2002, at the interest rates set forth on the inside cover of this Official Statement. The Project No. 75 Bonds will bear interest payable on each May 1 and November 1, commencing May 1, 2002, at the interest rates set forth on the inside cover of this Official Statement. BNY Trust Company of Missouri, St. Louis, Missouri is the trustee for the Bonds (the "Trustee").

Book Entry Only System

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not 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.

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

Redemption proceeds and distributions 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 securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions 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 shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered through its Participant, the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of the Bonds in connection with a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Commission or the Trustee. The Commission may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to 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 purchase price of tendered Bonds or the principal 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; or (5) any consent given or other action taken by DTC as holder.

In the event use of book-entry-system is discontinued, the Registered Owners of the Bonds 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 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 section concerning DTC and DTC's book-entry system has been obtained from sources that the Commission believes to be reliable, but the Commission takes no responsibility for the accuracy thereof.

Redemption Provisions

Optional Redemption of the Project No. 74 Bonds. The Project No. 74 Bonds maturing on and after August 1, 2012 may be redeemed at the option of the Commission on any date on or after February 1, 2012, in whole or in part, and if in part in such order of maturity as may be determined by the Commission (less than all of a single maturity to be selected by lot in such manner as the Trustee may determine), at a redemption price equal to the principal amount thereof, plus accrued interest thereon, without premium.

Optional Redemption of the Project No. 75 Bonds. The Project No. 75 Bonds maturing on and after May 1, 2013 may be redeemed at the option of the Commission on any date on or after May 1, 2012, in whole or in part, and if in part in such order of maturity as may be determined by the Commission (less than all of a single maturity to be selected by lot in such manner as the Trustee may determine), at a redemption price equal to the principal amount thereof, plus accrued interest thereon, without premium.

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

The Trustee also shall send a copy of such notice by registered or certified mail, overnight delivery service or electronic means for receipt not less than thirty-two (32) days before such redemption date to The Depository Trust Company, New York, New York, 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

Project No. 74 Bonds

The Project No. 74 Bonds and the interest thereon are payable solely from the revenues to be derived from the rental payments of the Cabinet under the Project No. 74 Lease. The Project No. 74 Bonds are not secured by a lien on any properties constituting Project No. 74 or any amounts derived therefrom. See the captions "SUMMARIES OF THE PRINCIPAL DOCUMENTS — The Project No. 74 Lease."

The Kentucky General Assembly has appropriated to the Cabinet amounts sufficient to meet the rental payments under the Lease, and therefore to permit the Commission to meet the debt service requirements of the Project No. 74 Bonds through June 30, 2002.

Under the provisions of the Constitution of the Commonwealth, the Cabinet is prohibited from entering into financing obligations extending beyond the biennial budget. Appropriations for the rental payments under the Project No. 74 Lease are subject to the discretion and approval of each successive biennial or extraordinary session of the General Assembly of the Commonwealth. There can be no assurance that (i) any such appropriation will be forthcoming in future sessions or (ii) in the performance of his or her obligation to balance the Commonwealth's annual budget, the Governor will not reduce or eliminate such appropriations. FAILURE OF THE CABINET TO RECEIVE SUCH APPROPRIATIONS WILL HAVE A MATERIAL ADVERSE EFFECT ON THE COMMISSION'S ABILITY TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS.

The Project No. 74 Bonds are also secured by certain other funds and accounts pledged therefor and described in the Project No. 74 Resolution.

THE PROJECT NO. 74 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 PROJECT NO. 74 BONDS.

Project No. 75 Bonds

The Commission has pledged to the payment of its obligations under the Project No. 75 Resolution payments to be received by the Commission pursuant to the Project No. 75 Lease. The Kentucky General Assembly has approved the budget for the Project No. 75 Lessee having amounts projected to be sufficient to pay required Rent (defined herein) under the Project No. 75 Lease. The required Rent payments are sufficient to meet principal and interest requirements on the Project No. 75 Bonds through June 30, 2002.

Under the provisions of the Constitution of the Commonwealth, State Agencies are prohibited from entering into financing obligations extending beyond the biennial budget. The proposed budgets for

State Agencies are submitted to the General Assembly of the Commonwealth every two years and are subject to the discretion and approval of each successive biennial or extraordinary session of the General Assembly of the Commonwealth. There can be no assurance (i) that the Project No. 75 Lessee 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 Project No. 75 Lessee 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 Project No. 75 Lease will be automatically renewed unless written notice of the election by the Project No. 75 Lessee to not so renew is given to the Commission by the last business day of May prior to the beginning of the next succeeding biennial renewal term.

The appropriations of the Project No. 75 Lessee, from which payment of principal of and interest on the Project No. 75 Bonds are derived, are "Agency Fund" appropriations and not "General Fund" appropriations. See "THE PROJECT NO. 75 LESSEE – Agency Fund Appropriations" for a discussion of the difference between Agency Fund appropriations and General Fund appropriations. FAILURE OF THE PROJECT NO. 75 LESSEE TO RECEIVE APPROPRIATIONS WILL HAVE A MATERIAL ADVERSE EFFECT ON THE COMMISSION'S ABILITY TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS.

The Project No. 75 Bonds are also secured by certain other funds and accounts pledged therefor and described in the Project No. 75 Resolution.

THE PROJECT NO. 75 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 PROJECT NO. 75 BONDS.

Bond Insurance

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

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Insured Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy for the Insured Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At September 30, 2001, Financial Security's total policyholders' surplus and contingency reserves were approximately $1,526,197,000 and its total unearned premium reserve was approximately $784,712,000 in accordance with statutory accounting principles. At September 30, 2001, Financial Security's total shareholders' equity was approximately $1,670,116,000 and its total net unearned premium reserve was approximately $646,496,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Insured Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Insured Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Insured Bonds or the advisability of investing in the Insured Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption and in "EXHIBIT E – Form of Municipal Bond Insurance Policy" for inclusion in the Official Statement.

PLAN OF FINANCE

Project No. 74 Bonds

The proceeds of the Project No. 74 Bonds will be used by the Commission and the Cabinet to (i) refund the Prior Bonds described below, (ii) pay the cost of constructing, acquiring, installing and equipping the Project and (ii) pay the costs of issuance of the Project No. 74 Bonds.

A portion of the proceeds of the Project No. 74 Bonds will be used to refund the Prior Bonds, as listed below:

Project No.	Date of Bond Issue	Maturities or Sinking Fund Installments Refunded	Principal Amount Refunded
54	July 15, 1992	September 1, 2003	$1,680,000*
55	September 1, 1993	September 1, 2004 - 2005	11,275,000*
56	July 15, 1994	September 1, 2005 - 2006	5,580,000
57	August 1, 1995	November 1, 2006 - 2007	2,395,000*
59	November 1, 1995	November 1, 2006 - 2007	12,370,000
60	May 1, 1998	October 1, 2009 - 2010	730,000*
63	May 1, 1999	November 1, 2010 - 2011	2,660,000
64	September 1, 1999	May 1, 2010 - 2011	8,110,000
65	February 1, 2000	February 1, 2011 - 2012	7,665,000
67	September 1, 2000	September 1, 2011 - 2012	11,600,000
68	October 1, 2000	October 1, 2011 - 2012	16,620,000
72	October 1, 2001	October 1, 2012	14,485,000

*Partial maturity.

The proceeds of the Project No. 74 Bonds relating to the refunding of the Prior Bonds will be deposited in an escrow fund (the "Project No. 74 Escrow Fund") to be held by BNY Trust Company of Missouri, as Escrow Agent (the "Escrow Agent") under an Escrow Agreement (the "Escrow Agreement") dated as of January 1, 2002, by and between the Commission and the Escrow Agent. The Escrow Agent is required in the Escrow Agreement to apply a portion of the money on deposit in the Project No. 74 Escrow Fund to the purchase of United States Government Obligations – State and Local Government Series, which will earn interest at such rates and mature on such dates so as to provide sufficient funds, together with any cash held invested in the Project No. 74 Escrow Fund, to pay the interest on the Prior Bonds as same becomes due and the redemption price of the Prior Bonds on their respective redemption dates. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein.

The remaining proceeds of the Project No. 74 Bonds, except for issuance costs, will be deposited in various accounts of the Construction Fund established by the Commonwealth for paying the costs of construction, acquisition, installation and equipping of Project No. 74. Amounts will be disbursed to pay the costs of construction, acquisition, installation and equipping of Project No. 74 as costs are incurred.

The Commission had outstanding bonds in the aggregate principal amount of $1,968,401,415.70 as of January 1, 2002. Upon the issuance of the Bonds, the Commission will have a total of $2,280,621,415.70 aggregate principal amount of bonds outstanding. The Commission has further committed to issue a series of bonds on a forward delivery basis as a part of the Commission's Project No. 69. The Project No. 69 Series D Bonds in the amount of $39,320,000 will be delivered on June 5, 2002, which will refund prior Commission bonds in the amount of $39,405,000 on that date.

Project No. 75 Bonds

The proceeds of the Project No. 75 Bonds will be used by the Commission and the Cabinet to (i) pay costs of constructing, acquiring, installing and equipping Project No. 75 (as described and defined herein) and (ii) pay the costs of issuance of the Project No. 75 Bonds. The proceeds of the Project No. 75 Bonds, except for issuance costs, will be deposited in the Construction Fund established by the Commonwealth for paying the costs of construction, acquisition, installation and equipping of Project No. 75. Amounts will be disbursed to pay the costs of construction, acquisition, installation and equipping of Project No. 75 as costs are incurred.

SOURCES AND USES OF FUNDS FOR THE BONDS

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

Project No. 74

SOURCES OF FUNDS:	
Par Amount of Bonds	$305,145,000.00
Plus: Net Original Issue Premium	10,672,386.25
TOTAL SOURCES	$315,817,386.25
USES OF FUNDS:	
Project No. 74 Escrow Fund Deposit	$101,892,402.97
Project No. 74 Construction Fund Deposit	211,593,000.00
Costs of Issuance[1]	859,006.68
Underwriters' Discount	1,472,976.60
TOTAL USES	$315,817,386.25

[1]Includes bond insurance premium.

Project No. 75

SOURCES OF FUNDS:

Par Amount of Bonds	$7,075,000.00
Less: Original Issue Discount	-18,784.75
TOTAL SOURCES	$7,056,215.25

USES OF FUNDS:

Project No. 75 Construction Fund Deposit	$7,000,000.00
Costs of Issuance[1]	22,438.59
Underwriters' Discount	33,776.66
TOTAL USES	$7,056,215.25

[1]Includes bond insurance premium.

THE PROJECT

Project No. 74

The Cabinet and the State Agencies will lease and sublease all of the facilities, renovations and improvements financed or refinanced with the proceeds of the Bonds from the Commission under the Lease and the Subleases (collectively, "Project No. 74"). The State Agencies related to Project No. 74 are as follows:

Education, Arts and Humanities Cabinet
Cabinet for Economic Development
Finance and Administration Cabinet
Cabinet for Health Services
Justice Cabinet
Natural Resources and Environmental Protection Cabinet
Tourism Development Cabinet
Governor's Office for Technology

Council on Postsecondary Education:
- Eastern Kentucky University
- Kentucky Community and Technical College System
- Kentucky State University
- Morehead State University
- Northern Kentucky University
- University of Kentucky
- University of Louisville

A description of the new projects being financed for each State Agency is included in Exhibit B. Various other projects were originally financed with the Prior Bonds and will also constitute a part of Project No. 74. The state agencies related to the refunding portion of Project No. 74 are the following:

Cabinet for Economic Development
Cabinet for Families and Children
Cabinet for Workforce Development
Cabinet for Health Services
Education, Arts and Humanities Cabinet
Finance and Administration Cabinet
Justice Cabinet
Public Protection and Regulation Cabinet
Tourism Development Cabinet
Department for Local Government
Department of Military Affairs

Council on Postsecondary Education:
- Eastern Kentucky University
- Kentucky Community and Technical College System
- Kentucky State University
- Morehead State University
- Murray State University
- Northern Kentucky University
- University of Kentucky
- University of Louisville
- Western Kentucky University

Project No. 75

The project to be funded from amounts deposited in the Project No. 75 Construction Fund ("Project No. 75") consists of the construction of the Law Enforcement Physical Skills Training Facility as a part of the basic training complex for the Department of Criminal Justice Training on the campus of Eastern Kentucky University.

THE STATE PROPERTY AND BUILDINGS COMMISSION

General

The Commission is composed of the Governor (who is the Chairman of the Commission), the Lieutenant Governor, the Attorney General, the Secretary of the Finance and Administration Cabinet (who is the Executive Director of the Commission), the Secretary of the Cabinet for Economic Development and the Secretary of the Revenue Cabinet. The Office of Financial Management ("OFM") in the Finance and Administration Cabinet serves as staff to the Commission and the Executive Director of 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 has applied to the Commission to issue the Bonds secured by revenues from the Lease and Subleases. The Resolutions were adopted by the Commission on December 18, 2001 and December 21, 2001, authorizing the issuance of the Bonds.

Future Financings

Except for refunding bonds which may become financially feasible and bonds for economic development projects that are not expected to exceed ten million dollars, the Commission does not anticipate issuing any additional bonds during the current budget biennium, ending June 30, 2002. The Kentucky General Assembly may authorize debt financing to support various capital initiatives of the Commonwealth in the budget for the next biennium or 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.

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

THE STATE AGENCIES

Education, Arts and Humanities Cabinet

The Education, Arts and Humanities Cabinet is charged with the mission of preserving Kentucky's heritage, preparing for its future, and promoting a statewide culture of lifelong learning. Each of the agencies in the Cabinet provides or oversees services that contribute to an enhanced quality of life for Kentuckians: excellence in public education, quality libraries, the preservation of historical landmarks and cultural enrichment through the arts.

Kentucky Educational Television signed on the air in September 1968 as Kentucky's statewide public broadcasting network. Today, KET is the largest PBS member network in America. KET's 16 transmitters and four translators deliver both the PBS national schedule and their own wide range of local arts, cultural, documentary, and public affairs productions to viewers throughout Kentucky and in parts of seven surrounding states. KET is a private/public partnership of individuals, organizations and corporate contributors.

The Kentucky Board of Education, as mandated by law, develops policy and adopts the regulations that govern Kentucky's 176 public school districts and the actions of the Kentucky Department of Education. Department officials follow board guidelines as they both lead and serve public elementary, middle and high schools.

Cabinet for Economic Development

The 1992 General Assembly created the Kentucky Economic Development Partnership, a board governing the Cabinet for Economic Development. The Partnership consists of eleven voting members and the Secretary of the Cabinet for Economic Development and the Secretary of the Tourism Development Cabinet who serve as non-voting members. The Governor serves as Chairman.

The Cabinet for Economic Development promotes and facilitates increased economic development in the Commonwealth. This development is aimed toward increasing the standard of living and improving the opportunities of all Kentucky citizens. The Cabinet for Economic Development works to encourage new businesses to locate in Kentucky, to assist business in the Commonwealth to expand, to increase outside investment and spending in the Commonwealth, to promote Kentucky products and resources and to upgrade the quality and quantity of services provided by Kentucky communities.

Finance and Administration Cabinet

A description of the Finance and Administration Cabinet appears under the heading "THE FINANCE AND ADMINISTRATION CABINET." The Kentucky River Authority is also attached to the Cabinet for administrative purposes. The Kentucky River Authority is charged with managing the water resources of the Kentucky River watershed. This area includes parts of 42 counties of the state and has over 700,000 residents. The primary focus of the Authority is to protect and develop the water supply sources of the area to meet future demands. There are 14 dams creating water supply pools on the Kentucky River. There are three program areas of the Kentucky River Authority. The first program is for general operations, including all research, feasibility studies, technical services, public information and general administration costs. Water user fees, assessed at the rate of $.022 per thousand gallons of water withdrawn from any water supply source within the river basin, supports this program. The second program supports capital facilities enhancing water supply on the main stem of the Kentucky River and is supported by a secondary fee levied on water withdrawals from the main stem of the river. The third program is general fund supported and provides for the salaries and expenses for the operation and general maintenance of the locks on the Kentucky River.

The Agricultural Development Board was created pursuant to KRS 248.707 as a political subdivision of the Commonwealth attached to the Office of the Governor for administrative purposes. The Agricultural Development Board is charged with the responsibility of administering funds to provide economic assistance to the agricultural community of the Commonwealth, including processing requests for financial and technical assistance from institutions of public postsecondary education for alternative crop development research. The Agricultural Development Board's duties include developing a comprehensive plan to assist farmers in remaining competitive in existing and new businesses. In the fulfillment of its duties, the Agricultural Development Board administers the Rural Development Fund established within the State Treasury pursuant to KRS 248.655, the purpose of which is to receive and expend funds to improve and promote agricultural development for residents of the Commonwealth.

Cabinet for Health Services

The Cabinet for Health Services is the state government agency that administers programs to promote the mental and physical health of Kentuckians. The Cabinet was created by Executive Order 95-79 (which also abolished the Cabinet for Human Resources) on December 28, 1995, and is codified as KRS 194A. The Department for Medicaid Services, Department for Mental Health/Mental Retardation Services, Department for Public Health, Commission for Children with Special Health Care Needs, the Office of Certificate of Need, the Office of Aging Services, the Office of Program Support, the Office of the General Counsel, the Office of the Inspector General and the Office of the Secretary form the Cabinet for Health Services. These last four units are included in one appropriation unit called Administrative Support. The Office of Aging Services was transferred to the Cabinet for Health Services from the Cabinet for Families and Children by Executive Order 99-80.

The mission of the Department for Mental Health/Mental Retardation Services is to promote the well-being of all Kentuckians by assuring the provision of quality information, services and supports for individuals and their families through education, prevention, behavioral healthcare, monitoring and public planning in the areas of mental health, mental retardation/developmental disabilities, substance abuse, and traumatic brain injury.

Justice Cabinet

The Justice Cabinet has overall responsibility for the criminal justice system of the Commonwealth, including all powers and duties formerly vested in the Department of Public Safety, the Kentucky Crime Commission and the Kentucky Law Enforcement Council. The Justice Cabinet is comprised of seven organizational units, each of which is under the exclusive direction and control of the Secretary of Justice: the Department of State Police, the Department of Criminal Justice Training, the Office of Administration, the Department of Corrections, the Department of Juvenile Justice, the Parole Board and the Kentucky State Corrections Commission.

Department of Corrections. Under a plan of reorganization adopted by the 1992 General Assembly, the Department of Corrections has replaced the former Corrections Cabinet and, as a department of the Justice Cabinet, exercises all functions of the State in relation to management of penal, reform, and correctional institutions; supervision of probation and parole; the giving of assistance to other departments, agencies and institutions of the state and federal government and the administration, enforcement and development of jail standards, training of jailers and jail personnel, and jail planning and construction. The Department of Corrections is responsible for administrating the Kentucky State Reformatory (KSR), the Kentucky Correctional Institution for Women (KCIW), the Kentucky State Penitentiary (KSP), Northpoint Training Center (NTC), the Luther Luckett Correctional Complex (LLCC), the Eastern Kentucky Correctional Complex (EKCC), the Western Kentucky Correctional

Complex (WKCC), the Roederer Correctional Complex (RCC), Blackburn Correctional Facilities Complex (BCC), the Bell County Forestry Camp (BCFC), the Frankfort Career Development Center (FCDC), the Green River Correctional Complex GRCC), and two private prisons (one medium and one minimum security) as well as other correctional institutions which may be established.

Department of Juvenile Justice. The Kentucky Department of Juvenile Justice was established in 1996 with the passage of HB 117 by Kentucky's General Assembly. The Department includes two main divisions-Program Operations and Support Services. These main divisions are subdivided into smaller divisions and branches.

Program Operations includes the East Region Division, West Region Division, Central Region Division, Mental Health Services, and the Classification Branch. The three Regional Divisions provide oversight of the daily operations of Day Treatment Centers, Group Homes, Residential Facilities, Community Services (including the Juvenile Intensive Supervision Team program and the Juvenile Community Work Program), and state-operated Secure Juvenile Detention Facilities. The East Region Division also provides oversight of the Bluegrass Assessment Center and the Cadet Leadership and Education Program (C.L.E.P.). The Classification Branch coordinates and makes final decisions regarding the placement of all youth committed to the Department.

Support Services includes the Program Services Division, Administrative Services Division, Staff Development Division, and Health Services. Support Services also coordinates the Department's partnership with the National Guard for the operation of the Kentucky Youth challenge program.

Natural Resources and Environmental Protection Cabinet

The Natural Resources and Environmental Protection Cabinet is charged with broad responsibilities for the protection and preservation of Kentucky's land, air, and water resources. The Cabinet's mission is to protect and enhance Kentucky's natural resources by providing environmental leadership and expertise; shaping a vision for Kentucky's ecological future; serving as a bridge linking Kentucky's citizens, government, and businesses; and monitoring environmental trends and anticipating needs. The Cabinet is also the chief agency responsible for the prevention, abatement and control of all water, land and air pollution and the reclamation of lands adversely affected by surface and underground mining.

Department for Environmental Protection. The primary function of the Department for Environmental Protection is the operation of a permitting system which allows for the control of air emissions, water withdrawals and discharges, and management of wastes in such a way as to protect the public and the environment. The Department is made up of four (4) divisions that include the Division for Air Quality, Division of Environmental Services, the Division of Waste Management and the Division of Water. The Divisions protect human health and the environment by maintaining acceptable air quality standards and developing and implementing regulatory, effective and educational programs. The Department also provides centralized laboratory testing which supports the Cabinet's programs that assess the environmental status of the Commonwealth. These programs include underground storage tanks, groundwater monitoring, Superfund sites, permits and compliance, enforcement, air toxics, and monitoring of rivers, lakes and streams.

Tourism Development Cabinet

The Tourism Development Cabinet was established by KRS 148.522 to facilitate efficiency and improved administration by the Commonwealth in promoting the tourism industry in Kentucky. Estimates project tourism spending in excess of $8.8 billion annually, making tourism Kentucky's third-largest industry. The Tourism Development Cabinet administers 17 resort parks, 22 recreational parks and 10 historical sites. In addition, it includes the Kentucky Fair and Exposition Center, the Kentucky

International Convention Center, the Kentucky Horse Park, the Department of Fish and Wildlife Resources and the Department of Travel. The tourism industry, Kentucky's second largest private employer, provides employment for approximately 163,000 Kentuckians. In addition, tourism related industries and businesses annually generate approximately $900 million of state and local tax revenue in the Commonwealth.

The Department of Parks located within the Tourism Development Cabinet administers and operates the Kentucky State Parks System under the authority of KRS 148. The Department strives to provide quality recreational facilities and to preserve and protect historically significant sites and natural phenomena in the Commonwealth of Kentucky.

The Resort Parks program encourages tourism and economic development in Kentucky by providing excellent overnight accommodations, quality food service, and recreational activities for visitors at the 17 resort parks. In fiscal year 2000 the resort parks provided overnight accommodations for approximately 558,000 guests and served approximately 1.5 million meals.

The Recreation Parks and Historic Sites program encourages tourism and economic development in Kentucky by providing modern recreational and camping facilities and preserving significant scenic and historic landmarks, as well as operating museums and shrines. In fiscal year 2000, the camping areas attracted approximately 630,000 visitors and museum visitation approached 192,000.

Governor's Office for Technology

The Governor's Office for Technology was established October 1, 1999, by Executive Order 99-1359. This reorganization included the office of Chief Information Officer, the Department of Information Systems (DIS), and the office for the Kentucky Information Resource Management Commission (KIRM). The Office of Geographic Information Systems (OGIS) and the Commercial Mobile Radio Service Emergency Telecommunications Board (CMRS) are attached for administrative purposes.

The Governor's Office for Technology (GOT) provides leadership, policy direction, and technical support to all executive branch agencies of state governmental in the application of information technology and the delivery of information services in fulfillment of the Commonwealth's missions and objectives. This broad statement of responsibility encompasses major information resource functions, such as data center operations, voice, data, and video communications, application development, data administration, computer and data communications hardware selection and installation, and related end user and customer support services. The workload for GOT is highly sensitive to agency programmatic shifts, particularly changes mandated by state and federal legislation.

Council on Postsecondary Education

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

Postsecondary Education Institutions

Eastern Kentucky University. See "THE PROJECT NO. 75 LESSEE."

Kentucky Community and Technical College System. The Kentucky Community and Technical College System ("KCTCS") was created by the Postsecondary Education Improvement Act of 1997. KCTCS blends two education systems with long histories of service to Kentucky: 13 community colleges and 15 technical colleges. In this powerful new alliance, KCTCS provides accessible and affordable education and training through academic and technical associate degrees; diploma and certificate programs in occupational fields; pre-baccalaureate education; adult, continuing and developmental education; customized training for business and industry; and distance learning opportunities.

The colleges also sponsor an array of fine-arts programs that enrich their communities. KCTCS institutions offer federal financial aid. The community colleges are accredited by the Commission on Colleges of the Southern Association of Colleges and Schools. The technical colleges are accredited by the Council on Occupational Education. Credits from KCTCS institutions transfer within the system and to four-year universities. All coursework taken within the general education block leading to the associate in arts or associate in science degree can be transferred to all public universities in Kentucky.

Kentucky State University. Kentucky State College was established in 1886 by an Act of the Kentucky General Assembly. With the passage of the 1890 Morrill Act by the U.S. Congress, the college became a land-grant institution. A tripartite mission was instituted: teaching, research, and public service.

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

Current student enrollment is approximately 2,000. The student body is fully integrated, serving both white and African American residential students and a significant number of commuting students representing the ethnic and geographic diversity of the Commonwealth. Many international students are also enrolled at KSU.

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

MoSU is committed to preparing its students for the challenges and opportunities of the 21st century, and to improving the quality of life for the community, while protecting and preserving the unique history of its service region and the Commonwealth of Kentucky. Its mission is to offer quality higher educational opportunities and training in a collegial environment of open inquiry and educational interaction. This will be done through a continual pursuit of academic education, professional development and research in the belief that learning is a life-long process.

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

The MoSU campus is located in the Appalachian foothills with main campus facilities in the city of Morehead and an agricultural center in Rowan County. Art and music facilities provide cultural programs and activities for the campus, community, and surrounding area. A modern student athletic center provides health, physical education, and recreation opportunities for students, employees, and members of the community. More than 30 percent of the university's students live in 13 residence halls and the university provides extensive student development programs to meet the needs of a holistic education for all students.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

THE PROJECT NO. 75 LESSEE

The Project No. 75 Lessee is obligated to pay lease payments under the Project No. 75 Lease.

Agency Fund Appropriations

The Project No. 75 Lessee is required to develop and submit a balanced budget for consideration by the General Assembly during its regular session at which budgets are adopted, which begins in January of each even-numbered year. These budgets are required to include all fund sources, which include General Funds, Road Funds, Federal Funds and Agency Funds. Agency Funds are defined as any fund except General, Road or Federal Funds. Examples of Agency Funds would include, but are not limited to, tuition, student fees, insurance premium receipts and certain other revenues associated with the day to day operation of the Project No. 75 Lessee.

The Project No. 75 Lessee has agreed to include an amount for Rent in each request. While Project No. 75 Lessee has a variety of fund sources, Rent payments for the Bonds associated with the Project No. 75 Lessee may only be made from Agency Funds available to the Project No. 75 Lessee.

The Kentucky General Assembly has approved a budget for the Project No. 75 Lessee having amounts projected to be sufficient to enable the Project No. 75 Lessee to pay required Rents under its Lease through June 30, 2002. The required Rent payments are, in the aggregate, sufficient to meet principal and interest requirements on the Bonds through June 30, 2002.

Under the provisions of the Constitution of the Commonwealth, the Project No. 75 Lessee is prohibited from entering into financing obligations extending beyond the biennial budget. The proposed budget for the Project No. 75 Lessee is submitted to the General Assembly of the Commonwealth every two years and is subject to the discretion and approval of each successive biennial or extraordinary session of the General Assembly of the Commonwealth. There can be no assurance (i) that each Project No. 75 Lessee 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 Project No. 75 Lessee to make Rent payments or (iii) that the Governor, in the performance of his or her obligation to balance the Commonwealth's annual budget, will not reduce or eliminate such appropriations. Notwithstanding the foregoing, the Leases will be automatically renewed unless written notice of the election by the Project No. 75 Lessee to not so renew is given to the Commission by the last business day of May prior to the beginning of the next succeeding biennial renewal term.

Financial Information Regarding the Project No. 75 Lessee

Financial information with respect to the Project No. 75 Lessee is presented in *The Kentucky Comprehensive Annual Financial Report* ("CAFR") published annually by the Commonwealth. A copy of the *CAFR* for Fiscal Year 2001 may be obtained from the Office of Financial Management, 702 Capitol Avenue, Suite 261, Frankfort, Kentucky 40601 (502) 564-2924 and will soon be filed with the Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs"). Additionally, the *CAFR* for Fiscal Year 2001 will soon be available on the Internet at:

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

The *CAFR* for the Fiscal Year ended June 30, 2001 contains the following information with respect to Component Units – All University and College Funds, including the Project No. 75 Lessee: (i) Combining balance sheet, page 164; (ii) Combining statement of revenues, expenditures, and other changes, page 166; and (iii) Combining statement of changes in fund balance, page 168 (e.g. General Fund, Agency Fund and other). Copies of the foregoing pages from the *CAFR* are set forth in Exhibit C to this Official Statement, in the section of such Exhibit marked "Eastern Kentucky University."

The outstanding revenue obligations of the Project No. 75 Lessee as of June 30, 2001 (pages 402 and 403 of *Supplementary Information to The Kentucky Comprehensive Annual Financial Report* for the Fiscal Year ended June 30, 2001) are set forth in a table identified as "Debt of the State and Its Agencies - Table II," which is included as the last two pages of Exhibit A to this Official Statement. Further information on the outstanding revenue obligations of the Project No. 75 Lessee as well as more detailed financial information on the Project No. 75 Lessee may be obtained from the Office of Financial Management, 702 Capitol Avenue, Suite 261, Frankfort, Kentucky 40601 (502) 564-2924.

General Information on the Project No. 75 Lessee

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

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

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

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 A hereto.

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

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

The Kentucky Comprehensive Annual Financial Report for Fiscal Year 2000 is incorporated herein by reference. The Commonwealth has filed *The Kentucky Comprehensive Annual Financial Report* for Fiscal Year 2000 with the following 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 J.J. Kenny Repository
55 Water Street, 45th Floor
New York, New York 10041
Internet: nrmsir_repository@sandp.com
Tel: (212) 438-4595
Fax: (212) 438-3975

(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 2001 may be obtained from the Office of Financial Management, 702 Capitol Avenue, Suite 261, Frankfort, Kentucky 40601 (502) 564-2924 and will soon be filed with the NRMSIRs. Additionally, *The Kentucky Comprehensive Annual Financial Report* for Fiscal Year 2001 will soon be available on the Internet at:

http://www.state.ky.us/agencies/finance/manuals/tax/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 *Supplemental Information to the Kentucky Comprehensive Annual Financial Report* (or successor reports) with the NRMSIRs as required under Rule 15c2-12.

Fiscal Year 1999

General Fund revenue on a budgetary basis for 1999 was $6.23 billion, an increase of 1.3% over 1998. This amount includes $6.20 billion in tax and non-tax receipts, and $31.75 million of Operating Transfers In. Taxes represented 94.9% of all General Fund revenue collected during the period.

General Fund expenditures on a budgetary basis for 1999 totaled $6.54 billion, including Operating Transfers Out of $727.99 million. During 1999, expenditures increased by 3.5% and transfers decreased by 113.5% compared to 1998. The general government function includes $857.47 million of expenditures and $2.62 million of transfers for the eight state supported universities, which together amount to 13.2% of the General Fund total expenditures.

The General Fund had a 1999 budgetary undesignated fund balance of $64,193,087. This is a decrease of $291,822,378 from the 1998 year-end budgetary undesignated fund balance of $356,015,465.

Revenue for general governmental functions totaled $11.77 billion for 1999, an increase of 1.5% over the amount recognized during 1998.

1999 Governmental Funds Revenue was up $168.3 million over 1998. Tax income rose $203.6 million, based largely on $148.1 million in improved General Fund Individual Income Tax collections. Earnings from Interest and Investments fell 26.9 % as adjusted to Fair Market Value in accordance with GASB 31. These offsetting amounts account for all except $14.6 million of the net increase. Other Revenues also dropped, primarily in the General Fund, by 15.1%, but were countered by moderate growth in other sources, especially License, Fee, and Permits income, which rose $17.9 million, mainly in the Transportation and Agency Revenue Funds.

Expenditures, excluding transfers, for general governmental functions on a GAAP basis totaled $11.10 billion for 1999, an increase of 4.2% compared to 1998.

1999 Governmental Funds Expenditures were $450.9 million over 1998. Transportation costs went up $221.2 million. About half this amount, or $124.1 million, is for higher Transportation Fund expenditures by the Department of Highways. Related Federal government match accounts for the $49.5 million rise in Federal Fund expenditures of the Transportation Function. General Government costs went down $96.1 million, due mostly to a $154.1 million drop in Agency Revenue Fund expenditures, offset by $48.1 million more spending in the General Fund. Capital Outlay increased $131.1 million based primarily on $82.7 million more in the General Government Function. Debt Service Fund payments fell $80.3 million due to a $16.1 million drop in the principal amount of bonds maturing during the year and $64.8 million less in interest payments on principal outstanding. And, Human Resources expenditures rose by $243.0 million in the General Fund and $46.3 million in the Federal Fund, but were offset by a $173.7 million drop in the Agency Revenue Fund.

Ending fund balances for all governmental fund types decreased 3.8%, from $2.75 billion as restated for 1998, to $2.64 billion in 1999. Of these totals, unreserved fund balances decreased 21.3%, from $1.52 billion at June 30, 1998, to $1.19 billion at June 30, 1999.

During 1999, Kentucky issued revenue notes and bonds totaling $106,185,000 for general governmental functions which are supported by governmental fund appropriations. $31,550,000 of those bonds defeased existing debt and funded related reserve accounts. The remaining $74,635,000 of bonds funded new projects. All issues sold during 1999 received a rating of "A" or higher by the major rating services. At June 30, 1999, total principal outstanding for revenue bonds paid from governmental fund appropriations was $2,178,683,319.

Fiscal Year 2000

General Fund revenue on a budgetary basis for 2000 was $6.72 billion, an increase of 7.8% over 1999. This amount includes $6.48 billion in tax and non-tax receipts, and $239.85 million of Operating Transfers In. Taxes represented 92.2% of all General Fund revenue collected during the period.

General Fund expenditures on a budgetary basis for 2000 totaled $6.55 billion, including Operating Transfers Out of $596.17 million. During 2000, expenditures increased by 2.4% and transfers decreased by 18.1% compared to 1999. The general government function includes $880.57 million of expenditures and transfers for the state supported universities, which together amount to 13.4% of the General Fund total.

The General Fund had a 2000 budgetary undesignated fund balance of $176,353,716. This is an increase of $112,160,629 over the 1999 year-end budgetary undesignated fund balance of $64,193,087.

Revenue for general governmental functions totaled $12.99 billion for 2000, an increase of 10.4% over the amount recognized during 1999.

2000 Governmental Funds Revenue rose $1.23 billion over 1999. Intergovernmental Income was up almost $777 million, due primarily to almost $754 million more in Federal Fund receipts from the United States Government. Tax Revenue improved by nearly $310 million, including over $263 million more in the General Fund where Individual Income Tax collections climbed over $162 million and Sales and Gross Receipts Taxes jumped an additional $84 million. Sales and Gross Receipts Taxes also rose more than $144 million in the Transportation Fund. These four specifically described gains account for 93.2% of revenue growth since last year.

Expenditures, excluding transfers, for general governmental functions on a GAAP basis totaled $12.07 billion for 2000, an increase of 8.8% compared to 1999.

2000 Governmental Funds Expenditures grew $971.5 million over 1999. The cost of Human Resources services rose nearly $741 million, both in the Federal Fund, where spending went up almost $496 million, and in the Agency Revenue Fund where payments climbed close to $240 million. Transportation costs jumped about $146 million, based on $143 million more spent in the Federal Fund, offset by $10 million less spent in the Agency Revenue Fund. And, nearly $87 million more in General Fund grants and subsidies was the major contributor to the $101 million growth in Education and Humanities expenditures. These increases were partially offset by nearly $41 million less spending for Capital Outlay and Debt Service Fund payments of almost $55 million less than last year. The combined effect of these differences account for 88.6% of the net growth in expenditures this year.

Ending fund balances for all governmental fund types increased 8.0%, from $2.68 billion as restated for 1999, to $2.90 billion in 2000. Of these totals, unreserved fund balances increased 17.7%, from $1.23 billion as restated at July 1, 1999, to $1.45 billion at June 30, 2000.

During 2000, Kentucky issued revenue bonds totaling $308,490,000 for general governmental functions which are supported by governmental fund appropriations. No bonds were defeased during the period and this entire amount funded new projects. At June 30, 2000, total principal outstanding for revenue bonds paid from governmental fund appropriations was $2,315,533,850.

Fiscal Year 2001

General Fund revenue on a budgetary basis for 2001 was $6.84 billion, an increase of 1.8% over 2000. This amount includes $6.76 billion in tax and non-tax receipts, and $82.07 million of Operating Transfers In. Taxes represented 93.5% of all General Fund revenue collected during the period.

General Fund expenditures on a budgetary basis for 2001 totaled $7.04 billion, including Operating Transfers Out of $782.20 million. During 2001, expenditures increased by 7.5% and transfers increased by 23.78% compared to 2000. The general government function includes $931.38 million of expenditures and transfers for the state supported universities, which together amount to 13.2% of the General Fund total.

The General Fund had a 2001 budgetary undesignated fund balance of $197,844,140. This is an increase of $21,490,424 compared to the 2000 year-end budgetary undesignated fund balance of $176,353,716.

Revenue for general governmental functions totaled $13.27 billion for 2001, an increase of 2.12% over the amount recognized during 2000.

2001 Governmental Funds Revenue rose $276.14 million compared to 2000. Other Revenues increased by nearly $386.04 million, including an increase of $116.7 million in the General Fund. In addition, Tax Revenue climbed over $148.82 million, with the Sales and Gross Receipts increasing $79.30 million and the Capital Projects Fund adding $60.6 million. Interest and Investments was up $68.21 million, with the major contributor being the General Fund with an increase over 2000 of $36.06 million. These three specifically described gains, offset by declines, account for 90.0% of revenue growth since last year.

Expenditures, excluding transfers, for general governmental functions on a GAAP basis totaled $12.61 billion for 2001, an increase of 4.5% compared to 2000.

2001 Governmental Funds Expenditures grew $539.24 million compared to 2000. General Government expenditures increased spending by $131.6 million due to the additional expenditure of almost $66 million in the General Fund and $54 million in the Special Revenue Funds. Debt Service cost rose about $107 million, based on $132.54 million more spent in the Debt Service Fund, for the retirement of principal debt. Education and Humanities jumped $91.32 million, based on $89 million more spent in the General Fund. The increases are also partially offset by $6.63 million less spent in the Public Protection and Regulation Fund. The combined effect of these differences accounts for 62.5% of the net growth in expenditures this year.

Ending fund balances for all governmental fund types decreased 16.45%, from $2.92 billion as restated for 2000, to $2.44 billion in 2001. Of these totals, unreserved fund balances decreased 8.64%, from $1.13 billion as restated at July 1, 2000, to $1.04 billion at June 30, 2001.

During 2001, Kentucky issued revenue bonds totaling $762,945,000 for general governmental functions which are supported by governmental fund appropriations. At June 30, 2001, total principal outstanding for revenue bonds paid from governmental fund appropriations was $2,944,838,570.

Fiscal Year 2002 (unaudited)

The Consensus Forecasting Group revised the official estimate of General Fund receipts for Fiscal Year 2002 on October 15, 2001 from $6,887.0 million (the June 14, 2001 Consensus Estimate) to $6,715.5 million, a decrease of $171.5 million. The General Fund will also collect an estimated $126.5 million in Master Settlement Agreement Payments (relating to the settlement of litigation with certain companies that sold tobacco products) during Fiscal Year 2002, bringing the total projected General Fund receipts to $6,842.0 million. The Consensus Forecasting Group met again in December to review the Fiscal Year 2002 forecast and made no changes to the General Fund estimate, but did increase the Master Settlement Agreement Payments by $7.6 million.

Pursuant to KRS 48.130 and 48.600, a General Fund Budget Reduction Plan is enacted for state government in the event of an actual or projected deficit in estimated revenues as modified by related Acts and actions of the General Assembly in an extraordinary or regular session. The Governor must take action to balance the budget to eliminate any deficit prior to the fiscal year ending June 30, 2002. On September 7, 2001 the Governor, State Budget Director, and Secretary of the Finance and Administration Cabinet issued General Fund Budget Reduction Order 02-01. Order 02-01 made reductions based upon the June 2001 revision to the official estimate totaling approximately $290 million. Budget reductions were made for most governmental agencies with the exception of scheduled Support Education Excellence in Kentucky ("SEEK") payments for education, Medicaid, postsecondary education institutions and capital construction. The majority of the reductions in appropriations were generated from three sources: $120 million from the Budget Reserve Trust Fund, $50 million of excess SEEK funds above the amount needed to meet Fiscal Year 2002 targeted spending levels, and $26 million in unutilized Agency Funds transferred to the General Fund. The $120 million withdrawal from the Budget Reserve Trust Fund represents 50% of the available balance and is the maximum amount permitted by House Bill 502. Amounts above the 50% statutory threshold may be accessed only with the approval of the General Assembly. The remaining amounts identified in the Reduction Order represented unexpended appropriations carried forward from Fiscal Year 2001 and amounts deemed available from current year budgets.

General Fund Budget Reduction Order 02-02 was issued by the Governor, State Budget Director and the Secretary of the Finance and Administration Cabinet on December 19, 2001. Order 02-02 directs the reduction of certain appropriations and fund transfers to prevent a deficit in the finances of the Commonwealth based upon the October 15, 2001 revision to the official revenue estimate that was confirmed on December 17, 2001. Appropriation reductions were derived primarily from excess debt service appropriations ($44 million), medicaid benefits and other health services ($22 million), and cuts in postsecondary education ($40 million). Transfers of funds from excess moneys in the EMPOWER Kentucky initiative ($10 million), the Petroleum Storage Tank Assurance Fund ($50 million) and the administrative and community based services accounts of the Cabinet for Families and Children ($6 million) were also made.

The Commonwealth reported General Fund revenue for the Fiscal Year 2002, beginning July 1, 2001 through December 31, 2001 of $3,275.8 million versus $3,226.8 million for the same period last year, an increase of 1.5%. December 2001 receipts were $633.1 million versus $636.1 million in December 2000, a .5% decrease. Sales tax receipts grew at 5.1% for the month of December and 3.0% over the same period last year. Individual income tax receipts were up 1.9% for December, but up only 1.4% versus the previous fiscal year-to-date collections.

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 October 31, 2001 the Commonwealth's operating portfolio was approximately $3.7 billion in cash and securities. The composition of investments was as follows: U.S. treasury securities (16%); securities issued by agencies, corporations and instrumentalities of the United States Government, including mortgage backed securities and collateralized mortgage obligations (43%); repurchase agreements collateralized by the aforementioned (10%); municipal securities (4%); and corporate and asset backed securities, including money market securities (27%). The portfolio had a current yield of 3.07% and a modified duration of 1.25 years.

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

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

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

The Commonwealth has had a securities lending program since the mid-1980s. The state is able to enter into either a principal relationship or an agent relationship. In a principal relationship the state reverses its treasury and agency securities in exchange for 102% of eligible collateral, marked to market daily. Eligible Collateral is defined as securities authorized for purchase pursuant to KRS 42.500. In an agent program the agent lends the states 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 state. At the present time the state has entered into an agent agreement that has a guarantee of 14 basis points of the average market value of securities in the program. On September 28, 1995 the State Investment Commission adopted Resolution 95-03, which re-authorized interest rate swap transactions in a notional amount not to exceed $200 million outstanding, using the International Swap Dealers Association, Inc. Master Agreement and applicable appendices. The

Commonwealth engages in asset-based interest rate swaps to better manage its duration and to stabilize the volatility of interest income. Currently, the Commonwealth has no asset-based swap transactions outstanding.

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

KAR Title 200 Chapter 14 provides, among other things that: corporate securities, inclusive of Commercial Paper, Banker's Acceptances and Certificates of Deposit are limited to twenty-five million per issuer and a stated final maturity of five (5) years or less. Money market securities rated A1-P1 or higher are limited to 20% of any investment pool and when combined with corporate and asset backed securities must not exceed 25% of any investment pool. Asset backed securities must have a weighted-average-life of not more than four (4) years at the time of purchase. United States Agency Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMO) are also limited to a maximum of twenty-five percent (25%) of any investment portfolio. MBS must have a stated final maturity of ten (10) years or less and a weighted-average-life of not more than four (4) years at time of purchase. CMO must have a weighted-average-life of four (4) years or less at time of purchase.

SUMMARIES OF THE PRINCIPAL DOCUMENTS

The following statements are brief summaries of certain provisions of the Resolutions and the Leases. Such statements do not purport to be complete and reference is made to the Resolutions and the Leases, copies of which are available for examination at the Office of Financial Management, 702 Capitol Avenue, Suite 261, Frankfort, Kentucky 40601. Each Resolution and the Lease relating to each Resolution is separate from and will operate independently of the other Resolution and Lease and the occurrence of an event of default under one Resolution will not, in and of itself, constitute an event of default under the other Resolution. The Resolutions contain substantially the same terms and provisions.

The Resolutions

Funds and Accounts. The Resolutions are substantially similar. Unless otherwise indicated, the following Funds and Accounts have been established under each Resolution. In addition to the deposit to the Project No. 74 Escrow Fund described under "PLAN OF FINANCE" above, deposits of the proceeds of the Bonds and Revenues will be made as described below.

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

2. Cost of Issuance Fund. Each Resolution creates a Cost of Issuance Fund for the related Bonds to be held and maintained by the Trustee. From the proceeds of the related Bonds, there will be deposited in each related Cost of Issuance Fund an amount sufficient to pay certain expenses in connection with the issuance of such Bonds. On payment of all duly authorized expenses incident to the issuance of such Bonds, any remaining balance in the related Cost of Issuance Fund will be transferred to the related Bond Fund.

3. The Construction Fund. The Resolutions create a Construction Fund, to be held by the Treasurer of the Commonwealth. Until disbursed as authorized by the Resolutions, the Construction Fund shall constitute a trust fund for the benefit of the holders of the respective Bonds. The Construction Fund will be used for the purposes of financing that portion of the applicable 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 applicable Project is completed in full will be transferred to the Trustee to be held, in trust, in the related Bond Fund.

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

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

Events of Default. Each 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 related Resolution or in the related 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 such 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 under the related Resolution if corrective action is instituted by the Commission within such period and diligently pursued until the event of default no longer exists.

Each Resolution provides that upon the happening and continuance of any event of default described in clause (a) or (b) above, unless the principal of all the related 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 under the related Resolution (by notice in writing to the Commission and the Trustee) may declare the principal of all such 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 related Resolution or in any of the related 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 such 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 related 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.

Each 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 under the related Resolution must proceed, to protect and enforce its rights and the rights of the Holders under the pertinent Kentucky Revised Statutes and under such 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 such 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 such Resolution.

In the enforcement of any right or remedy under each 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 related Resolution or of the related Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest borne by the Bonds then Outstanding under the related Resolution, to the extent permitted by law, together with any and all costs and expenses of collection and of all proceedings under such Resolution and under the related 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 related Resolution and in the related 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 such 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 under each Resolution, if requested in writing to take any action under such Resolution or the related Bonds by the Holders of not less than 25% of the principal amount of such 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 related Resolution or the related 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 such Bonds, provided that such request will not be otherwise than in accordance with the provisions of law and of the related 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 related 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 then 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 related 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 such 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 related 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 either Resolution or in the related 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 such 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 each 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 a 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 related Resolution by the Holders of 66 2/3% of the principal amount of Bonds outstanding thereunder and unless and until the opinion of counsel to the Commission required by such 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 related 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 either 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 related Bonds, (ii) to grant to or confer on the Trustee for the benefit of the Holders of the related 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 such 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 such Resolution with any federal tax law, (v) to maintain or improve any rating on the related Bonds, or (vi) which in the opinion of nationally recognized bond counsel will not materially adversely affect the rights of Holders of such Bonds, and the Commission may adopt such supplemental resolution to accomplish the foregoing.

Change, Substitution or Other Modification of Project. Anything in each Resolution or each Lease notwithstanding, the Commission may, in its sole discretion, change, substitute or otherwise modify components of each of the Projects, so long as all Bond proceeds are applied to facilities, payments or undertakings which are included in and subject to rental payments under the related Lease such that rental payments thereunder will be sufficient to pay principal of, premium, if any, and interest on the related Bonds; provided that any such change, substitution or modification shall not cause the Commission to be in violation of certain covenants of such 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 under each Resolution 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 related Rebate Fund) and shall be entitled to a preference therefor over any related outstanding Bonds. The Trustee may be removed at any time at the written request of the Commission or a majority of Bondholders under a Resolution.

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 related Bond Resolution, then the pledge of Revenues under such Resolution, and all covenants, agreements and other obligations of the Commission to the Holders of such 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 under a Resolution or an escrow fund established for such purpose under a Resolution, 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 such 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 related Bonds or any part thereof to and including the date upon which such Bonds or any of them will be redeemed in accordance with the related 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 such Resolution, and the Trustee will and is irrevocably instructed by the Resolution to publish notice thereof.

As used herein, "Defeasance Obligations" means:

(a) non-callable direct obligations of the United States of America, non-callable and non-prepayable direct federal agency obligations the timely payment of principal of and interest on which is fully and unconditionally guaranteed by the United States of America, non-callable direct obligations of the United States of America which have been stripped by the United States Treasury itself or by any Federal Reserve Bank (not including "CATS," "TIGRS" and "TRS" unless the Commission obtains a confirmation that the Bonds defeased thereby shall be rated in the highest rating category by S&P and Moody's (as hereinafter defined) with respect thereto) and the interest components of REFCORP bonds for which the underlying bond is non-callable (or non-callable before the due date of such interest component) for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form, and shall exclude investments in mutual funds and unit investment trusts;

(b) non-callable obligations timely maturing and bearing interest (but only to the extent that the full faith and credit of the United States of America are pledged to the timely payment thereof), including, but not limited to, Resolution Funding Corp. debt obligations, and U.S. Agency for International Development guaranteed notes (must mature at least four business days before the appropriate payment date);

(c) certificates rated "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Fitch Inc. ("Fitch") (if rated by Fitch) evidencing ownership of the right to the payment of the principal of and interest on obligations described in clause (b), provided that such obligations are held in the custody of a bank or trust company satisfactory to the Trustee in a segregated trust account in the trust department separate from the general assets of such custodian;

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

(e) non-callable Senior Debt obligations of U.S. government-sponsored agencies that are not backed by the full faith and credit of the U.S. government, including, but not limited to, Federal Home Loan Mortgage Corp. debt obligations, Farm Credit System consolidated systemwide bonds and notes, Federal Home Loan Banks consolidated debt obligations, Federal National Mortgage Association debt obligations, Student Loan Marketing Association debt obligations, Resolution Funding Corp. debt obligations and U.S. Agency for International Development ("USAID") guaranteed notes. USAID guaranteed notes must mature at least four business days before the applicable payment date.

The Project No. 74 Lease and Subleases

The Commission and the Cabinet have entered into the Project No. 74 Lease whereby the Cabinet will lease Project No. 74 from the Commission and will pay rentals to the Commission during biennial renewal terms which will provide funds, together with amounts required to be paid under the Subleases, sufficient to pay the amounts due on the Project No. 74 Bonds.

The Project No. 74 Lease and the Subleases have an initial term ending June 30, 2002. The Commission has granted the Cabinet the exclusive option to renew the Project No. 74 Lease for successive and ensuing renewal terms of two years commencing July 1 in each even-numbered year and the Subleases have corresponding renewal provisions. The last renewal term for the Project No. 74 Lease and Subleases relating to the Project No. 74 Bonds ends June 30, 2022, the final maturity date permissible for any Project No. 74 Bonds to be issued by the Commission for the Project. Under the provisions of the Constitution of the Commonwealth, the Commission, the Cabinet and the State Agencies are each prohibited from entering into lease obligations extending beyond their biennial budget period. Notwithstanding the foregoing, the Project No. 74 Lease and Subleases provide that each succeeding renewal term will be deemed to be automatically renewed unless written notice of the election by the Cabinet or State Agencies, respectively, to not so renew is given to the Commission by the last business day of May (or April under the Subleases) prior to the beginning of the next succeeding biennial renewal term. Upon the first day of the biennial renewal term, the Cabinet and State Agencies are bound for the entire amount of the rent becoming due during such term as a general obligation of the Cabinet, limited to amounts appropriated for such purpose payable from any and all funds of the Cabinet, including, but not limited to, appropriations, contributions, gifts, matching funds, devises and bequests from any source, whether federal or state, and whether public or private, so long as the same are not conditioned upon any use of Project No. 74 in a manner inconsistent with law.

The Cabinet and State Agencies have covenanted and agreed in No. 74 Lease and Subleases 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 appropriations proposed for that biennial period to be made for the Cabinet and the State Agencies sufficient amounts (over and above all other requirements of the Cabinet and the State Agencies) to enable the Cabinet and the State Agencies to make rental payments under the Project No. 74 Lease and Subleases and thereby produce income and revenues to the Commission to permit timely payment of the Project No. 74 Bonds as the same become due during such period. If appropriations relating to payments under the Subleases are made directly to the Cabinet in future biennial periods so that amounts sufficient to pay principal and interest on all the Project No. 74 Bonds are appropriated to the Cabinet, the Subleases will terminate.

If the Project No. 74 Lease and Subleases are renewed, then on the first day of the biennial renewal term the Cabinet and the State Agencies are firmly bound for the entire amount of rental payments coming due during such renewal term.

In the Project No. 74 Resolution, the Commission has covenanted that it will receive and apply the lease-rental payments from the Cabinet to pay the Project No. 74 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 Project No. 74 Lease and the Subleases include a default in the due and punctual payment of any rent or a default in the performance of any covenants therein not remedied (or in the process of being remedied) within 30 days.

If an event of default occurs under the Project No. 74 Lease, the Commission, in addition to all other remedies given to the Commission at law or in equity, may by written notice to the Cabinet terminate the Project No. 74 Lease or, without terminating the Project No. 74 Lease, take possession (actually or constructively) of the Project. In such event, the Commission may sublet Project No. 74 or any portion thereof to any party it deems appropriate, and in the event of a reletting may apply the rent therefrom first to the payment of the Commission's expenses incurred by reason of the Cabinet's default, and the expense of reletting, including but not limited to any repairs, renovation or alteration of the Project, and then to the payment of rent and all other sums due from the Cabinet under the Project No. 74 Lease upon delivery of an opinion of nationally recognized bond counsel that the subletting or reletting will not cause the interest on the Project No. 74 Bonds to be includible in the gross income of the holders of the Project No. 74 Bonds for federal income tax purposes. The Cabinet has similar remedies in the event of a default by the State Agencies under the Subleases. The Bondholders have no security interest in any properties constituting Project No. 74 or any amounts derived therefrom.

The Project No. 75 Lease

The Commission and the Project No. 75 Lessee have entered into the Project No. 75 Lease whereby the Project No. 75 Lessee will lease Project No. 75 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 Project No. 75 Bonds (the "Rent"). See "THE PROJECT NO. 75 LESSEE."

The Project No. 75 Lessee has covenanted and agreed in the Project No. 75 Lease that when appropriations bills are prepared for introduction at the various successive biennial sessions of the General Assembly of the Commonwealth it will cause to be included in the budget and seek an appropriation for that biennial period, sufficient amounts (over and above all other requirements of such Project No. 75 Lessee) to enable the Project No. 75 Lessee to pay Rent under the Project No. 75 Lease and thereby produce income and revenues to the Commission to permit timely payment of the Project No. 75 Bonds as the same become due during such period.

The Project No. 75 Lease is for a current term ending June 30, 2002. The Commission has granted the Project No. 75 Lessee the exclusive option to renew the Project No. 75 Lease for successive ensuing renewal terms of two years commencing July 1 in each even-numbered year. Notwithstanding the foregoing, the Project No. 75 Lease provides that each succeeding renewal term will be deemed to be automatically renewed unless written notice of the election by the Project No. 75 Lessee to not so renew is given to the Commission by the last business day of May prior to the beginning of the next succeeding biennial renewal term. Upon the first day of the biennial renewal term, the Project No. 75 Lessee is bound for the entire amount of the Rent becoming due during such term as a general obligation of the Project No. 75 Lessee, limited to amounts appropriated for such purpose payable from any and all funds of the Project No. 75 Lessee, including but not limited to, appropriations, contributions, gifts, matching funds, devises and bequests from any source, whether Federal or State, and whether public or private, so long as the same are not conditioned upon any use of Project No. 75 in a manner inconsistent with law.

If the Project No. 75 Lease is renewed, then on the first day of the biennial renewal term the Project No. 75 Lessee is firmly bound for the entire amount of Rent payments coming due during such renewal term.

In the Project No. 75 Resolution, the Commission has covenanted that it will receive and apply the Rent payments from the Project No. 75 Lessee to pay the Project No. 75 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 Project No. 75 Lease include a default in the due and punctual payment of any Rent or a default in the performance of any covenants therein not remedied (or in the process of being remedied) within 30 days.

If an event of default occurs, the Commission, in addition to all other remedies given to the Commission at law or in equity, may by written notice to the Project No. 75 Lessee terminate the Project No. 75 Lease or, without terminating the Project No. 75 Lease, take possession (actually or constructively) of Project No. 75. In such event, the Commission may sublet Project No. 75 or any portion thereof, to any party it deems appropriate 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 Project No. 75 Lessee's default, and the expense of reletting, including but not limited to any repairs, renovation or alteration of Project No. 75, and then to the payment of Rent and all other sums due from the Project No. 75 Lessee under the Project No. 75 Lease. The Bondholders have no security interest in any properties constituting Project No. 75 or any amounts derived therefrom.

RATINGS

Moody's Investors Service, Inc. ("Moody's") has given the Insured Bonds the rating of "Aaa", Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("S&P") has given the Insured Bonds the rating of "AAA" and Fitch, Inc. ("Fitch") has given the Insured Bonds the rating of "AAA" with the understanding that upon delivery of the Insured Bonds, a policy insuring the payment when due of the principal of and interest on the Insured Bonds will be issued by Financial Security Assurance Inc.

Moody's, S&P and Fitch have assigned their municipal bond ratings of "Aa3," "AA-" and "AA-", respectively, to the Bonds which are not Insured Bonds, which ratings are also underlying ratings for the Insured Bonds.

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

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving legal opinions of Kutak Rock LLP, Omaha, Nebraska, Bond Counsel. The forms of the approving legal opinions of Bond Counsel are attached hereto as Exhibit D.

LITIGATION

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

TAX EXEMPTION

Federal and State Tax Exemption

In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered at the time of original issuance of the Bonds, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is (a) excluded from gross income for federal income tax purposes and (b) is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest on the Bonds, however, will be included in the "adjusted current earnings" (i.e., alternative minimum taxable income as adjusted for certain items, including those items that would be included in the calculation of a corporation's earnings and profits under Subchapter C of the Internal Revenue Code of 1986, as amended (the "Code")) of certain corporations and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of each such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses).

The Commission, the Cabinet and the State Agencies have each covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludible from gross income for federal tax purposes. The opinions set forth above are subject to continuing compliance by the Commission, the Cabinet, the State Agencies and others with such covenants. Failure to comply with such covenants could cause interest on the Bonds to be included in gross income retroactive to the date of issue of the Bonds.

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of certain recipients such as banks, thrift institutions, property and casualty insurance companies, corporations (including S corporations and foreign corporations operating branches in the United States), Social Security or Railroad Retirement benefit recipients, taxpayers otherwise entitled to claim the earned income credit or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, among others. The extent of these other tax consequences will depend upon the recipients' particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences and investors should consult their own tax advisors regarding the tax consequences of purchasing or holding the Bonds.

In Bond Counsel's further opinion, under the existing laws of the Commonwealth, interest on the Bonds is excluded from the gross income of the recipients thereof for Kentucky income tax purposes and the Bonds are exempt from ad valorem taxes by the Commonwealth and all political subdivisions thereof.

Future Legislation

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted, it would apply to bonds issued prior to enactment. Each purchaser of the Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

Tax Treatment of Original Issue Discount

The Bonds that have an original yield above their interest rate, as shown on the inside cover, are being sold at a discount (the "Discounted Obligations"). The difference between the initial public offering prices, as set forth on the cover page hereof, of the Discounted Obligations and their stated amounts to be paid at maturity or upon prior redemption, constitutes original issue discount treated as interest which is not includible in gross income for federal income tax purposes.

In the case of an owner of a Discounted Obligation, the amount of original issue discount which is treated as having accrued with respect to such Discounted Obligation is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of a Discounted Obligation (including its sale, redemption or payment at maturity). Amounts received upon disposition of a Discounted Obligation which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discounted Obligation, on days which are determined by reference to the maturity date of such Discounted Obligation. The amount treated as original issue discount on a Discounted Obligation for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discounted Obligation (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discounted Obligation at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such Discounted Obligation during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discounted Obligation the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If a Discounted Obligation is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

The Code contains additional provisions relating to the accrual of original issue discount in the case of owners of a Discounted Obligation who purchase such Discounted Obligations after the initial offering. Owners of Discounted Obligations including purchasers of the Discounted Obligations in the secondary market should consult their own tax advisors with respect to the determination for federal income tax purposes of original issue discount accrued with respect to such obligations as of any date and with respect to the state and local tax consequences of owning a Discounted Obligation.

Tax Treatment of Bond Premium

The Bonds that have an original yield below their interest rate, as shown on the inside cover, are being sold at a premium (collectively, the "Premium Obligations"). An amount equal to the excess of the issue price of a Premium Obligation over its stated redemption price at maturity constitutes premium on such Premium Obligation. An initial purchaser of such Premium Obligation must amortize any premium over such Premium Obligation's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Obligations callable prior to their maturity, by amortizing the premium to the call date, based upon the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, it offsets the interest allocable to the corresponding payment period and the purchaser's basis in such Premium Obligation is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Obligation prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. The same treatment is afforded to Bonds purchased at a premium in the secondary market. Purchasers of Premium Obligations should consult with their own tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning such Premium Obligations."

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The Arbitrage Group, Inc., Tuscaloosa, Alabama (the "Verifier") has verified, from the information provided to them, the mathematical accuracy as of the date of the closing on the Bonds of (1) the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in the underwriter's schedules, to be held in escrow, will be sufficient to pay, when due, the principal of and premium, if any, on the Prior Bonds described above under the caption "PLAN OF FINANCE" and (2) the computations of yield on both the securities and the Bonds contained in the provided schedules used by Bond Counsel in its determination that the interest on the Bonds is excludible from gross income of the owners thereof for federal income tax purposes. The Verifier will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Bonds.

UNDERWRITING

The Bonds are to be purchased by a syndicate managed by Bear, Stearns & Co. Inc. as representative of the managing underwriters identified on the cover hereof and on behalf of itself (the "Managers") (the Managers and the other syndicate members collectively, the "Underwriters"). The Underwriters have agreed, subject to certain conditions, to purchase (i) the Project No. 74 Bonds at an aggregate purchase price of $314,344,409.65 (which is equal to the principal amount of the Project No. 74 Bonds plus net original issue premium of $10,672,386.25 and less underwriting discount of $1,472,976.60) and (ii) the Project No. 75 Bonds at an aggregate purchase price of $7,022,438.59 (which is equal to the principal amount of the Project No. 75 Bonds less original issue discount of $18,784.75 and less underwriting discount of $33,776.66). The Underwriters will be obligated to purchase all of the Bonds if any are purchased. The Underwriters have advised the Commission that they intend to make a public offering of the Bonds at the initial public offering prices or yields set forth on the cover page hereof, provided, however, that the Underwriters have reserved the right to make concessions to dealers and to change such initial public offering prices as the Underwriters shall deem necessary in connection with the marketing of the Bonds.

CONTINUING DISCLOSURE AGREEMENT

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

OTHER MATTERS

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

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

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

THE COMMONWEALTH OF KENTUCKY STATE PROPERTY AND BUILDINGS COMMISSION

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

EXHIBIT A

DEBT INFORMATION PERTAINING TO THE COMMONWEALTH OF KENTUCKY

COMMONWEALTH DEBT MANAGEMENT

Management

The Office of Financial Management, Finance and Administration Cabinet has central responsibility for the issuance, management, review and approval of all debt issued by the Commonwealth and its agencies. Table I lists state agencies which currently 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. The Office 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 as displayed in Table II.

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

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

Project revenue 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. Although, in the event of a shortfall the issuer covenants to request from the Governor and the General Assembly sufficient amounts to pay debt service.

Default Record

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

TABLE I
ACTIVE DEBT ISSUING ENTITIES

ENTITY	STATUTORY AUTHORITY/ PURPOSE	DEBT LIMITATIONS	RATING*
State Property and Buildings Commission	**KRS 56.450** Provide financing for capital construction projects and financing programs approved by the General Assembly.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	Aa3/AA-/AA-
Kentucky Asset/Liability Commission	**KRS 56.860** Provide for short-term financing of capital projects and the management of cash borrowings.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	Varies
Turnpike Authority of Kentucky	**KRS 175.410-175.990** Construct, maintain, repair, and operate Turnpike projects, resource recovery roads and economic development roads	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	Aa3/AA-/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 limited to $60 and $125 million of debt outstanding, for maturities under and over 3 years, respectively.	Aa3/AA-/AA-
Kentucky Higher Education Student Loan Corporation	**KRS 164A** Make guaranteed student loans to residents of the state to attend post-secondary institutions and to make loans to students attending post-secondary schools within the state.	Limited to $950 million of debt outstanding.	Aaa/AA-
School Facilities Construction Commission	**KRS 157.800-157.895** Assist local school districts with the financing and construction of school buildings. Finance the construction of vocational education facilities.	Cannot incur debt without appropriation of debt service by General Assembly.	Aa3/A+/A
Kentucky Economic Development Finance Authority	**KRS 154** Issue industrial revenue bonds on behalf of industries, hospitals, and commercial enterprises in the state. Provide low interest loans to developing businesses. Provide financing and tax credits to manufacturing entities expanding or locating facilities in the state.	None.	Varies
Kentucky Local Correctional Facilities Construction Authority	**KRS 441.605-441.695** Provide an alternative method of constructing, improving, repairing and financing local jails.	Limited to the level of debt service supported by court fees pledged as repayment for the bonds.	AAA
Kentucky Agricultural Finance Corporation	**KRS 247.940** Provide low interest loans to Kentucky farmers for the purpose of stimulating existing agricultural enterprises and the promotion of new agricultural ventures.	Limited to $500 million of debt outstanding.	NA

*Ratings, where applicable, include Moody's, Standard & Poor's and Fitch.

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TABLE II

DEBT OF THE STATE AND ITS AGENCIES

AGENCY APPROPRIATION SUPPORTED DEBT	AMOUNT ISSUED	PRINCIPAL OUTSTANDING 06/30/01	FISCAL YEAR ENDING 06/30/02		FISCAL YEAR ENDING 06/30/03	
			PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
Asset/Liability Commission	86,645,000	73,875,000	11,475,000	3,189,318	11,840,000	2,729,673
State Property Buildings Commission	2,448,216,319	1,604,555,570	102,807,649	87,707,016	103,843,431	85,869,592
Turnpike Authority	2,246,519,300	998,866,977	108,251,736	64,707,593	108,296,239	62,669,941
School Facilities Construction Commission	831,866,855	629,365,453	45,184,721	29,604,339	46,798,575	27,492,649
Kentucky Infrastructure Authority	169,885,000	100,980,000	6,615,000	5,237,995	6,945,000	4,882,767
Subtotal	5,783,132,474	3,407,643,000	274,334,105	190,446,260	277,723,245	183,644,621
Universities(General Fund Supported Debt)						
Eastern Kentucky University	59,585,000	36,075,000	3,520,000	1,816,584	4,135,000	1,630,694
KY Community and Technical College System	137,229,000	75,305,000	7,610,000	3,691,840	8,020,000	3,294,935
Kentucky State University	20,750,000	11,490,000	1,305,000	694,400	1,370,000	619,688
Morehead State University	15,915,000	11,310,000	820,000	675,729	875,000	626,309
Murray State University	16,285,000	11,120,000	1,365,000	621,770	1,430,000	551,105
Northern Kentucky University	69,945,000	37,825,000	3,685,000	4,122,480	3,865,000	4,658,300
University of Kentucky	117,575,000	56,315,000	10,110,000	2,604,625	8,680,000	2,134,708
University of Louisville	150,335,000	104,995,000	8,320,000	5,532,504	8,730,000	5,124,879
Western Kentucky University	33,695,000	23,065,000	2,360,000	1,185,478	2,495,000	1,071,473
Subtotal	621,314,000	367,500,000	39,095,000	20,945,409	39,600,000	19,712,089
Universities (Agency Fund Supported Debt)						
Eastern Kentucky University	42,335,000	11,300,000	2,105,000	510,354	1,435,000	435,986
Kentucky State University	7,000,000	4,045,000	450,000	204,984	485,000	181,909
Morehead State University	28,390,000	15,900,000	1,210,000	982,908	1,180,000	769,586
Murray State University	20,370,000	11,017,000	840,000	428,478	855,000	417,192
Northern Kentucky University	9,668,000	7,210,000	310,000	299,344	325,000	285,206
University of Kentucky	163,070,000	128,041,000	7,525,000	6,040,305	7,855,000	5,712,719
University of Louisville	19,285,000	13,560,000	665,000	773,976	700,000	733,343
Subtotal	290,118,000	191,073,000	13,105,000	9,240,348	12,835,000	8,535,941
Subtotal	6,694,564,474	3,966,216,000	326,534,105	220,632,017	330,158,245	211,892,650
NON-APPROPRIATION SUPPORTED DEBT						
Moral Obligation Debt						
Kentucky Housing Corporation	1,548,615,000	1,157,450,000	27,080,000	63,883,332	29,945,000	64,201,062
KY Higher Educ Student Loan Corp	782,710,000	675,735,000	36,965,000	35,181,718	30,540,000	33,133,496
Kentucky Infrastructure Authority	87,870,000	68,825,000	5,320,000	3,509,783	5,585,000	3,237,879
Subtotal	2,419,195,000	1,902,010,000	69,365,000	102,574,833	66,070,000	100,572,437
Project Revenue Debt						
Local Correctional Facilities Const Auth	45,595,000	34,475,000	1,765,000	1,776,664	1,845,000	1,691,809
Subtotal	45,595,000	34,475,000	1,765,000	1,776,664	1,845,000	1,691,809
Subtotal	2,464,790,000	1,936,485,000	71,130,000	104,351,497	67,915,000	102,264,246
Total Debt	9,159,354,474	5,902,701,000	397,664,105	324,983,514	398,073,245	314,156,896

TABLE II

DEBT OF THE STATE AND ITS AGENCIES

FISCAL YEAR ENDING 06/30/04		FISCAL YEAR ENDING 06/30/05		FISCAL YEAR ENDING 06/30/06		REMAINING DEBT SERVICE TO MATURITY	
PRINCIPAL	**INTEREST**	**PRINCIPAL**	**INTEREST**	**PRINCIPAL**	**INTEREST**	**PRINCIPAL**	**INTEREST**
12,340,000	2,227,443	12,875,000	1,697,068	13,420,000	1,149,138	11,925,000	830,800
106,101,232	81,311,457	107,894,798	75,383,907	107,580,715	67,383,635	1,076,327,746	366,258,875
112,987,227	51,626,083	90,512,477	39,931,685	83,398,837	45,369,556	495,420,461	121,514,262
48,334,657	25,315,875	50,231,584	23,048,049	51,314,067	20,698,148	387,501,849	103,721,364
7,285,000	4,548,297	7,640,000	4,197,805	7,985,000	3,826,949	64,510,000	15,840,427
287,048,116	165,029,155	269,153,860	144,258,513	263,698,618	138,427,426	2,035,685,055	608,165,729
4,345,000	1,419,509	4,200,000	1,206,914	4,415,000	999,646	15,460,000	2,227,826
8,440,000	2,914,700	8,675,000	2,514,270	9,135,000	2,098,425	33,425,000	4,409,090
1,455,000	539,388	1,545,000	454,075	810,000	363,438	5,005,000	981,875
925,000	573,416	985,000	517,301	1,050,000	456,955	6,655,000	1,616,120
1,510,000	474,930	1,600,000	392,215	1,690,000	304,315	3,525,000	543,110
4,060,000	4,505,365	4,235,000	4,342,563	4,285,000	4,182,048	17,695,000	24,463,305
6,180,000	1,747,125	6,495,000	1,460,785	6,820,000	1,158,395	18,030,000	2,282,570
9,120,000	4,695,394	9,480,000	4,233,574	10,010,000	3,748,914	59,335,000	14,657,995
2,510,000	949,070	2,640,000	824,250	2,785,000	691,290	10,275,000	1,517,795
38,545,000	17,818,896	39,855,000	15,945,946	41,000,000	14,003,425	169,405,000	52,699,686
815,000	375,908	765,000	338,123	800,000	303,390	5,380,000	1,941,735
505,000	156,389	540,000	129,469	190,000	100,669	1,875,000	435,094
1,165,000	712,855	1,225,000	654,301	1,200,000	593,706	9,920,000	3,016,616
600,000	390,783	602,000	367,849	520,000	346,048	7,600,000	2,567,461
335,000	270,469	350,000	255,009	365,000	238,649	5,525,000	1,601,799
8,235,000	5,365,786	8,560,000	4,999,384	7,810,000	4,616,559	88,056,000	32,860,336
750,000	691,308	790,000	646,073	835,000	596,423	9,820,000	2,582,731
12,405,000	7,963,497	12,832,000	7,390,207	11,720,000	6,795,443	128,176,000	45,005,771
337,998,116	190,811,548	321,840,860	167,594,666	316,418,618	159,226,294	2,333,266,055	705,871,187
30,905,000	62,616,569	32,640,000	60,972,351	38,780,000	59,167,635	998,100,000	717,553,294
19,715,000	31,562,275	37,680,000	30,556,429	845,000	28,773,015	549,990,000	608,480,793
5,880,000	2,946,894	4,435,000	2,681,497	4,735,000	2,443,614	42,870,000	12,081,448
56,500,000	97,125,738	74,755,000	94,210,277	44,360,000	90,384,264	1,590,960,000	1,338,115,534
1,940,000	1,600,945	2,030,000	1,503,658	2,135,000	1,399,506	24,760,000	6,529,086
1,940,000	1,600,945	2,030,000	1,503,658	2,135,000	1,399,506	24,760,000	6,529,086
58,440,000	98,726,683	76,785,000	95,713,934	46,495,000	91,783,770	1,615,720,000	1,344,644,621
396,438,116	289,538,231	398,625,860	263,308,601	362,913,618	251,010,064	3,948,986,055	2,050,515,807

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EXHIBIT B

THE PROJECT

The following is a description of Project No. 74. This description does not include any information regarding the projects that were financed with the proceeds of the Prior Bonds that comprise the refunding portion of Project No. 74. See "THE PROJECT – Project No. 74."

Project No. 74

<u>State Agency</u>	<u>Project Description</u>	Authorized <u>Amount</u>*
Justice Cabinet		
Department of Corrections	Kentucky Correctional Institution for Women- Phase II Expansion - Design Only	$ 900,000
Department of Juvenile Justice	Woodsbend Youth Development Ctr Education Addition - Morgan County	1,101,000
Department of Juvenile Justice	Replacement Facility (up to 100 beds) - Jefferson County	10,000,000
Department of Juvenile Justice	Secure Juvenile Detention Center - Fayette County	6,700,000
Council on Postsecondary Education		
Eastern Kentucky University	Business and Technology Building	5,000,000
Eastern Kentucky University	Health Education Center - Phase I	7,000,000
KCTCS	Cumberland TC, Harlan Campus: Renovate Building 2	4,114,000
KCTCS	Ashland Technical College: Original Campus Renovation	6,900,000
KCTCS	Jefferson CC: Renovation of Downtown Campus	8,800,000
KCTCS	Northern Kentucky Community & Technical College, Phase I	10,000,000
Kentucky State University	Hathaway Hall Renovation	3,796,000
Kentucky State University	Carver Hall Renovation	5,000,000
Morehead State University	Student Center Renovation & Expansion - Phase I	10,000,000
Northern Kentucky University	Old Science Renovation (Design Phase)	1,000,000
University of Kentucky	Biomedical Sciences Research Building	39,000,000
University of Louisville	Research Building (Belknap Campus)	25,000,000
Education, Arts and Humanities Cabinet		
Kentucky Educational Television	DTV-HDTV Broadcast Transmission	12,700,000
Governor's Office for Technology	Statewide Microwave Network Maintenance	2,500,000
Finance and Administration Cabinet		
Agricultural Development Board	Rural Development Bond Fund	25,000,000
Kentucky River Authority	Kentucky River Water Storage Enhancements	1,500,000
Cabinet for Health Services		
Dept. for Mental Health/Mental Retardation Services	Boiler Replacement - Central State Hospital	2,457,000
Tourism Development Cabinet		
Kentucky Horse Park	Muck Processing Facility	375,000
Cabinet for Economic Development	Tourism Development Loan Program	1,500,000
	South Central KY Technology Center	4,000,000
	SE KY Center for Business Technology	4,000,000
	NE KY Regional Industrial Park Authority	2,000,000
	Morgan County Regional Water Lines	1,000,000
	Grayson Lake Golf Course	4,500,000
	Economic Opportunity Zones	2,000,000
	City of Prestonsburg Improvements	1,000,000
	Blue Licks Lodge/Daniel Boone Cabin Preservation	750,000
Natural Resources and Environmental Protection Cabinet		
Dept. for Environmental Protection	State Owned Dam Repair - Reauthorization	<u>2,000,000</u>
TOTAL		$211,593,000

Project No. 75

State Agency	Project Description	Authorized Amount*
Eastern Kentucky University	Law Enforcement Physical Skills Training Facility	$7,000,000

*Excludes allocable costs of issuance

EXHIBIT C

FINANCIAL INFORMATION REGARDING THE PROJECT NO. 75 LESSEE

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Eastern Kentucky University

Initially presented herein are excerpts from the *CAFR* for Fiscal Year 2001 with respect to Component Units – all University and College Funds, including the Eastern Kentucky University, comprised of the following: (i) Combining Balance Sheet, page 164; (ii) Combining Statement of Revenues, Expenditures, and Other Changes, page 166; and (iii) Combining Statement of Changes in Fund Balance, page 168 (e.g. General Fund, Agency Fund and other). A copy of the *CAFR* for Fiscal Year 2001 may be obtained from the Office of Financial Management, 702 Capitol Avenue, Suite 261, Frankfort, Kentucky 40601 (502) 564-2924 and will soon be filed with the NRMSIRs. Additionally, the *CAFR* for Fiscal Year 2001 will soon be available on the Internet at:

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

Subsequently presented herein is a Statement of Current Funds Revenues, Expenditures and Other Changes from the Eastern Kentucky University Financial Report for the Year Ended June 30, 2001, showing results for 2001 and 2000. A copy of the Eastern Kentucky University Financial report for the Year Ended June 30, 2001 may be obtained from the Office of Financial Management.

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COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
COMPONENT UNITS - ALL UNIVERSITY AND COLLEGE FUNDS
JUNE 30, 2001
(Expressed in Thousands)

	University of Kentucky	University of Louisville	Eastern Kentucky University
ASSETS			
CASH AND CASH EQUIVALENTS	$ 338,878	$ 67,849	$ 52,035
INVESTMENTS, NET OF AMORTIZATION	619,762	109,037	38,619
RECEIVABLES, NET:			
STATE AGENCIES			6,500
OTHERS	183,744	67,492	11,344
INTERFUND RECEIVABLES	99,891	1,600	
INVENTORIES	12,216	1,590	524
LAND	26,410	37,052	4,995
IMPROVEMENTS OTHER THAN BUILDINGS	41,236	2,731	9,833
BUILDINGS	800,295	493,695	152,889
MACHINERY AND EQUIPMENT	413,516	118,523	56,408
LIBRARY BOOKS		77,964	29,422
LIVESTOCK			320
CONSTRUCTION IN PROGRESS	92,519		28,465
OTHER ASSETS	86,702	10,481	2,109
TOTAL ASSETS	$ 2,715,169	$ 988,014	$ 393,463
LIABILITIES AND FUND EQUITY			
LIABILITIES:			
ACCOUNTS PAYABLE:			
STATE AGENCIES	$ 499	$	$ 175
OTHERS	40,043	42,128	4,212
ACCRUED LIABILITIES	51,906		4,185
INTERFUND PAYABLES	99,891	1,600	
CAPITAL LEASE OBLIGATIONS	45,773	2,092	19,600
NOTES PAYABLE	1,500	7,650	
BONDS PAYABLE	229,827	141,699	47,375
AMOUNTS HELD IN CUSTODY FOR OTHERS	832		534
DEPOSITS AND ADVANCE PAYMENTS	3,009	2,024	506
DEFERRED REVENUE	17,452	22,988	2,808
OTHER LIABILITIES	70,539	2,001	11
TOTAL LIABILITIES	561,271	222,182	79,406
FUND EQUITY:			
INVESTMENT IN FIXED ASSETS	1,383,273	586,730	188,465
FUND BALANCE:			
RESERVED FOR:			
ENCUMBRANCES	1,470	9,041	2,428
CAPITAL OUTLAY		21,056	70,983
RESTRICTED GIFTS, GRANTS, AND CONTRACTS	527,497	84,489	52,169
UNRESERVED:			
DESIGNATED FOR UNIVERSITIES AND COLLEGES	241,658	64,516	12
TOTAL FUND EQUITY	2,153,898	765,832	314,057
TOTAL LIABILITIES AND FUND EQUITY	$ 2,715,169	$ 988,014	$ 393,463

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
COMPONENT UNITS - ALL UNIVERSITY AND COLLEGE CURRENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2001
(Expressed in Thousands)

	University of Kentucky	University of Louisville	Eastern Kentucky University
REVENUES:			
TUITION AND FEES	$ 123,966	$ 78,705	$ 36,647
FEDERAL GRANTS AND CONTRACTS	15,062	41,351	40,149
STATE/LOCAL GRANTS AND CONTRACTS	13,661	10,856	14,820
PRIVATE GIFTS, GRANTS AND CONTRACTS	69,850	13,007	1,143
ENDOWMENT INCOME	11,067		
SALES AND SERVICES OF EDUCATION ACTIVITIES	57,685	695	4,193
SALES AND SERVICES OF AUXILIARY ENTERPRISES AND HOSPITALS	348,267	33,887	8,637
OTHER REVENUES	40,577	115,636	5,433
TOTAL CURRENT REVENUES	680,135	294,137	111,022
EXPENDITURES AND TRANSFERS:			
EDUCATIONAL AND GENERAL:			
INSTRUCTION	219,880	119,953	58,592
RESEARCH	61,100	70,958	770
PUBLIC SERVICE	123,946	75,080	29,682
ACADEMIC SUPPORT	40,632	22,177	24,665
LIBRARIES	21,776	13,529	4,031
STUDENT SERVICES	21,155	10,232	9,756
INSTITUTIONAL SUPPORT	43,687	35,423	11,461
STUDENT FINANCIAL AID	46,493	26,924	19,919
MAINTENANCE AND OPERATION	33,638	21,322	14,150
OTHER EXPENDITURES	585	789	
TOTAL EDUCATIONAL AND GENERAL EXPENDITURES	612,892	396,387	173,026
MANDATORY TRANSFERS FOR:			
PRINCIPAL AND INTEREST	14,682	14,131	3,270
CURRENT FUND - UNRESTRICTED			
CURRENT FUND - RESTRICTED			
LOAN FUND	99	49	10
UNEXPENDED PLANT FUND	1,478		
NON-MANDATORY TRANSFERS FOR:			
CURRENT FUND - UNRESTRICTED	(20,129)	(2,551)	
AUXILIARY ENTERPRISES AND HOSPITALS - UNRESTRICTED			
CURRENT FUND - RESTRICTED	(5,601)		
ENDOWMENT AND SIMILAR FUNDS		88	
UNEXPENDED PLANT FUND	17,662	4,043	
RENEWAL AND REPLACEMENT	4,154		61
RETIREMENT OF INDEBTEDNESS		7,138	
TOTAL EDUCATIONAL AND GENERAL	625,237	419,285	176,367
AUXILIARY ENTERPRISES AND HOSPITALS:			
EXPENDITURES	305,429	57,669	7,070
MANDATORY TRANSFERS FOR:			
PRINCIPAL AND INTEREST	5,247	1,367	776
RETIREMENT OF INDEBTEDNESS			
NON-MANDATORY TRANSFERS:			
CURRENT FUND - UNRESTRICTED	2,106		
CURRENT FUND - RESTRICTED			
AUXILIARY ENTERPRISES AND HOSPITALS - UNRESTRICTED			
UNEXPENDED PLANT FUND	156		267
RENEWAL AND REPLACEMENT	56,499		
TOTAL AUXILIARY ENTERPRISES AND HOSPITALS	369,437	59,036	8,113
TOTAL EXPENDITURES AND TRANSFERS	994,674	478,321	184,480
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):			
TRANSFERS FROM PRIMARY GOVERNMENT	307,830	173,377	67,392
TRANSFERS TO PRIMARY GOVERNMENT	2,859		1,582
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUE			(200)
INDIRECT COST RECOVERED		8,162	
REFUNDS TO GRANTORS			(166)
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)		733	
NET INCREASE (DECREASE) IN FUND BALANCE	$ (3,850)	$ (1,912)	$ (4,850)

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN FUND BALANCE
COMPONENT UNITS - ALL UNIVERSITY AND COLLEGE FUNDS
FOR THE YEAR ENDED JUNE 30, 2001

(Expressed in Thousands)

	University of Kentucky	University of Louisville	Eastern Kentucky University
REVENUES AND OTHER ADDITIONS:			
EDUCATIONAL AND GENERAL REVENUES	$ 271,228	$ 180,467	$ 49,464
AUXILIARY ENTERPRISES AND HOSPITALS REVENUES	348,267	33,556	8,453
INDIRECT COST RECOVERED		8,162	
RESTRICTED GRANTS AND CONTRACTS	228,199	65,214	53,627
RESTRICTED GIFTS AND GRANTS	52,552	8,333	7,570
ENDOWMENT INCOME	10,200		
INTEREST AND OTHER INVESTMENT INCOME	(4,872)	7,603	1,916
EXPENDED FOR PLANT FACILITIES	138,856	48,122	4,668
RETIREMENT OF INDEBTEDNESS	17,171		5,900
OTHER REVENUES AND ADDITIONS	130,616	13,498	14,981
TOTAL REVENUES AND OTHER ADDITIONS	1,192,217	364,955	146,579
EXPENDITURES AND OTHER DEDUCTIONS:			
EDUCATIONAL AND GENERAL EXPENDITURES	612,892	396,387	173,026
AUXILIARY ENTERPRISES AND HOSPITALS EXPENDITURES	305,429	57,338	7,070
REFUNDS TO GRANTORS	240		166
ADMINISTRATIVE, COLLECTION, AND LITIGATION COSTS	106		80
LOAN CANCELLATIONS	327	219	219
PAYMENT TO BENEFICIARIES			1,129
EXPENDED FOR PLANT FACILITIES	136,401	31,490	152
RETIREMENT OF INDEBTEDNESS	16,595	11,605	8,155
INTEREST PAYMENTS	12,230	7,840	3,495
DISPOSAL OF PLANT FACILITIES	26,264	11,904	3,701
NOTES ISSUED			
OTHER EXPENDITURES	250,608	1,522	8,404
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	1,361,092	518,305	205,597
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS):			
NON-MANDATORY TRANSFERS FOR:			
TRANSFERS FROM PRIMARY GOVERNMENT	359,622	213,517	90,459
TRANSFERS TO PRIMARY GOVERNMENT			
TOTAL TRANSFERS AMONG FUNDS	359,622	213,517	90,459
INCREASE (DECREASE) IN FUND BALANCE	190,747	60,167	31,441
FUND BALANCE AT JULY 1, AS RESTATED	1,963,151	705,665	282,616
FUND BALANCE AT JUNE 30	$ 2,153,898	$ 765,832	$ 314,057

EASTERN KENTUCKY UNIVERSITY
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
Year Ended June 30, 2001
With Comparative Totals at June 30, 2000

	2001			
	Unrestricted	Restricted	Total	2000
REVENUES				
Educational and general				
Student tuition and fees	$ 36,646,901		$ 36,646,901	$ 35,979,953
Governmental appropriations	67,392,100		67,392,100	65,693,500
Federal grants and contracts		$ 40,149,385	40,149,385	33,753,465
State grants and contracts	1,581,287	13,114,059	14,695,346	11,404,308
Local grants and contracts	1,609,255	97,016	1,706,271	1,530,051
Private gifts, grants and contracts		1,142,882	1,142,882	850,064
Indirect and administrative cost recovery	2,256,489		2,256,489	1,920,579
Sales and services of educational activities	4,192,898		4,192,898	4,159,176
Other educational and general sources	3,176,624		3,176,624	3,024,806
Total educational and general	116,855,554	54,503,342	171,358,896	158,315,702
Auxiliary enterprises	8,453,044	183,599	8,636,643	13,254,593
Total current funds revenues	125,308,598	54,686,941	179,995,539	171,570,295
EXPENDITURES AND MANDATORY TRANSFERS				
Educational and general				
Expenditures				
Instruction	58,108,328	483,659	58,591,987	56,036,425
Research	451,887	318,309	770,196	639,776
Public service	2,377,608	27,303,929	29,681,537	21,856,866
Libraries	3,943,654	87,434	4,031,088	4,025,698
Academic support	14,809,178	9,855,664	24,664,842	25,644,364
Student services	9,118,927	637,288	9,756,215	9,126,386
Institutional support	11,434,621	26,345	11,460,966	8,305,208
Operation and maintenance of plant	14,137,502	11,506	14,149,008	15,554,985
Scholarships and fellowships	4,139,873	15,779,208	19,919,081	18,077,616
Educational and general expenditures	118,521,578	54,503,342	173,024,920	159,267,324
Mandatory transfers				
Principal and interest	3,269,822		3,269,822	3,031,619
Loan fund matching grant	10,346		10,346	5,998
Total mandatory transfers	3,280,168	0	3,280,168	3,037,617
Total educational and general expenditures and mandatory transfers	121,801,746	54,503,342	176,305,088	162,304,941
Auxiliary enterprises				
Expenditures	6,886,158	183,599	7,069,757	12,553,302
Principal and interest	837,121		837,121	3,334,716
Total auxiliary enterprises	7,723,279	183,599	7,906,878	15,888,018
Total current funds expenditures and mandatory transfers	129,525,025	54,686,941	184,211,966	178,192,959
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS)				
Transfers to unexpended plant funds	(267,300)		(267,300)	(1,338,570)
Excess of restricted receipts over transfers to revenue		(200,067)	(200,067)	705,358
Refunded to grantors		(165,865)	(165,865)	(614,062)
Transfer from loan funds				30
Total other transfers and additions/(deductions)	(267,300)	(365,932)	(633,232)	(1,247,244)
NET INCREASE (DECREASE) IN FUND BALANCE	(4,483,727)	(365,932)	(4,849,659)	(7,869,908)

The accompanying summary of signficant accounting policies and notes are an integral part of the financial statements.

EXHIBIT D
FORMS OF BOND COUNSEL OPINIONS FOR THE BONDS

Project No. 74 Bonds

[Date of Delivery]

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

$305,145,000
Commonwealth of Kentucky
State Property and Buildings Commission
Revenue and Revenue Refunding Bonds, Project No. 74

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the State Property and Buildings Commission of the Commonwealth of Kentucky (the "Commission"), of $305,145,000 aggregate principal amount of Revenue and Revenue Refunding Bonds, Project No. 74 (the "Bonds"). The Bonds are issuable as fully registered Bonds without coupons dated as of their date of delivery in the denomination of $5,000 or any integral multiple thereof, bearing interest payable semiannually on February 1 and August 1 of each year commencing (except for the Bonds maturing on February 1, 2002, for which the payment date will be their maturity date) on August 1, 2002, at the rates per annum set forth in the schedule below and maturing on February 1 and August 1, in each of the years and in the principal amounts as follows:

Maturity Date	Principal Amount	Interest Rate	Maturity Date	Principal Amount	Interest Rate
Feb. 1, 2002	$2,475,000	2.000%	Aug. 1, 2011	$2,385,000	4.400%
Feb. 1, 2003	6,675,000	3.500	Aug. 1, 2011	6,860,000	5.375
Feb. 1, 2004	8,585,000	2.550	Feb. 1, 2012	16,655,000	5.375
Aug. 1, 2004	3,130,000	2.600	Aug. 1, 2012	3,895,000	4.500
Feb. 1, 2005	9,590,000	5.250	Aug. 1, 2012	10,925,000	5.375
Aug. 1, 2005	4,225,000	3.125	Feb. 1, 2013	1,235,000	4.600
Aug. 1, 2005	2,100,000	5.250	Feb. 1, 2013	21,345,000	5.375
Feb. 1, 2006	9,225,000	5.250	Feb. 1, 2014	680,000	4.700
Aug. 1, 2006	6,385,000	3.450	Feb. 1, 2014	9,990,000	5.375
Aug. 1, 2006	2,300,000	5.250	Feb. 1, 2015	280,000	4.750
Feb. 1, 2007	9,685,000	5.250	Feb. 1, 2015	10,960,000	5.375
Aug. 1, 2007	3,880,000	3.800	Feb. 1, 2016	405,000	4.850
Aug. 1, 2007	1,550,000	3.750	Feb. 1, 2016	11,435,000	5.375
Feb. 1, 2008	3,815,000	3.950	Feb. 1, 2017	1,815,000	4.900
Feb. 1, 2008	5,525,000	5.375	Feb. 1, 2017	10,660,000	5.375
Feb. 1, 2009	150,000	4.150	Feb. 1, 2018	970,000	4.950
Feb. 1, 2009	8,085,000	5.375	Feb. 1, 2018	12,165,000	5.375
Aug. 1, 2009	5,085,000	4.150	Feb. 1, 2019	13,840,000	5.000
Aug. 1, 2009	1,045,000	5.375	Feb. 1, 2020	14,530,000	5.000
Feb. 1, 2010	9,725,000	5.375	Feb. 1, 2021	15,255,000	5.000
Aug. 1, 2010	1,880,000	4.300	Feb. 1, 2022	8,180,000	5.000
Aug. 1, 2010	4,245,000	5.375	Feb. 1, 2022	7,840,000	5.150
Feb. 1, 2011	13,480,000	5.375			

The Bonds are subject to optional and mandatory redemption upon the terms and at the prices set forth therein and as set forth in the Bond Resolution described below.

The Bonds recite that they are issued, and the Bond Resolution (the "Bond Resolution") pursuant to which the Bonds are issued was adopted on December 18, 2001, by the Commission for the purpose of providing funds (i) to finance certain projects (the "Projects") which have been leased to the Finance and Administration Cabinet of the Commonwealth of Kentucky (the "Cabinet") pursuant to the Lease dated as of January 1, 2002, by and between the Commission, as lessor, and the Cabinet, as lessee (the "Lease"), (ii) to refund certain outstanding bonds of the Commission (the "Prior Bonds") and (iii) to pay the costs of issuance of the Bonds, all for the benefit of the Cabinet, under and pursuant to Chapter 56 and Sections 58.010 to 58.140, inclusive, of the Kentucky Revised Statutes, as supplemented and amended (the "Act"), H.B. 502 of the General Assembly of the Commonwealth of Kentucky, 2000 Regular Session (the "Budget Act"), and the Bond Resolution.

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

We have examined the laws of the Commonwealth of Kentucky, the Act, the Budget Act, a certified copy of the Bond Resolution, an executed counterpart of the Lease, executed counterparts of the Subleases dated as of January 1, 2002, by and between the Cabinet and the respective state agencies party thereto, an executed counterpart of the Escrow Agreement dated as of January 1, 2002, by and between the Commission and BNY Trust Company of Missouri, as Escrow Agent (the "Escrow Agreement"), an executed counterpart of the Tax Exemption Certificate and Agreement dated the date hereof by the Commission and the Cabinet, certified copies of proceedings of the Commission authorizing the issuance of the Bonds, a copy of an executed bond of said issue and such other documents, records, certificates and opinions as we have deemed relevant and necessary in rendering this opinion.

From such examination, we are of the opinion that:

1. The Bonds have been authorized and issued in accordance with the laws of the Commonwealth of Kentucky and constitute valid and legally binding obligations of the Commission, payable as to principal and interest solely from the payments to be made by the Cabinet pursuant to the Lease, which payments are subject to biennial appropriation by the General Assembly of the Commonwealth of Kentucky.

2. The Bond Resolution has been duly adopted by the Commission, and constitutes a valid and binding obligation of the Commission, enforceable against the Commission in accordance with its terms.

3. The Lease has been duly authorized, executed and delivered by the Commission and by the Cabinet, and represents a valid and binding agreement of the Commission and the Cabinet, enforceable in accordance with its terms.

4. The Escrow Agreement has been duly authorized, executed and delivered by the Commission, and represents a valid and binding agreement of the Commission, enforceable against the Commission in accordance with its terms.

5. Assuming compliance by the Commission and the Cabinet with certain covenants, including the covenant referred to in the fourth paragraph of this letter, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds (including any original issue discount properly allocable to the owners thereof) is excluded from gross income for federal income tax purposes and is not a special preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest on the Bonds, however, must be included in the "adjusted current earnings" of

certain corporations (i.e., alternative minimum taxable income as adjusted for certain items, including those items that would be included in the calculation of a corporation's earnings and profits under Subchapter C of the Code) and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of each such corporation's adjusted current earnings (which includes tax-exempt interest) over its alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses).

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions or certain recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim the earned income credit or taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations are advised to consult their tax advisors as to the tax consequences of purchasing or holding the Bonds.

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

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

We express no opinion as to the title to, or the sufficiency in the Bond Resolution or otherwise of the description of, the Projects, or the priority of any liens, charges or encumbrances on the Projects.

Very truly yours,

[To be signed and delivered by
Kutak Rock LLP on the Closing Date.]

Project No. 75 Bonds

[Date of Delivery]

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

$7,075,000
Commonwealth of Kentucky
State Property and Buildings Commission
Agency Fund Revenue Bonds, Project No. 75

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the State Property and Buildings Commission of the Commonwealth of Kentucky (the "Commission"), of $7,075,000 aggregate principal amount of Agency Fund Revenue Bonds, Project No. 75 (the "Bonds"). The Bonds are issuable as fully registered Bonds without coupons dated as of their date of delivery in the denomination of $5,000 or any integral multiple thereof, bearing interest payable semiannually on May 1 and November 1 of each year commencing May 1, 2002, at the rates per annum set forth in the schedule below and maturing on May 1, in each of the years and in the principal amounts as follows:

Maturity Date	Principal Amount	Interest Rate	Maturity Date	Principal Amount	Interest Rate
May 1, 2002	$155,000	2.000%	May 1, 2012	$350,000	4.500%
May 1, 2003	250,000	3.500	May 1, 2013	365,000	4.600
May 1, 2004	260,000	2.550	May 1, 2014	380,000	4.700
May 1, 2005	265,000	3.125	May 1, 2015	400,000	4.750
May 1, 2006	275,000	3.450	May 1, 2016	420,000	4.850
May 1, 2007	285,000	3.750	May 1, 2017	440,000	4.900
May 1, 2008	295,000	3.950	May 1, 2018	460,000	4.950
May 1, 2009	305,000	4.150	May 1, 2019	480,000	5.000
May 1, 2010	320,000	4.300	May 1, 2020	505,000	5.000
May 1, 2011	335,000	4.400	May 1, 2021	530,000	5.000

The Bonds are subject to optional and mandatory redemption upon the terms and at the prices set forth therein and as set forth in the Bond Resolution described below.

The Bonds recite that they are issued, and the Bond Resolution (the "Bond Resolution") pursuant to which the Bonds are issued was adopted on December 21, 2001, by the Commission for the purpose of providing funds (i) to finance a project (the "Project") which has been leased to Eastern Kentucky University ("EKU"), a state agency of the Commonwealth of Kentucky, pursuant to the Financing/Lease Agreement, dated as of June 1, 2000, by and among the Kentucky Asset/Liability Commission ("ALCo"), the Cabinet, the Commission, as lessor, and EKU, as lessee (the "Lease"), as supplemented by the First Supplemental Lease Agreement, dated as of January 1, 2002, by and between the Cabinet, the Commission and EKU (the "Supplemental Lease") and (ii) to pay the costs of issuance of the Bonds, under and pursuant to Chapter 56 and Sections 58.010 to 58.140, inclusive, of the Kentucky Revised Statutes, as supplemented and amended (the "Act"), and the Bond Resolution.

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

We have examined the laws of the Commonwealth of Kentucky, the Act, a certified copy of the Bond Resolution, an executed counterpart of the Lease, an executed counterpart of the Supplemental Lease, an executed counterpart of the Tax Exemption Certificate and Agreement dated the date hereof by the Commission and the Cabinet, certified copies of proceedings of the Commission authorizing the issuance of the Bonds, a copy of an executed bond of said issue and such other documents, records, certificates and opinions as we have deemed relevant and necessary in rendering this opinion.

From such examination, we are of the opinion that:

1. The Bonds have been authorized and issued in accordance with the laws of the Commonwealth of Kentucky and constitute valid and legally binding obligations of the Commission, payable as to principal and interest solely from the payments to be made by EKU pursuant to the Lease and the Supplemental Lease, which payments are subject to biennial appropriation by the General Assembly of the Commonwealth of Kentucky.

2. The Bond Resolution has been duly adopted by the Commission, and constitutes a valid and binding obligation of the Commission, enforceable against the Commission in accordance with its terms.

3. The Supplemental Lease has been duly authorized, executed and delivered by the Commission and by the Cabinet, and represents a valid and binding agreement of the Commission and the Cabinet, enforceable in accordance with its terms.

4. Assuming compliance by the Commission with certain covenants, including the covenant referred to in the fourth paragraph of this letter, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds (including any original issue discount properly allocable to the owners thereof) is excluded from gross income for federal income tax purposes and is not a special preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest on the Bonds, however, must be included in the "adjusted current earnings" of certain corporations (i.e., alternative minimum taxable income as adjusted for certain items, including those items that would be included in the calculation of a corporation's earnings and profits under Subchapter C of the Code) and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of each such corporation's adjusted current earnings (which includes tax-exempt interest) over its alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses).

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions or certain recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim the earned income credit or taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations are advised to consult their tax advisors as to the tax consequences of purchasing or holding the Bonds.

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

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

We express no opinion as to the title to, or the sufficiency in the Bond Resolution or otherwise of the description of, the Project, or the priority of any liens, charges or encumbrances on such Project.

Very truly yours,

[To be signed and delivered by
Kutak Rock LLP on the
Closing Date.]

EXHIBIT E

FORM OF MUNICIPAL BOND INSURANCE POLICY

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FINANCIAL SECURITY ASSURANCE®

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: Effective Date:

Premium: $

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature] FINANCIAL SECURITY ASSURANCE INC.

By ______________________________ By ______________________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd. (212) 826-0100
350 Park Avenue, New York, N.Y. 10022-6022