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

NEW ISSUE

Subject to compliance by the Commission, the Cabinet and others with certain covenants, in the opinion of Chapman and Cutler LLP, Bond Counsel, under present law, interest on the Bonds is not includible in 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, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. It is also the opinion of Bond Counsel, under the laws of the Commonwealth of Kentucky, as presently enacted and construed, that interest on the Bonds is exempt from the income tax imposed by the Commonwealth of Kentucky, and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions and taxing authorities. See "TAX MATTERS" herein for a more complete discussion.

$117,145,000
COMMONWEALTH OF KENTUCKY
State Property and Buildings Commission
Revenue and Revenue Refunding Bonds, Project No. 77

Dated: Date of Delivery **Due: As shown below**

The $117,145,000 Revenue and Revenue Refunding Bonds, Project No. 77 (the "Bonds") will be issued by the State Property and Buildings Commission (the "Commission") pursuant to a Resolution adopted by the Commission on July 10, 2003 (the "Resolution") 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. Wachovia Bank of Delaware, National Association, is acting as trustee and paying agent with respect to the Bonds. The Bonds will be issued in denominations of $5,000 or any integral multiple thereof and will bear interest payable on each February 1 and August 1, commencing on February 1, 2004.

The Bonds mature on the dates, in the principal amounts, bear annual interest at the rates and have the yields as follows:

Maturity	Principal Amount	Interest Rate	Price/ Yield	Maturity	Principal Amount	Interest Rate	Price/ Yield
February 1, 2004	$ 4,195,000	2.000%	0.960%	August 1, 2011	$ 320,000	3.875%	3.900%
August 1, 2004	10,105,000	3.000%	1.050%	August 1, 2012	3,500,000	4.000%	4.080%
August 1, 2004	6,490,000	2.000%	1.050%	August 1, 2013	3,640,000	4.200%	4.210%
August 1, 2005	7,495,000	2.000%	1.500%	August 1, 2014	2,265,000	5.250%	4.320% *
August 1, 2006	3,920,000	5.000%	2.050%	August 1, 2014	1,550,000	4.300%	4.320%
August 1, 2006	3,525,000	2.000%	2.050%	August 1, 2015	2,140,000	5.250%	4.410% *
August 1, 2007	4,640,000	5.000%	2.540%	August 1, 2015	1,865,000	4.400%	4.410%
August 1, 2007	2,590,000	2.500%	2.540%	August 1, 2016	1,680,000	5.250%	4.500% *
August 1, 2008	1,880,000	5.000%	2.940%	August 1, 2016	2,520,000	4.500%	100%
August 1, 2008	4,625,000	2.875%	2.940%	August 1, 2017	4,265,000	5.250%	4.600% *
August 1, 2009	2,310,000	5.000%	3.250%	August 1, 2017	150,000	4.600%	100%
August 1, 2009	4,270,000	3.250%	100%	August 1, 2018	4,325,000	5.250%	4.680% *
August 1, 2010	1,525,000	4.000%	3.650%	August 1, 2018	325,000	4.625%	4.680%
August 1, 2010	3,015,000	3.625%	3.650%	August 1, 2019	4,900,000	5.250%	4.770% *
August 1, 2011	3,025,000	5.000%	3.900%				

$20,090,000 5.000% Term Bond due August 1, 2023 - Yield: 5.020%
(Subject to Mandatory Sinking Fund Redemption as Described Herein)

* Priced to the call date.

The Bonds maturing on and prior to August 1, 2013 are not subject to optional redemption. The Bonds maturing after August 1, 2013 are subject to redemption prior to maturity at the option of the Commission. The Bonds maturing on August 1, 2023 are subject to mandatory sinking fund redemption prior to maturity. See "THE BONDS - Redemption of the Bonds" herein.

The Bonds are being issued by the Commission, an independent agency of the Commonwealth of Kentucky (the "Commonwealth"), at the request of the Finance and Administration Cabinet of the Commonwealth pursuant to the Resolution to (i) pay costs of acquiring, constructing, installing and equipping the Project (as described and defined herein), (ii) refund certain of the Commission's outstanding bonds, (iii) refund certain notes issued by the Kentucky Asset/Liability Commission, (iv) refund certain bonds issued by the University of Kentucky and (v) pay costs of issuing the Bonds.

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

MBIA

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE COMMISSION. THE BONDS DO NOT CONSTITUTE A DEBT, LIABILITY, OR OBLIGATION OF THE COMMONWEALTH, OR A PLEDGE OF THE FULL FAITH AND CREDIT OR TAXING POWER OF THE COMMONWEALTH, BUT ARE PAYABLE SOLELY FROM AMOUNTS DEPOSITED IN CERTAIN FUNDS AND ACCOUNTS CREATED BY THE RESOLUTION AND FROM RENTAL INCOME DERIVED FROM THE BIENNIALLY RENEWABLE LEASE AND SUBLEASES (ALL 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 PROJECT OR ANY AMOUNTS DERIVED THEREFROM.

The Bonds are offered when, as and if issued and accepted by the Underwriters, subject to the approving legal opinion of Chapman and Cutler LLP, Bond Counsel. Certain legal matters will be passed on for the Underwriters by their counsel, Thompson Hine LLP. It is expected that delivery of the Bonds will be made on or about August 20, 2003, in New York, New York, through the facilities of DTC, against payment therefor.

MORGAN STANLEY

UBS FINANCIAL SERVICES INC. **CITIGROUP**
J.J.B. HILLARD, W.L. LYONS, INC. **MORGAN KEEGAN & COMPANY, 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. **NATCITY INVESTMENTS, INC.**

Dated: August 12, 2003

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

GORDON C. DUKE
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

GEORGE R. BURGESS, 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.

This Official Statement has been prepared in connection with the original offering for sale of 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" herein.
The Offering	The Commission is offering its $117,145,000 Revenue and Revenue Refunding Bonds, Project No. 77 (the "Bonds").
Authority	The Bonds are being issued pursuant to the provisions of the Constitution and laws of the Commonwealth, including particularly Chapters 56 and 58 of the Kentucky Revised Statutes ("KRS") and a Resolution (the "Resolution") adopted by the Commission on July 10, 2003 (i) authorizing the issuance of the Bonds, (ii) approving the Lease Agreement dated as of August 1, 2003 (the "Lease"), between the Commission, as lessor, and the Finance and Administration Cabinet of the Commonwealth (the "Cabinet"), as lessee, and (iii) approving the Subleases dated as of August 1, 2003 (the "Subleases") between the Cabinet, as sublessor, and various state agencies (the "Sublessees") described herein, as sublessees.
Use of Proceeds	The Bonds are being issued to provide funds with which to (i) pay costs of acquiring, constructing, installing and equipping the Project (as described and defined herein), (ii) refund certain of the Commission's outstanding bonds, (iii) refund certain notes issued by the Kentucky Asset/Liability Commission, (iv) refund certain bonds issued by the University of Kentucky and (v) pay costs of issuing the Bonds.
Security	The Bonds and the interest thereon are payable solely from Pledged Receipts, which include, among other things, the Revenues to be derived from the rental payments of the Cabinet to the Commission under the Lease and by the Sublessees under the Subleases. See "SECURITY FOR THE BONDS" and "SUMMARIES OF THE PRINCIPAL DOCUMENTS – The Lease and Subleases" herein. The Bonds are not secured by a lien on any of the properties constituting the Project or any amounts derived therefrom. THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE COMMISSION. THE BONDS DO NOT CONSTITUTE A DEBT, LIABILITY, OR OBLIGATION OF THE COMMONWEALTH, OR A PLEDGE OF THE FULL FAITH AND CREDIT OR TAXING POWER OF THE COMMONWEALTH, BUT ARE PAYABLE SOLELY FROM AMOUNTS DEPOSITED IN CERTAIN FUNDS AND ACCOUNTS CREATED BY THE RESOLUTION AND FROM RENTAL INCOME DERIVED FROM A BIENNIALLY RENEWABLE LEASE AGREEMENT WITH THE CABINET AND TO THE CABINET BY THE SUBLESSEES UNDER THE BIENNIALLY RENEWABLE SUBLEASES, THE RENT FROM WHICH IS SUBJECT TO APPROPRIATION BY THE GENERAL ASSEMBLY OF THE COMMONWEALTH ON A BIENNIAL BASIS. THE BONDHOLDERS HAVE NO SECURITY INTEREST IN ANY PROPERTIES CONSTITUTING THE PROJECT OR ANY AMOUNTS DERIVED THEREFROM.

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

Features of Bonds The Bonds are being offered in the authorized denominations of $5,000 and integral multiples thereof at the interest rates, yields and purchase prices set forth on the cover hereof. The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest due on the Bonds will be made directly to DTC. The Bonds will bear interest payable on each February 1 and August 1, commencing on February 1, 2004. Principal of, redemption premium, if any, and interest on the Bonds will be paid directly to DTC by Wachovia Bank of Delaware, National Association, as Trustee and Paying Agent (the "Trustee" and "Paying Agent").

The Bonds are issuable only as fully registered Bonds, without coupons. The Bonds maturing on and prior to August 1, 2013 are not subject to optional redemption prior to maturity. The Bonds maturing after August 1, 2013 are subject to redemption prior to maturity at the option of the Commission. The Bonds maturing on August 1, 2023 are subject to mandatory sinking fund redemption prior to maturity. See "THE BONDS – Redemption of the Bonds." It is expected that delivery of the Bonds will be made on or about August 20, 2003, in New York, New York, against payment therefor.

Tax Status Subject to compliance by the Commission, the Cabinet and others with certain covenants, in the opinion of Chapman and Cutler LLP, Bond Counsel, under present law, interest on the Bonds is not includible in 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, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. It is also the opinion of Bond Counsel, under the laws of the Commonwealth of Kentucky, as presently enacted and construed, that interest on the Bonds is exempt from the income tax imposed by the Commonwealth of Kentucky, and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions and taxing authorities. See "TAX MATTERS" herein for a more complete discussion, and Exhibit E.

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, Telephone: (502) 564-2924, or, during the initial offering period, by contacting the Underwriter, Morgan Stanley & Co. Incorporated, 1221 Avenue of the Americas, 30th Floor, New York, NY 10020, Telephone: (212) 762-8183.

OFFICIAL STATEMENT
Relating to

$117,145,000
COMMONWEALTH OF KENTUCKY
State Property and Buildings Commission
Revenue and Revenue Refunding Bonds, Project No. 77

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 $117,145,000 Revenue and Revenue Refunding Bonds, Project No. 77 issued at the request of the Finance and Administration Cabinet of the Commonwealth (the "Cabinet") to provide funds with which to (i) pay costs of acquiring, constructing, installing and equipping the Project (as described and defined herein), (ii) refund certain of the Commission's outstanding bonds (the "Prior Commission Bonds"), which Prior Commission Bonds were issued pursuant to Resolutions previously adopted by the Commission, to pay costs of acquiring, constructing, installing and equipping portions of the Project, (iii) refund certain notes issued by the Kentucky Asset/Liability Commission (the "Prior ALCo Notes"), which Prior ALCo Notes were issued to pay costs of acquiring, constructing, installing and equipping portions of the Project, (iv) refund certain bonds issued by the University of Kentucky (the "Prior University Bonds"), which Prior University Bonds were issued to pay costs of acquiring, constructing, installing and equipping portions of the Project, and (v) pay costs of issuing the Bonds, all as more fully described herein under the caption "PLAN OF FINANCE."

The Bonds have been authorized and issued pursuant to the Constitution and laws of the Commonwealth, including particularly Chapters 56 and 58 of the Kentucky Revised Statutes ("KRS"). The Commission adopted a Resolution (the "Resolution") on July 10, 2003 authorizing the issuance of the Bonds. Wachovia Bank of Delaware, National Association acts as trustee (the "Trustee") and bond registrar with respect to the Bonds pursuant to the Resolution.

The Cabinet has entered into a Lease Agreement dated as of August 1, 2003 (the "Lease") with the Commission to provide the Commission with amounts to pay the principal of and interest on the Bonds as they become due. The initial term of the Lease ends on June 30, 2004, and the Lease renews automatically (unless terminated in writing by the last business day of the preceding May by the Cabinet) for successive biennial periods to and including the biennial period which includes the final maturity of the Bonds. The Lease requires the Cabinet, for each biennial period during which Bonds are outstanding, to seek legislative appropriations to the Cabinet in amounts which are sufficient to permit the Cabinet to make rental payments to the Commission in amounts sufficient to pay principal of and interest on the Bonds.

The Kentucky General Assembly has appropriated to the Cabinet and the Sublessees (as defined below) amounts sufficient to meet the rental payments under the Lease and the hereinafter described Subleases, and therefore to permit the Commission to meet the debt service requirements of the Bonds, through June 30, 2004.

Portions of the Project will be used by various state agencies described under "THE STATE AGENCIES" (the "State Agencies"). In order to comply with the Commonwealth's budget process, the Cabinet has subleased portions of the Project under Subleases dated as of August 1, 2003 (the "Subleases") to the following State Agencies: Department of Agriculture; Department for Local Government; Education, Arts and Humanities Cabinet; Cabinet for Economic Development; Finance and Administration Cabinet; Cabinet for Health Services; Justice Cabinet; Tourism Development Cabinet; Workforce Development Cabinet; and Kentucky Community and Technical College System (collectively, the "Sublessees"). The initial period of each Sublease ends June 30, 2004, and the Subleases renew automatically (unless terminated in writing by the last business day in the preceding April by the applicable Sublessee) for successive biennial periods to and including the biennial period which includes the final maturity of the Bonds. Each Sublease requires the applicable Sublessee, for each biennial period of its Sublease, beginning July 1, 2004, to seek to have legislative appropriations made to the Sublessee in amounts sufficient to permit the Sublessee 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 scheduled payment of principal of and interest on the Bonds, when due, will be guaranteed under a financial guaranty insurance policy (the "Bond Insurance Policy") to be issued concurrently with the delivery of the Bonds by MBIA Insurance Corporation ("MBIA" or the "Insurer"). See "BOND INSURANCE."

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

Brief descriptions of the Commonwealth, the Commission, the Resolution, the Bonds, the Lease, the Subleases, the Project and the Cabinet are included in this Official Statement. Capitalized terms not otherwise defined herein have the meanings assigned to them in the Resolution. All summaries of documents and agreements in this Official Statement are qualified in their entirety by reference to such documents and agreements, copies of which are available at the Office of Financial Management, 702 Capitol Avenue, Suite 261, Frankfort, Kentucky 40601 (502) 564-2924.

THE BONDS

General

The Bonds are issuable only as fully registered Bonds under the book-entry-only system of The Depository Trust Company. (See Exhibit D hereto for a description of the book-entry-only system.) The Bonds will be issuable in the denominations of $5,000 or integral multiples thereof, will be dated the date of their issuance, and will bear interest payable on each February 1 and August 1, commencing February 1, 2004, at the interest rates set forth on the cover page of this Official Statement. All computations of interest on the Bonds will be based on a 360-day year of twelve 30-day months.

Redemption of the Bonds

Optional Redemption. The Bonds maturing on February 1, 2004 through August 1, 2013 are not subject to optional redemption prior to their stated maturity. The Bonds maturing on and after August 1, 2014 may be redeemed at the option of the Commission on any date on or after August 1, 2013, 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.

Mandatory Redemption. The Bonds maturing on August 1, 2023 are subject to mandatory sinking fund redemption in part prior to maturity. That redemption is to occur on August 1 in each of the years and in the amounts shown below at a redemption price equal to 100% of the principal amount redeemed plus accrued interest to the date of redemption, and according to the following schedule:

Year	Amount
2020	$5,155,000
2021	5,425,000
2022	4,635,000
2023*	4,875,000

*Maturity

Notice of Redemption. At least 30 days but not more than 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 32 days before such redemption date to The Depository Trust Company, New York, New York, and at least 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 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 30 days after the date fixed for redemption.

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

SECURITY FOR THE BONDS

The Bonds are not secured by a lien on any properties constituting the Project or any amounts derived therefrom. The Bonds and the interest thereon are payable solely from the Pledged Receipts (hereinafter defined). See the caption "SUMMARIES OF THE PRINCIPAL DOCUMENTS" herein.

"Pledged Receipts" shall include: (i) all of the Revenues; (ii) all interest earned and gains realized on Eligible Investments (a) except for earnings and gains on any investments in the Rebate Fund and (b) unless the Resolution specifically requires such interest earned or gains realized to remain in a particular fund or account and does not therefore constitute a Pledged Receipt; and (iii) the proceeds of the Bonds to the extent such proceeds are deposited in the Bond Service Fund. "Revenues" means, with respect to the Lease, all of the rental payments and other payments to be made by the Cabinet to the Commission pursuant to the Lease, or any other amounts received by the Commission for the use or occupancy of the Project and any other payments or deposits to be made to the Bond Service Fund, including proceeds from the disposition of any portion of the Project pursuant to the Resolution. Amounts on deposit in the Escrow Fund and the Rebate Fund shall not constitute Pledged Receipts.

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

The Kentucky General Assembly has appropriated to the Cabinet and the Sublessees amounts sufficient to meet the rental payments under the Lease (and each Sublease), and therefore to permit the Commission to meet the debt service requirements of the Bonds through June 30, 2004.

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 Rent under the Lease and each Sublease 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.

BOND INSURANCE

The scheduled payment of principal of and interest on the Bonds, when due, will be guaranteed under the Bond Insurance Policy to be issued concurrently with the delivery of the Bonds by MBIA.

The Bond Insurance Policy

The following information has been furnished by MBIA for use in this Official Statement. Reference is made to Exhibit F for a specimen of the Bond Insurance Policy.

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

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

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

MBIA

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

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the policy and MBIA set forth under the heading "BOND INSURANCE." Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds

The Financial Guarantee Insurance Policies are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

MBIA Information

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 2002; and

(2) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2002, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at http://www.mbia.com; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2002, MBIA had admitted assets of $9.2 billion (audited), total liabilities of $6.0 billion (audited), and total capital and surplus of $3.2 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2003 MBIA had admitted assets of $9.3 billion (unaudited), total liabilities of $6.1 billion (unaudited), and total capital and surplus of $3.2 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of MBIA

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

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

Fitch Ratings rates the financial strength of MBIA "AAA."

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

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

PLAN OF FINANCE

The proceeds of the Bonds will be used by the Commission and the Cabinet to (i) pay costs of acquiring, constructing, installing and equipping the Project, (ii) refund the Prior Commission Bonds (which are further identified in Exhibit C hereto), (iii) refund the Prior ALCo Notes (which are further identified in Exhibit C hereto), (iv) refund the Prior University Bonds (which are further identified in Exhibit C hereto), and (v) pay costs of issuing the Bonds. See "SUMMARIES OF THE PRINCIPAL DOCUMENTS" herein.

The proceeds of the Bonds required to refund the Prior University Bonds listed on Exhibit C as "Advance Refunded Bonds" (the "Advance Refunded Bonds") will be deposited in a separate and distinct escrow fund to be held by Wachovia Bank of Delaware, National Association, as Escrow Agent (the "Escrow Agent") under an Escrow Agreement (the "Escrow Agreement") dated as of August 1, 2003, 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 escrow fund established under the Escrow Agreement to the purchase of certain direct obligations of the United States of America (the "United States Treasury Obligations"), 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 escrow fund, to pay the principal and interest on the Advance Refunded Bonds as same become due. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein. Upon the making of the foregoing deposit with the Escrow Agent on behalf of the prior trustees, the Advance Refunded Bonds will no longer be deemed to be outstanding for the purposes of the resolutions under which the Advance Refunded Bonds were issued.

The proceeds of the Bonds required to refund the Prior Commission Bonds, Prior University Bonds and the Prior ALCo Notes listed in Exhibit C as "Current Refunded Obligations" (the "Current Refunded Obligations") will be deposited in the related note or bond service fund related to each series of the Current Refunded Obligations to provide for the redemption of the Current Refunded Obligations. Upon the making of the foregoing deposits to the note and bond service funds and additional deposits of other funds provided by the Commission with the prior trustees, the Current Refunded Obligations will no longer be deemed to be outstanding for the purposes of the resolutions under which the Current Refunded Obligations were issued.

The remaining proceeds of the 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 the Project. Amounts will be disbursed to pay the costs of construction, acquisition, installation and equipping of the Project as costs are incurred.

The Commission had outstanding bonds in the aggregate principal amount of $1,719,566,139 as of August 1, 2003. Upon the issuance of the Bonds, the Commission will have a total of $1,836,711,139 aggregate principal amount of bonds outstanding.

SOURCES AND USES OF FUNDS FOR THE BONDS

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

SOURCES OF FUNDS:	
Par Amount of Bonds	$ 117,145,000
Plus/Less: Net Original Issue Premium/Discount	2,641,634
TOTAL SOURCES	$ 119,786,634
USES OF FUNDS:	
Deposit to Construction Fund	$ 64,915,000
Escrow Fund Deposit	6,280,060
Deposit to note payment fund for Prior ALCo Notes	12,775,000
Deposit to bond service fund for Prior Commission Bonds	9,666,998
Deposit to bond service fund for Prior University Bonds	25,151,013
Costs of Issuance*	998,563
TOTAL USES	$ 119,786,634

* Includes bond insurance premium, underwriters' discount and fees of the trustee and counsel and other costs of issuance.

THE PROJECT

The Cabinet and the Sublessees 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 Subleases (collectively, the "Project"). The State Agencies originally related to the Project are the following:

Department of Agriculture
Department for Local Government
Education, Arts and Humanities Cabinet
Cabinet for Economic Development
Finance and Administration Cabinet
Cabinet for Health Services
Justice Cabinet
Tourism Development Cabinet
Workforce Development Cabinet

A description of the new portions of the Project being financed for each State Agency is contained in Exhibit B. Various other projects were originally financed with the Prior ALCo Notes, the Prior Commission Bonds and the Prior University Bonds and will also constitute a part of the Project. The State Agencies related to the refunding portion of the Project are the following:

Cabinet for Economic Development
Council on Postsecondary Education
Education, Arts and Humanities Cabinet
Finance and Administration Cabinet
Justice Cabinet

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 the OFM serves as Secretary to the Commission. The Commission is an independent agency of the Commonwealth, created by KRS 56.450, with power, subject to approval by and in cooperation with the Cabinet, to finance the acquisition of real estate and the construction and equipping of building projects and other public projects for any agency of the Commonwealth.

KRS 56.450(4) authorizes the Commission, on application of any state agency of the Commonwealth, to issue revenue bonds in the Commission’s name in accordance with the provisions of KRS Chapters 56 and 58, secured by and payable solely from all or any part of the revenues derived from the leasing of the project financed to such state agency. The Commission is authorized to execute lease agreements with those state agencies requesting the Commission to issue revenue bonds, which leases provide for the payment of lease rentals to the Commission in order to make principal and interest payments on the revenue bonds issued in the name of the Commission. The Cabinet has applied to the Commission to issue the Bonds secured by revenues from the Lease and Subleases. The Resolution was adopted by the Commission on July 10, 2003, authorizing the issuance of the Bonds.

Future Financings

The Kentucky General Assembly may authorize debt financing to support various capital initiatives of the Commonwealth in the budget for the current biennium or in future budgets. The 2003 Kentucky General Assembly authorized debt financing totaling $835,188,380 to support various capital initiatives of the Commonwealth. Of the total authorization, $628,188,380 is General Fund supported of which a portion is included with the issuance of the State Property and Buildings Commission Revenue and Revenue Refunding Bonds, Project No. 77, and $207,000,000 is Agency Restricted Fund supported. This authorization is in addition to the authority to issue refunding bonds to refund outstanding issues. It is anticipated that all authorized debt will be issued by one of the various debt issuing entities of the Commonwealth by June 30, 2004, including the Commission.

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

Department of Agriculture

The Department of Agriculture, as defined in KRS Chapter 246, is headed by the Commissioner of Agriculture, a Constitutional Officer. In addition, the State Board of Agriculture, appointed by the Governor, acts as an advisory body to the elected Commissioner. The Department of Agriculture is divided into five service units. The Office for Strategic Planning and Administration is responsible for personnel functions, financial operation, public information, and technology systems. The Office of Environmental Outreach fosters understanding and cooperation between Kentucky’s agriculture community and federal and state environmental enforcement entities. The Office for Consumer and Public Service directs programs that have a direct bearing on agricultural revenue. The Office of State Veterinarian protects the livestock industry pursuant to KRS Chapter 257. The Office formulates and regulates disease policies and investigates disease outbreaks. The Office for Agriculture Marketing and Product Promotion develops and manages programs which promote Kentucky-produced agricultural products, including grading and inspecting of specific products and commodities and reporting market news.

Department for Local Government

The Department for Local Government is an independent agency attached to the Office of the Governor. The functions of the Department include: acting as the technical support and service agency of state government for local government units of the Commonwealth; serving as a clearinghouse for data, information and assistance useful or necessary to local governmental units; and assisting the Governor in coordinating activities having an impact upon the solution of local governmental problems. The Department is comprised of the Commissioner's Office and four divisions: Financial Services, Community Development, Local Resources, and Support Services.

Division of Community Development The Division of Community Development administers the federally-funded community development block grant program as well as the Renaissance Kentucky program. These programs are geared to enhance the quality of life of all Kentucky communities by working through and with city and county governments.

Education, Arts and Humanities Cabinet

The Education, Arts and Humanities Cabinet is charged with the mission of preserving Kentucky's heritage, historic resources, 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, cultural enrichment through the arts, and services to the deaf and hard of hearing.

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. The Department of Education officials follow board guidelines and provide resources and guidance to Kentucky’s public schools and districts as they implement the Commonwealth’s K-12 education requirements. The Department also serves as the state liaison for federal education requirements and funding opportunities.

The Kentucky Board of Education also serves as the board for the Kentucky School for the Blind and the Kentucky School for the Deaf, with Department of Education staff serving as resources for those schools. The Kentucky School for the Blind provides comprehensive educational services to all Kentucky students who are blind and visually impaired, birth to age twenty-one. The Kentucky School for the Deaf functions as a statewide educational center and ensures that deaf and hard of hearing children and youth in Kentucky have educational opportunities to develop their potential to become educated, life-long learners and productive citizens.

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 business 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.

Office for the New Economy. The Kentucky Innovation Act, enacted during the 2000 Regular Session of the General Assembly, established the Office of the Commissioner for the New Economy. The Office is governed under KRS 154.12-278 and its mission is to lead the statewide initiative to spur the growth of the knowledge-based economy by (i) creating the research and development infrastructure necessary to incubate high-technology companies; (ii) developing the intellectual pool necessary to grow and sustain the New Economy; (iii) assisting existing companies to compete effectively in the New Economy; (iv) growing new, knowledge-based, innovation-driven companies; and (v) recruiting knowledge-based, innovation driven companies to the Commonwealth.

The New Economy effort is comprehensive and multi-dimensional. It includes programs in the Cabinet for Economic Development, the Council on Postsecondary Education, the Kentucky Department for Education, the Kentucky Workforce Development Cabinet and the Kentucky Community and Technical College System. The private sector and the state universities also play an active role in the New Economy effort.

Finance and Administration Cabinet

A description of the Finance and Administration Cabinet appears under the heading "THE FINANCE AND ADMINISTRATION CABINET."

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.

Department for Mental Health/Mental Retardation Services. 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.

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.

Kentucky Community and Technical College System. The Kentucky Community and Technical College System ("KCTCS") was created by the Postsecondary Education Improvement Act of 1997 which additionally transferred all of the outstanding debt for the University of Kentucky Community College System to KCTCS. 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.

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 Commonwealth 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.

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 $9.1 billion annually, making tourism Kentucky's third-largest industry. The Tourism Development Cabinet is made up of six agencies: the Department of Travel, Department of Parks, Department of Fish and Wildlife Resources, Kentucky Horse Park, the Kentucky Artisans Center at Berea and the Kentucky State Fair Board. The Tourism Development Cabinet administers 17 resort parks, 22 recreational parks and 10 historical sites. The tourism industry, Kentucky's second largest private employer, provides employment for approximately 166,000 Kentuckians. In addition, tourism related industries and businesses annually generate approximately $942 million of state and local tax revenue in the Commonwealth.

Department of Parks. 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. Construction started in 1998 is nearly complete on six new Kentucky State Park regulation golf courses. Beginning July 2003, golfers can experience more of the diverse natural settings Kentucky offers. New eighteen-hole courses are being built in eastern Kentucky's Grayson Lake and Yatesville Lake, southern Kentucky's Dale Hollow Lake Resort, and western Kentucky's lakeside Mineral Mound. Northern Kentucky's Kincaid Lake will get a new nine-hole course. Pennyrile Forest Resort golf course, in west Kentucky's unique woodlands, is being expanded from nine holes to eighteen holes.

Kentucky State Fair Board. The Kentucky State Fair Board, an agency of the Tourism Development Cabinet, has been at the forefront of Kentucky tourism development. The Kentucky State Fair Board today operates two of the largest facilities in the state – the Kentucky Fair & Exposition Center, the eighth largest public facility of its kind in the United States which hosts over three million visitors each year, and its sister facility, the Kentucky International Convention Center in downtown Louisville. In managing these facilities, the Kentucky State Fair Board resolves to advance Kentucky's tourism industry and economy while serving the entertainment, cultural and educational interests of the public.

Workforce Development Cabinet

The Cabinet for Workforce Development is made up of six departments and the Office of the Secretary. The Cabinet consists of the Department for Employment Services, Department for Training and ReEmployment, Department of Vocational Rehabilitation, Department for the Blind, Department for Adult Education and Literacy, and Department for Technical Education. The mission of the Cabinet for Workforce Development is connecting Kentucky to employment, workforce information, education and training.

Department of Vocational Rehabilitation. The Department of Vocational Rehabilitation provides assessment, guidance, counseling, and job placement services to assist eligible Kentuckians with disabilities achieve their career goals. The Department also operates a comprehensive rehabilitation center and assists employers in filling approximately 5,000 positions each year with qualified, job-ready applicants.

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

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

The Kentucky Comprehensive Annual Financial Report for Fiscal Year 2002 is incorporated herein by reference. The Commonwealth has filed *The Kentucky Comprehensive Annual Financial Report* for Fiscal Year 2002 with the following Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs") in accordance with SEC Rule 15c2-12;

(i) Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
Email: Munis@Bloomberg.com

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

(iii) FT Interactive Data
Attn: NRMSIR
100 William Street
New York, New York 10038
Phone: (212) 771-6999
Fax: (212) 771-7390 (Secondary Market Information)
(212) 771-7391 (Primary Market Information)
Email: NRMSIR@ftid.com

(iv) Standard & Poor's J.J. Kenny Repository
55 Water Street, 45th Floor
New York, New York 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
Email: nrmsir_respository@sandp.com

A copy of *The Kentucky Comprehensive Annual Financial Report* for Fiscal Year 2002 may be obtained from the NRMSIRs or from the Office of Financial Management, 702 Capitol Avenue, Suite 261, Frankfort, Kentucky 40601 (502) 564-2924. Additionally, *The Kentucky Comprehensive Annual Financial Report* for Fiscal Year 2002 and certain prior Fiscal Years may be found 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." 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 2002

During Fiscal Year 2002, the Commonwealth of Kentucky implemented several new accounting standards issued by the Governmental Accounting Standards Board, including Statement No. 33, No. 34, No. 35, No. 36, No. 37, and No. 38. The provisions of these standards have been incorporated into the Commonwealth's financial statements and notes. Since the Commonwealth implemented new reporting standards for this Fiscal Year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the Commonwealth's financial position and results of operations.

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

As of the end of the Fiscal Year, the Commonwealth's governmental funds reported combined ending fund balances of $2.4 billion, a decrease of $186.5 million in comparison with the prior year. Just over one-half ($1.2 billion or 51%) of this total amount constituted an unreserved fund balance, which was available for spending in the following Fiscal Year. The remainder of the fund balance was reserved to indicate that it was not available for new spending. The reserves were established: (1) to fund statutory obligations ($835.5 million), (2) for inventory on hand at year end ($66.9 million), (3) to fund capital outlay ($260.1 million), or (4) for other restricted purposes ($25.8 million).

During Fiscal Year 2002 the unreserved fund balance in the governmental funds decreased to $1.2 billion, which is approximately 8.3 percent of total governmental fund expenditures for the year. The unreserved fund balance is comprised of $1.2 billion in the Special Revenue Fund, $316.6 million in the Debt Service Fund, negative $265.5 million in the Capital Projects Fund and negative $36.0 million in the General Fund.

The General Fund is the chief operating fund of the Commonwealth. The fund balance of the Commonwealth's General Fund decreased by $311.4 million during the Fiscal Year. This is a 78.66 percent decrease from the prior year. At the end of the Fiscal Year, unreserved fund balance of the General Fund was a negative $36.0 million, while the total fund balance reached $87.5 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 0.54 percent of total General Fund expenditures, while total fund balance represents 1.32 percent of that same amount.

Due to the downturn in the economy, the General Fund experienced an increased number of interfund transfers out, leading to a decline in the General Fund's fund balance. In Fiscal Year 2002, the General Fund increased the amount of transfers out from $303.0 million in Fiscal Year 2001 to $468.0 million in Fiscal Year 2002. This is an increase of about $165.0 million or a 54.45 percent rise from the previous year.

The Commonwealth's long-term debt increased by $502.0 million, a 9.2 percent increase during the Fiscal Year. No general obligation bonds were authorized or outstanding at June 30, 2002. The key factor in this increase was the issuance of $976.0 million in Revenue Bonds (a 15.6% increase).

The Commonwealth utilizes a consensus forecasting process as prescribed by KRS Chapter 48.115 to develop Estimated Revenues as defined in the Act (the "Estimated Revenues") for the General Fund and the Road Fund. The Biennial Budget of the Commonwealth is based upon the Official Estimate as determined by the Consensus Forecasting Group (the "Group"). The forecast is provided on a preliminary basis by August 15 of each odd numbered year and in final form by the fifteenth legislative day of each even year regular session of the General Assembly. The State Budget Director can convene the Group as the need arises to review and revise the forecast.

At the beginning of Fiscal Year 2002, the Group declared an estimated revenue shortfall of $295.7 million in the General Fund and $85.4 million in the Road Fund. Further budget cutbacks contained in a second Budget Reduction Order resulted in additional reductions of $200.1 million in the General Fund and $37.9 million in the Road Fund. A third and fourth Budget Reduction Order totaling $179.2 million for the General Fund were each executed in the final days of the Fiscal Year to conform total spending to actual receipts for Fiscal Year 2002.

Fiscal Year 2003 (unaudited)

The Commonwealth began Fiscal Year 2003 without a legislatively enacted budget for the Executive branch of government and operated under an Executive Spending Plan implemented by an Executive Order of the Governor. In the General Assembly's 2003 Regular Session, which concluded on March 25, 2003, the legislature enacted House Bill 269, which included a budget for the Executive branch of government for the 2003-2004 biennium. The General Assembly also passed separate legislation that effectively ratified all amounts previously spent under the Executive Spending Plan. With the passage of these measures, all parties to a legal action filed by the State Treasurer seeking a determination of the validity of the Executive Order that established the Executive Spending Plan agreed to dismissal of the case as moot.

The Commonwealth reported General Fund revenue for the Fiscal Year 2003 of $6,783.5 million versus $6,560.2 million for Fiscal Year 2002, an increase of 3.4%. General Fund revenues were boosted in the early part of Fiscal Year 2003 by one-time events not reflective of overall economic activity. Of the $223.3 million in additional revenue received in Fiscal Year 2003 versus Fiscal Year 2002, approximately $192.5 million is estimated to have resulted from these events, which include the impact of tax amnesty as well as several large unanticipated payments in the sales, individual income, and inheritance taxes.

Sales and Use and Individual Income tax receipts increased 2.8% and 1.6%, respectively, for the Fiscal Year. Corporate income tax collections increased approximately $70.7 million or 34.1% for the year. June receipts totaled $636.6 million, which represents a 0.3% decline from June 2002. Revenue growth was concentrated in the earlier part of the Fiscal Year. The second half of Fiscal Year 2003 saw revenue declines below the previous year.

Total General Fund resources for Fiscal Year 2003 were $7,443.4 million, which included $130.8 million of Tobacco Settlement Revenues and $68.7 million for the Federal Jobs Growth Tax Relief Reconciliation Act of 2003. Expenditures and Fund Transfers Out totaled $7,178.8 million leaving a balance of $264.6 million of which $102.1 million is reserved for continuing appropriations and $162.5 million is unallocated. The $162.5 million undesignated Fiscal Year-end balance is $23.8 million higher than the original amount budgeted of $138.7 million.

Investment Policy

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

At June 30, 2003, the Commonwealth's operating portfolio was approximately $2.73 billion in cash and securities. The composition of investments was as follows: U.S. treasury securities (19%); securities issued by agencies, corporations and instrumentalities of the United States Government, including mortgage backed securities and collateralized mortgage obligations (42%); repurchase agreements collateralized by the aforementioned (13%);

municipal securities (5%); and corporate and asset backed securities, including money market securities (21%). The portfolio had a current yield of 1.71% and an effective duration of 1.55 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 Commonwealth. The Long-term Pool invests 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, mortgage backed securities, collateralized mortgage obligations and asset backed securities.

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

The Commonwealth has had a securities lending program since the mid-1980s. The Commonwealth is able to enter into either a principal relationship or an agent relationship. In a principal relationship the Commonwealth reverses its treasury and agency securities in exchange for 102% of eligible collateral, marked to market daily. Eligible Collateral is defined as securities authorized for purchase pursuant to KRS 42.500. In an agent program the agent lends the Commonwealth's treasuries and agencies, takes the cash received from the loan and invests it in securities authorized for purchase pursuant to KRS 42.500. The income generated by these transactions is split between the agent and the Commonwealth. At the present time the Commonwealth has entered into an agent agreement that has a guarantee of 10 basis points of the average market value of securities in the program.

On June 20, 2003, the State Investment Commission adopted Resolution 03-03, which amended the Commonwealth's investment policy concerning asset-based interest rate swaps. The change modifies the exposure limits from a $200 million notional amount to a net market value approach, the absolute value of which cannot exceed $50 million for all counterparties. The Commonwealth engages in asset-based interest rate swaps to better manage its duration and to stabilize the volatility of interest income. As of June 30, 2003, the Commonwealth had 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 years or less. Money market securities rated A1-P1 or higher are limited to 20% of any investment pool and when combined with corporate and asset backed securities (ABS) must not exceed 25% of any investment pool. United States Agency Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMO) are also limited to a maximum of 25% of any investment portfolio. ABS, MBS and CMO must have a weighted-average-life of four years or less at time of purchase.

SUMMARIES OF THE PRINCIPAL DOCUMENTS

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

The Resolution

Funds and Accounts. The following Funds and Accounts have been established under the Resolution. In addition to the deposit to the Escrow Fund described under "PLAN OF FINANCE" above, deposits of the proceeds of the Bonds and Revenues will be made as described below.

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

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

2. *Cost of Issuance Fund*. The Resolution creates a Cost of Issuance Fund for the Bonds to be held and maintained by the Trustee. From the proceeds of the Bonds and other available moneys, if any, deposited by the Issuer at the time of delivery of the Bonds, there will be deposited therein an amount sufficient to pay certain expenses in connection with the issuance of the Bonds. On payment of all duly authorized expenses incident to the issuance of such Bonds, any remaining balance in the Cost of Issuance Account will be transferred to the Bond Service Fund.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As used herein, "Defeasance Obligations" means:

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

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

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

The Lease and Subleases

The Commission and the Cabinet have entered into the Lease whereby the Cabinet will lease the Project from the Commission and will pay rentals to the Commission during biennial renewal terms which will provide funds, together with amounts required to be paid under the Subleases, sufficient to pay the amounts due on the Bonds.

The Lease and the Subleases have an initial term ending June 30, 2004. The Commission has granted the Cabinet the exclusive option to renew the Lease for successive and ensuing renewal terms of two years commencing July 1 in each even-numbered year and the Subleases have corresponding renewal provisions. The last renewal term for the Lease and Subleases relating to the Bonds ends June 30, 2024, the final maturity date permissible for any Bonds to be issued by the Commission for the Project. Under the provisions of the Constitution of the Commonwealth, the Commission, the Cabinet and the Sublessees are each prohibited from entering into lease obligations extending beyond their biennial budget period. Notwithstanding the foregoing, the Lease and the Subleases provide that each succeeding renewal term will be deemed to be automatically renewed unless written notice of the election by the Cabinet or Sublessees, respectively, to not so renew is given to the Commission by the last business day of May (or the last business day of 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 Sublessees 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 the Project in a manner inconsistent with law.

The Cabinet and Sublessees have covenanted and agreed in the 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 Sublessees sufficient amounts (over and above all other requirements of the Cabinet and the Sublessees) to enable the Cabinet and the Sublessees to make rental payments under the Lease and Subleases and thereby produce income and revenues to the Commission to permit timely payment of the Bonds as the same become due during such period. If 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 Bonds are appropriated to the Cabinet, the Subleases will terminate.

If the Lease and Subleases are renewed, then on the first day of the biennial renewal term the Cabinet and the Sublessees are firmly bound for the entire amount of rental payments coming due during such renewal term.

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

Events of default under the Lease 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 within 30 days (or in the process of being remedied).

If an event of default occurs under the Lease, the Commission, in addition to all other remedies given to the Commission at law or in equity, may by written notice to the Cabinet terminate the Lease or, without terminating the Lease, take possession (actually or constructively) of the Project. In such event, the Commission may sublet the Project or any portion thereof 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 Lease upon delivery of an opinion of nationally recognized bond counsel that the subletting or reletting will not cause the interest on the Bonds to be includible in the gross income of the holders of the Bonds for federal income tax purposes. The Cabinet has similar remedies in the event of a default by the Sublessees under the Subleases. The Bondholders have no security interest in any properties constituting the Project or any amounts derived therefrom.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("S&P") and Fitch Ratings ("Fitch") have given the Bonds the ratings of "Aaa", "AAA" and "AAA", respectively, each with the understanding that upon delivery of the Bonds, the Bond Insurance Policy will be issued by the Insurer. The underlying ratings for the Bonds are "Aa3", "A+" and "AA-" from Moody's, S&P and Fitch, respectively.

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

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving legal opinion of Chapman and Cutler LLP, Bond Counsel, who has been retained by, and acts as Bond Counsel to, the Commission. The form of the approving legal opinion of Bond Counsel is attached hereto as Exhibit E. Chapman and Cutler LLP has been retained by, and acts as Bond Counsel to, the Commission. Bond Counsel has not been retained or consulted on disclosure matters, and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Bonds, and assumes no responsibility for the statements or information contained or incorporated by reference in this official Statement, except that in its capacity as Bond Counsel, Chapman and Cutler LLP has, at the request of the Underwriters, reviewed the statements describing its approving opinion and the information under the caption "THE BONDS," "SECURITY FOR THE BONDS," "PLAN OF FINANCE," "SUMMARIES OF THE PRINCIPAL DOCUMENTS" AND "TAX MATTERS" solely to determine whether such information is accurate in all material respects. This review was undertaken solely at the request and for the benefit of the Underwriters. Certain legal matters will be passed on for the Underwriters by their counsel, Thompson Hine LLP.

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.

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

TAX MATTERS

General

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States of America, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The Commission and the Cabinet, respectively, have 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 income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includible in gross income for federal income tax purposes retroactively to the date of the issuance of the Bonds.

Subject to the compliance by the Commission, the Cabinet and others with the above-referenced covenants, under present law, in the opinion of Chapman and Cutler LLP, Bond Counsel, interest on the Bonds is not includible in the 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. Interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the Commission and the Cabinet with respect to certain material facts solely within the knowledge of the Commission, the Cabinet and the State Agencies relating to the application of the proceeds of the Bonds. In rendering its opinion, Bond Counsel will also rely upon the mathematical computation of the yield on the Bonds and the yield on certain investments contained in the Verification Report of McGladrey & Pullen, LLP. The opinion of Bond Counsel represents its legal judgment based on its review of the law and facts that it deems relevant to render such opinion, and is not a guarantee of result.

The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the alternative minimum taxable income of the corporation ("AMTI"), which is the taxable income of the corporation with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (excluding S Corporations, Regulated Investment Companies, Real Estate Investment Trusts, REMICS and FASITs) is an amount equal to 75% of the excess of the "adjusted current earnings" of such corporation over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include all tax exempt interest, including interest on the Bonds.

Under the provisions of Section 884 of the Code, a branch profits tax is levied on the "effectively connected earnings and profits" of certain foreign corporations, which include tax-exempt interest such as interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

If a Bond is purchased at any time for a price that is less than the stated redemption price of the Bond at maturity or, in the case of a Bond issued with original issue discount, its Revised Issue Price (as discussed below), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the election of the purchaser, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

There are or may be pending in the Congress of the United States of America legislative proposals, including some that may carry retroactive effective dates, 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. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or local tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

It is also the opinion of Bond Counsel, under the laws of the Commonwealth of Kentucky, as presently enacted and construed, that interest on the Bonds is exempt from the income tax imposed by the Commonwealth of Kentucky, and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions and taxing authorities. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

Premium

An investor may purchase a Bond at a price in excess of its stated principal amount (a "Premium Bond"). Each Bond having a "Yield" that is lower than the "Interest Rate," as shown on the cover, has an issue price that is in excess of the Bond's stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Premium Bond in a manner that takes into account potential call dates and call prices. An investor in a Premium Bond cannot deduct amortized bond premium relating to such Premium Bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Premium Bond. Investors who purchase a Premium Bond should consult their own tax advisors regarding the amortization of bond premium and its affect on the Premium Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Premium Bond.

Original Issue Discount

Each Bond having a "Yield" that is higher than the "Interest Rate," as shown on the cover, has an issue price that is less than the principal amount payable at maturity. The difference between the Issue Price (defined below) of each such maturity of the Bonds and the amount payable at maturity is original issue discount. The issue price (the "Issue Price") for each such maturity of the Bonds is the price at which a substantial amount of such maturity of the Bonds is first sold to the public. The Issue Price of each such maturity of the Bonds is expected to be the amount set forth on the inside cover, but is subject to change based on actual sales.

For an investor who purchases a Bond in the initial public offering at the Issue Price for any such maturity and who holds such Bond to its stated maturity, subject to the condition that the Commission, the Cabinet, others comply with the covenants discussed under "TAX MATTERS" above, (a) the full amount of original issue discount with respect to such Bond constitutes interest which is not includible in the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year.

If a Bond issued with original issue discount is purchased at any time for a price that is less than the Issue Price of such Bond plus accreted original issue discount (the "Revised Issue Price"), the purchaser will be treated as having purchased such Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Such treatment would apply to any purchaser who purchases such Bond for a price that is less than its Revised Issue Price.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors. Owners of Bonds issued with original issue discount should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Concurrently with the delivery of the Bonds, McGladrey & Pullen, LLP, independent certified public accountants (the "Verifier"), will deliver a verification report stating that they have verified the mathematical accuracy of certain computations relating to the sufficiency of the principal of and interest on certain United States Treasury Obligations to provide for the timely payment of the principal or respective redemption prices of and interest on the Advance Refunded Bonds as they become due as described above under the caption "PLAN OF FINANCE". Such computations will be based solely on assumptions and information supplied by the Underwriters on behalf of the Commonwealth. The Verifier will restrict its procedures to verifying the arithmetical accuracy of certain computations and will not make any study or evaluation of the assumptions and information on which the computations are based and, accordingly, not express an opinion on the data used, the reasonableness of the assumptions, or the achievability of the anticipated outcome.

UNDERWRITING

The Bonds are to be purchased by a syndicate managed by Morgan Stanley & Co. Incorporated as representative of the managing underwriters identified on the cover hereof and on behalf of itself (the "Managers") (the Managers and the other syndicate members collectively, the "Underwriters"). The Underwriters have agreed, subject to certain conditions, to purchase the Bonds at an aggregate purchase price of $119,319,979.20 (which is equal to the principal amount of the Bonds plus net premium of $2,641,634.40 and less underwriting discount of $466,655.20). 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. Specifically, the Commission will covenant to provide notice in a timely manner to each nationally recognized municipal securities depository or the Municipal Securities Rulemaking Board, and the appropriate state information depository, if any, of any of the following types of events with respect to the Bonds, if material: (i) principal and interest payment delinquencies; (ii) non-payment related defaults; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers or their failure to perform; (vi) adverse tax opinions or events affecting the tax-exempt status of the securities; (vii) modifications to rights of security holders; (viii) bond calls; (ix) defeasances; (x) release, substitution, or sale or property securing repayment of the securities; and (xi) rating changes. The Commonwealth is already providing ongoing market disclosure as required by Rule 15c2-12 pursuant to agreements entered into in connection with other outstanding securities.

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.

COMMONWEALTH OF KENTUCKY STATE PROPERTY AND BUILDINGS COMMISSION

By: /s/ George R. Burgess, 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 I.

Appropriation supported debt carries the name of the Commonwealth and is either (i) a general obligation of the Commonwealth, 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 Commonwealth. 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/A+/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/A+/AA-
The State Universities (consisting of nine)	**KRS 56.495** Construct educational buildings and housing and dining facilities.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	Varies
Kentucky Housing Corporation	**KRS 198A** Make low interest mortgage loans and construction loans to increase the supply of housing for low and moderate income residents in the State.	Limited to $2.5 billion of debt outstanding	Aaa/AAA
Kentucky Infrastructure Authority	**KRS 224A** Provide financial assistance to local governments for the construction or refinancing of infrastructure facilities and to provide loans to industries for construction of pollution control facilities.	Revolving Fund programs cannot incur debt without appropriation of debt service by the General Assembly. Without legislative approval, other programs limited to $500 million of debt outstanding.	Aa3/A+/AA-
Kentucky Higher Education Student Loan Corporation	**KRS 164A** Make guaranteed student loans to residents of the Commonwealth to attend postsecondary institutions and to make loans to students attending postsecondary schools within the Commonwealth.	Limited to $950 million of debt outstanding; effective July 15, 2002, limit became $1.95 billion.	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 Commonwealth. Provide low interest loans to developing businesses. Provide financing and tax credits to manufacturing entities expanding or locating facilities in the Commonwealth.	None.	Varies
Kentucky Local Correctional Facilities Construction Authority	**KRS 441.605-441.695** Provide an alternative method of constructing, improving, repairing and financing local jails.	Limited to the level of debt service supported by court fees pledged as repayment for the bonds.	AAA (Insured)

*Ratings, where applicable, include Moody's, Standard & Poor's and Fitch. On October 9, 2002, Standard & Poor's lowered the Commonwealth's issuer credit rating from AA to AA- and the rating on the Commonwealth's appropriation-backed debt from AA- to A+. Standard & Poor's also lowered the Kentucky Infrastructure Authority's moral obligation pledge from A to A-.

EXHIBIT B

THE PROJECT

State Agency	Project Description	Authorized Amount*
Department of Agriculture	Animal Shelters	$1,600,000
Department for Local Government	Flood Control Matching Fund	3,000,000
Department for Local Government	Renaissance Kentucky	6,000,000
Education, Arts and Humanities Cabinet		
Department of Education	Security, Fire Alarm & Energy Systems - Kentucky School for the Blind	450,000
Department of Education	Replace Kerr Hall HVAC - Kentucky School for the Deaf	1,067,000
Cabinet for Economic Development	Purchase Area Regional Industrial Authority, Inc. - Graves County, Kentucky - regional industrial park	1,000,000 **
Cabinet for Economic Development		
Office for the New Economy	New Economy Bond Pool	15,000,000
Finance and Administration Cabinet	Rupp Arena/Lexington Civic Center	16,750,000
Cabinet for Health Services		
Dept. for Mental Health/Mental Retardation Services	Miscellaneous Roof Replacement/Repair Pool	700,000
Dept. for Mental Health/Mental Retardation Services	Statewide Chiller Replacement Pool	612,000
Dept. for Mental Health/Mental Retardation Services	Water Piping Replacement System - Eastern State Hospital/Veterans Hospital Relocation	250,000
Dept. for Mental Health/Mental Retardation Services	Sprinkler System/Ward Renovation - Western State Hospital	2,200,000
Dept. for Mental Health/Mental Retardation Services	Structural Repair/Renovation - Oakwood	2,009,000
Dept. for Mental Health/Mental Retardation Services	Sprinkler System - Central State Hospital	850,000
Justice Cabinet		
Department of Corrections	Replace/Repair Roofs - Green River Correctional Complex	2,500,000
Department of Corrections	Replace Underground Steam & Condensate Lines - Blackburn Correctional Complex	1,260,000
Department of Corrections	Replace Fire Alarm System - Luther Luckett Correctional Complex	1,000,000
Department of Corrections	Replace Dorm Roofs - Northpoint Training Center	600,000
Tourism Development Cabinet		
Department of Parks	Park Golf Courses	4,502,000
Kentucky State Fair Board	Purchase DOT Building	500,000
Kentucky State Fair Board	Replace Roofs	2,800,000
Workforce Development Cabinet		
Department of Vocational Rehabilitation	Construct New Sewage Treatment Plant - Perkins Rehabilitation Center	265,000
	Total	**$64,915,000**

* Excludes allocable costs of issuance

** Bond proceeds represent a partial funding of a total project authorization in the amount of $5,000,000.

EXHIBIT C

SUMMARY OF THE REFUNDED NOTES AND BONDS

Advance Refunded Bonds

University of Kentucky Community Colleges Educational Buildings Refunding Revenue Bonds, Series A, C, F and H (Second Series)

Maturity	Coupon	Principal Amount
May 1, 2005	4.500%	$ 1,045,000
May 1, 2006	4.600%	1,095,000
May 1, 2007	4.600%	1,150,000
May 1, 2008	4.600%	695,000
May 1, 2009	4.600%	730,000
May 1, 2010	4.600%	595,000
May 1, 2011	4.600%	625,000

Current Refunded Obligations

Kentucky Asset/Liability Commission Project Notes 2002 General Fund Series A

Maturity	Coupon	Principal Amount
November 1, 2003	3.500%	$ 12,775,000

Commonwealth of Kentucky State Property and Buildings Commission Revenue and Revenue Refunding Bonds, Project No. 54

Maturity	Coupon	Principal Amount
September 1, 2004	5.600%	$ 9,295,000

University of Kentucky Community Colleges Educational Buildings Revenue Bonds, Series I

Maturity	Coupon	Principal Amount
May 1, 2004	6.300%	$ 610,000
May 1, 2005	6.300%	650,000
May 1, 2006	6.300%	700,000
May 1, 2007	6.300%	750,000
May 1, 2008	6.400%	800,000
May 1, 2009	6.400%	860,000
May 1, 2010	6.400%	920,000
May 1, 2011	6.400%	985,000

University of Kentucky Community Colleges Educational Buildings Refunding Revenue Bonds, Series J

Maturity	Coupon	Principal Amount
May 1, 2004	5.000%	$ 2,425,000
May 1, 2005	5.100%	2,720,000
May 1, 2006	5.100%	2,870,000
May 1, 2007	5.100%	2,745,000
May 1, 2008	5.100%	2,895,000
May 1, 2009	5.100%	2,045,000
May 1, 2010	5.100%	2,150,000

EXHIBIT D

BOOK ENTRY ONLY SYSTEM

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued only as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as shall 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, the world's largest depositary, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and Non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and securities transactions in deposited securities in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable its Direct Participants and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com**.

Purchase of the Bonds under the DTC system must be made by or through Direct Participants, which will receive credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2002 Bond ("Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmations from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct Participants 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 DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of Securities may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Principal and interest payments, 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 Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Direct Participants and Indirect 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 Direct Participant or Indirect Participant and not of DTC, the Trustee, or the Authority, 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 Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct Participants and Indirect Participants.

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

Commission may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

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

EXHIBIT E

FORM OF BOND COUNSEL OPINION

Commonwealth of Kentucky
State Property and Buildings Commission
Frankfort, Kentucky

Re: State Property and Buildings Commission of the Commonwealth of Kentucky
$117,145,000 Revenue and Revenue Refunding Bonds, Project No. 77

We have examined a certified copy of the proceedings of the State Property and Buildings Commission of the Commonwealth of Kentucky (the *"Commission"*), authorizing the issuance by the Commission of its Revenue and Revenue Refunding Bonds, Project No. 77 (the *"Bonds"*) in the aggregate principal amount of $117,145,000, issued for the purpose of providing funds (i) to finance and refinance certain projects, (ii) to refund certain outstanding bonds of the Commission (the *"Prior Commission Bonds"*), (iii) to refund certain outstanding notes of the Kentucky Asset/Liability Commission (the *"Prior ALCo Notes"*), (iv) to refund certain outstanding bonds of the University of Kentucky (the *"Prior University Bonds"*), and (v) to pay the costs of issuance of the Bonds, all for the benefit of the Finance and Administration Cabinet of the Commonwealth of Kentucky (the *"Cabinet"*).

The Bonds are being issued by the Commission, pursuant to Chapter 56 and Sections 58.010 to 58.140, inclusive, of the *Kentucky Revised Statues*, as supplemented and amended (the *"Act"*), H.B. 502 of the General Assembly of the Commonwealth of Kentucky, 2000 Regular Session, and H.B. 269 of the General Assembly of the Commonwealth of Kentucky, 2003 Regular Session (the *"Budget Act"*), and a resolution adopted by the Commission on July 10, 2003 (the *"Bond Resolution"*). The projects to be financed and refinanced with the proceeds of the Bonds (collectively, the *"Project"*) have been leased to the Cabinet, pursuant to the Lease dated as of August 1, 2003, by and between the Commission and the Cabinet (the *"Lease"*).

The Bonds are dated the date hereof, are issued in fully registered form in the denomination of $5,000 each and any integral multiple thereof, are lettered R and numbered 1 and upward, mature on the dates and in the principal amounts, and bear interest at the rates per annum, payable on February 1 and August 1 of each year, commencing on February 1, 2004, as follows:

DATE	PRINCIPAL AMOUNT	RATE	DATE	PRINCIPAL AMOUNT	RATE
February 1, 2004	$ 4,195,000	2.00%	August 1, 2011	$ 320,000	3.875%
August 1, 2004	10,105,000	3.00	August 1, 2012	3,500,000	4.00
August 1, 2004	6,490,000	2.00	August 1, 2013	3,640,000	4.20
August 1, 2005	7,495,000	2.00	August 1, 2014	2,265,000	5.25
August 1, 2006	3,920,000	5.00	August 1, 2014	1,550,000	4.30
August 1, 2006	3,525,000	2.00	August 1, 2015	2,140,000	5.25
August 1, 2007	4,640,000	5.00	August 1, 2015	1,865,000	4.40
August 1, 2007	2,590,000	2.50	August 1, 2016	1,680,000	5.25
August 1, 2008	1,880,000	5.00	August 1, 2016	2,520,000	4.50
August 1, 2008	4,625,000	2.875	August 1, 2017	4,265,000	5.25
August 1, 2009	2,310,000	5.00	August 1, 2017	150,000	4.60
August 1, 2009	4,270,000	3.25	August 1, 2018	4,325,000	5.25
August 1, 2010	1,525,000	4.00	August 1, 2018	325,000	4.625
August 1, 2010	3,015,000	3.625	August 1, 2019	4,900,000	5.25
August 1, 2011	3,025,000	5.00	August 1, 2023	20,090,000	5.00

The Bonds are subject to optional and mandatory redemption prior to maturity as set forth therein and as set forth in the Bond Resolution.

From such examination, we are of the opinion that such proceedings show lawful authority for the issuance of the Bonds under the laws of the Commonwealth of Kentucky now in force. In that connection, we have examined (i) the Act, (ii) the Budget Act, (iii) a certified copy of the Bond Resolution, (iv) an executed counterpart of the Lease, (v) the form of Bond, and (vi) such other proceedings, documents, instruments, showings and matters of law as we have deemed necessary to render this opinion.

Based on the foregoing, and in reliance thereon, it is our opinion that 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, except to the extent that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights and remedies of creditors and secured parties and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion. It is also our opinion that the Lease has been duly authorized, executed and delivered by the Commission and the Cabinet, and constitutes a valid and binding obligation of the Commission and the Cabinet, enforceable against the Commission and the Cabinet in accordance with its terms, except to the extent that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights and remedies of creditors and secured parties and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

We have also examined the form of Bond prescribed for said issue, and find the same in due form of law, and in our opinion the Bonds are valid and binding obligations of the Commission, payable as to principal and interest solely and only 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, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting the rights and remedies of creditors and secured parties and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

It is also our opinion that, subject to compliance by the Commission, the Cabinet and certain state agencies with certain covenants, under present law, the interest on the Bonds is not includible in gross income of the owners thereof for federal income tax purposes, and is not treated as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

It is also our opinion, under the laws of the Commonwealth of Kentucky, as presently enacted and construed, that the interest on the Bonds is exempt from the income tax imposed by the Commonwealth of Kentucky, and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions and taxing authorities. No opinion is expressed with respect to any other taxes imposed by the Commonwealth of Kentucky or any political subdivisions thereof. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

In rendering this opinion, we have relied upon certifications of the Commission, the Cabinet and certain other state agencies with respect to certain material facts solely within the respective knowledge of the Commission, the Cabinet and said state agencies relating to the application of the Bonds and the Prior Commission Bonds, the Prior University Bonds and the Prior Notes (collectively, the *"Prior Bonds"*) and upon the report of McGladrey & Pullen, LLP, with respect to (i) the sufficiency of certain United States government obligations purchased with the proceeds of the Bonds to pay the principal of, premium, if any, and interest on the Prior Bonds, and (ii) the yield on the Bonds and the yield on said United States government obligations. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion, and is not a guarantee of result. This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

CLJarik/jcs

EXHIBIT F

SPECIMEN OF FINANCIAL GUARANTY INSURANCE POLICY

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

SPECIMEN

President

Attest:

Assistant Secretary

STD-R-6
4/95