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

<u>NEW ISSUE</u>

In the opinion of Chapman and Cutler LLP, Bond Counsel, under present law, 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 imposed on 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. Bond Counsel also is of the opinion that, under existing laws of the Commonwealth of Kentucky, interest on the Bonds is excluded from the gross income of the recipients thereof for Kentucky income tax purposes and the Bonds are exempt from ad valorem taxes by the Commonwealth of Kentucky and all political subdivisions thereof. See "Tax Matters" herein.

$389,835,000
COMMONWEALTH OF KENTUCKY
State Property and Buildings Commission
Revenue Refunding Bonds, Project No. 82

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

The Revenue Refunding Bonds, Project No. 82 (the "Bonds") will be issued only as fully registered bonds, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest due on the Bonds will be made directly to DTC. The Bonds will be issued in denominations of $5,000 or any integral multiple thereof, and will bear interest payable on each April 1 and October 1, commencing on October 1, 2004. Principal of, and interest on the Bonds will be paid directly to DTC by Wachovia Bank of Delaware, National Association, as Trustee and Paying Agent.

The Bonds are not subject to redemption prior to maturity.

AMOUNTS, MATURITIES, INTEREST RATES AND YIELDS ON INSIDE COVER

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by FINANCIAL SECURITY ASSURANCE INC.

FSA®

The Bonds are being issued by the State Property and Buildings Commission (the "Commission"), an independent agency of the Commonwealth of Kentucky (the "Commonwealth"), at the request of the Finance and Administration Cabinet of the Commonwealth (the "Cabinet") pursuant to a Resolution adopted January 14, 2004 to (i) refund certain outstanding bonds, as more fully defined and described herein, and (ii) pay costs of issuing the Bonds.

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

The Bonds are offered when, as and if issued and accepted by the Underwriters, subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, Bond Counsel. Certain legal matters will be passed on for the Underwriters by their counsel, Peck, Shaffer & Williams LLP, Covington, Kentucky. It is expected that delivery of the Bonds will be made on or about February 25, 2004, in New York, New York, through the facilities of DTC, against payment therefor.

MORGAN STANLEY

UBS FINANCIAL SERVICES INC. ***CITIGROUP***
J.J.B. HILLIARD, 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.*** ***MERRILL LYNCH & CO.***

Dated: January 28, 2004.

$389,835,000
COMMONWEALTH OF KENTUCKY
State Property and Buildings Commission
Revenue Refunding Bonds, Project No. 82

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

Maturity	Principal Amount	Interest Rate	Yield
October 1, 2005	$ 350,000	2.00%	1.15%
October 1, 2006	2,215,000	2.00	1.50
October 1, 2007	2,180,000	2.00	1.82
October 1, 2007	1,230,000	5.00	1.82
October 1, 2008	1,050,000	2.20	2.24
October 1, 2008	11,010,000	5.00	2.24
October 1, 2009	2,325,000	2.40	2.49
October 1, 2009	770,000	5.00	2.49
October 1, 2010	1,630,000	2.70	2.74
October 1, 2010	1,590,000	5.00	2.74
October 1, 2011	850,000	3.00	3.00
October 1, 2011	1,265,000	5.00	3.00
October 1, 2012	1,185,000	3.25	3.28
October 1, 2012	3,810,000	5.25	3.28
October 1, 2013	715,000	3.40	3.48
October 1, 2013	57,315,000	5.25	3.48
October 1, 2014	1,435,000	3.50	3.64
October 1, 2014	58,560,000	5.25	3.64
October 1, 2015	275,000	3.75	3.78
October 1, 2015	72,300,000	5.25	3.78
October 1, 2016	685,000	3.75	3.88
October 1, 2016	64,735,000	5.25	3.88
October 1, 2017	52,410,000	5.25	3.99
October 1, 2018	1,105,000	4.00	4.06
October 1, 2018	19,820,000	5.25	4.06
October 1, 2019	29,020,000	5.25	4.14

COMMONWEALTH OF KENTUCKY
STATE PROPERTY AND BUILDINGS 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 SECURITIES COMMISSION OR AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

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

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SUMMARY

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

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

The Offering The Commission is offering its $389,835,000 Revenue Refunding Bonds, Project No. 82 (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 January 14, 2004 (i) authorizing the issuance of the Bonds, (ii) approving the lease (the "Lease") dated as of February 1, 2004, between the Commission, as lessor, and the Finance and Administration Cabinet of the Commonwealth (the "Cabinet"), as lessee, and (iii) approving a Sublease dated as of February 1, 2004 (the "Sublease") between the Cabinet, as sublessor, and the Kentucky Community and Technical College System (the "State Agency"), as sublessee.

Use of Proceeds The Bonds are being issued to provide funds with which to (i) refund certain outstanding bonds, as more fully defined and described herein, and (ii) pay costs of issuing the Bonds.

Security The Bonds and the interest thereon are payable solely from the Revenues to be derived from the rental payments of the Cabinet to the Commission under the Lease and to the Cabinet by the State Agency under the Sublease. See "SUMMARIES OF THE PRINCIPAL DOCUMENTS - The Lease and Sublease". 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 THE BIENNIALLY RENEWABLE SUBLEASE WITH THE STATE AGENCY, 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 certain Bonds as shown on the inside cover (the "Insured Bonds"), when due, will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by Financial Security Assurance Inc. See the caption "BOND INSURANCE."

Features of Bonds

The Bonds are being offered in the authorized denominations of $5,000 or any integral multiple thereof, at the interest rates and yields set forth on the inside cover page hereof. The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest due on the Bonds will be made directly to DTC. The Bonds will bear interest payable on each April 1 and October 1, commencing on October 1, 2004. Principal of, 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").

The Bonds are issuable only as fully registered Bonds, without coupons. The Bonds are not subject to redemption prior to their maturity. See "THE BONDS - Redemption Provisions". It is expected that delivery of the Bonds will be made on or about February 25, 2004, in New York, New York, against payment therefor.

Tax Status

Subject to compliance by the Commission, the Cabinet, the State Agency 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 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. See "TAX MATTERS" herein for a more complete discussion, and EXHIBIT D.

Continuing Disclosure

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

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

Information Information regarding the Bonds is available by contacting the Office of Financial Management, 702 Capitol Avenue, Suite 261, Frankfort, Kentucky 40601, (502) 564-2924; or, during the initial offering period, by contacting the representative of the Underwriters, Morgan Stanley & Co. Incorporated, 1221 Avenue of the Americas, 30th Floor, New York, New York 10020, (212) 762-8183.

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OFFICIAL STATEMENT
Relating to

$389,835,000
COMMONWEALTH OF KENTUCKY
State Property and Buildings Commission
Revenue Refunding Bonds, Project No. 82

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 $389,835,000 Revenue Refunding Bonds, Project No. 82 (the "Bonds") issued at the request of the Finance and Administration Cabinet of the Commonwealth (the "Cabinet") to provide funds with which to (i) refund certain outstanding bonds, as more fully defined and described herein, and (ii) pay costs of issuing the Bonds.

The Bonds have been authorized and issued pursuant to the Constitution and laws of the Commonwealth, including particularly Chapters 56 and 58 of the Kentucky Revised Statutes ("KRS"). The Commission has adopted a Resolution (the "Resolution") authorizing the issuance of the Bonds and approving the Lease hereinafter described.

The Cabinet, as lessee, has entered into a Lease Agreement dated as of February 1, 2004, with the Commission, as lessor (the "Lease") and the Kentucky Community and Technical College System (the "State Agency"), has entered into a Sublease dated as of February 1, 2004 (the "Sublease") with the Cabinet, as sublessor, 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 and the Sublease ends June 30, 2004, and the Lease and the Sublease renew automatically (unless the Lease is terminated in writing by the Cabinet by the last business day of the preceding May or the Sublease is terminated in writing by the State Agency by the last business day of the preceding April). The Lease renews for successive biennial periods to and including the biennial period which includes the final maturity of the Bonds. The Lease and Sublease require the Cabinet and the State Agency, respectively, for each biennial period during which Bonds are outstanding, to seek legislative appropriations 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 State Agency amounts sufficient to meet the rental payments under the Sublease and to the Cabinet amounts sufficient to meet the rental payments under the Lease that are not payable under the Sublease, and therefore to permit the Cabinet to meet the rental payments under the Lease and the Commission to meet the debt service requirements of the Bonds, through June 30, 2004. The Sublease renews for successive biennial periods to and including the biennial period ending June 30, 2012 (after which payments under the Sublease will not be required to pay all amounts due under the Lease), however, appropriations to make payments under the Sublease which are included in the current budget may be made directly to the Cabinet in future biennial periods. If amounts sufficient to pay principal of and interest on the Bonds are appropriated directly to the Cabinet the Sublease will terminate.

THE GENERAL ASSEMBLY OF THE COMMONWEALTH IS UNDER NO OBLIGATION TO MAKE APPROPRIATIONS FOR RENTAL PAYMENTS TO THE CABINET OR THE STATE AGENCY NOR IS THE CABINET UNDER ANY OBLIGATION TO RENEW THE LEASE, NOR THE STATE AGENCY THE SUBLEASE. THE BONDS ARE PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF RENTAL PAYMENTS UNDER THE LEASE AND THE SUBLEASE

AND ARE NOT SECURED BY ANY LIEN ON, OR INTEREST IN, THE PROPERTIES CONSTITUTING THE PROJECT OR ANY AMOUNTS DERIVED THEREFROM.

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

Brief descriptions of the Commonwealth, the Commission, the Resolution, the Bonds, the Lease, the Sublease, the Project, the State Agency 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. The Bonds will be issuable in the denominations of $5,000 or integral multiples thereof, will be dated the date of their delivery, and will bear interest payable on each April 1 and October 1, commencing October 1, 2004, at the interest rates set forth on the inside cover page of this Official Statement. Wachovia Bank of Delaware, National Association, is the trustee for the Bonds (the "Trustee").

Book Entry Only System

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

Redemption Provisions

The Bonds are not subject to redemption prior to their maturity.

SECURITY FOR THE BONDS

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

The Kentucky General Assembly has appropriated to the State Agency amounts sufficient to enable the State Agency to meet the rental payments under the Sublease. The Kentucky General Assembly has appropriated to the Cabinet amounts sufficient, together with the amounts to be received by the Cabinet under the Sublease, to permit the Cabinet to meet the rental payments under the Lease and 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 the rental payments under the Lease and the 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 OR THE STATE AGENCY TO RECEIVE SUCH APPROPRIATIONS WILL HAVE A MATERIAL ADVERSE EFFECT ON THE COMMISSION'S ABILITY TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS.

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

BOND INSURANCE

Bond Insurance Policy

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

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

Financial Security Assurance Inc.

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

At September 30, 2003, Financial Security's total policyholders' surplus and contingency reserves were approximately $2,021,327,000 and its total unearned premium reserve was approximately $1,281,769,000 in accordance with statutory accounting practices. At September 30, 2003, Financial Security's total shareholders' equity was approximately $2,208,123,000 and its total net unearned premium reserve was approximately $1,098,686,000 in accordance with generally accepted accounting principles.

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

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

PLAN OF FINANCE

The proceeds of the Bonds will be used by the Commission, the Cabinet and the State Agency to (i) refund the Prior Bonds, described below, and (ii) pay costs of issuing the Bonds.

The proceeds of the Bonds required to refund all the outstanding University of Kentucky Community Colleges Educational Buildings Refunding Revenue Bonds, 1994 Series A, C, F and H (Second Series), identified in Exhibit B as "Current Refunded Bonds - Prior University Bonds," (collectively, the "Prior University Bonds") will be deposited in the bond service fund for the Prior University Bonds (the "Prior University Bond Fund") to be held by the trustee for the Prior University Bonds (the "Prior University Bonds Trustee"). The Prior University Bonds Trustee is required to apply a portion of the money on deposit in the Prior University Bond Fund 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 such fund, to pay the principal and interest coming due and to redeem the remaining Prior University Bonds on May 1, 2004. Upon the making of the foregoing deposit with the Prior University Bonds Trustee, the Prior University Bonds will no longer be deemed to be outstanding for the purposes of the resolution under which the Prior University Bonds were issued.

The proceeds of the Bonds required to refund the Prior Commission Bonds identified in Exhibit B as "Advance Refunded Bonds" (collectively, the "Prior Commission Bonds" and together with the Prior University Bonds, the "Prior 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 February 1, 2004, 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 of and interest on the Prior Commission Bonds as same become due and to redeem certain of the Prior Commission Bonds on various redemption dates. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein. Upon the making of the foregoing deposit with the Escrow Agent on behalf of the trustees for the Prior Commission Bonds, the Prior Commission Bonds will no longer be deemed to be outstanding for the purposes of the respective resolutions under which the Prior Commission Bonds were issued.

The Commission had outstanding bonds in the aggregate principal amount of $2,272,220,120 as of January 1, 2004. Upon the issuance of the Bonds, the Commission will have a total of $2,259,510,120 aggregate principal amount of bonds outstanding.

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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	$389,835,000.00
Net Original Issue Premium	50,735,811.05
Prior Bonds Debt Service and Debt Service Reserve Funds	17,977,554.30
TOTAL SOURCES	$458,548,365.35
USES OF FUNDS:	
Prior University Bond Fund Deposit	$24,273,963.66
Escrow Fund Deposit	430,237,202.79
Costs of Issuance[1]	4,037,198.90
TOTAL USES	$458,548,365.35

[1]Includes bond insurance premium.

THE PROJECT

The Cabinet will lease all of the facilities, renovations and improvements (the "Project") refinanced with the proceeds of the Bonds from the Commission under the Lease. State agencies originally related to the Project are the following:

Cabinet for Economic Development	Education, Arts and Humanities Cabinet
Cabinet for Health Services	Finance and Administration Cabinet
Cabinet for Families and Children	Governor's Office for Technology
Council on Postsecondary Education	Justice Cabinet
Department for Local Government	Natural Resources and Environmental Protection Cabinet
Department for Military Affairs	Public Protection and Regulation Cabinet
Department of Veterans' Affairs	Tourism Development Cabinet

In addition, a portion of the Project refinanced with the proceeds of the Bonds will be subleased to the State Agency, pursuant to the Sublease. See "PLAN OF FINANCE" and "THE STATE AGENCY" herein. The facilities, renovations and improvements refinanced with the proceeds of the Bonds are referred to as the Project.

THE STATE PROPERTY AND BUILDINGS COMMISSION

General

The Commission is composed of the Governor (who is the Chairman of the Commission), the Lieutenant Governor, the Attorney General, the Secretary of the Finance and Administration Cabinet (who is the Executive Director of the Commission), the Secretary of the Cabinet for Economic Development 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, in part, the Sublease. The Resolution was adopted by the Commission on January 14, 2004, 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 Commission does not expect to issue any additional bonds during the current biennium that are General Fund supported other than potentially issuing refunding bonds to refund outstanding issues.

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.

On December 23, 2003, Governor Fletcher signed an executive order authorizing the reorganization of state government, reducing the number of Executive Branch Cabinets from fourteen to eight. The executive order put into effect the primary recommendations proposed by the Governor's Blue Ribbon Commission on Governmental Organization and Efficiency. As a result, the Finance and Administration Cabinet has assumed the responsibilities of the former Revenue Cabinet and the Governor's Office of Technology. In addition to the newly assumed responsibilities, Cabinet functions include, (1) coordination and supervision of the fiscal affairs and fiscal procedures of the Commonwealth; (2) accounting, fiscal reporting and auditing of Commonwealth accounts; (3) purchasing, storekeeping and control of property and stores; (4) the construction, maintenance and operation of public buildings, except those provided for the exclusive use of certain agencies; (5) providing administrative services of a financial nature to other agencies of state government; (6) the investment and management of all Commonwealth funds other than pension funds; and (7) oversight of the issuance and management of all debt incurred in the name of the Commonwealth or any agency thereof.

THE STATE AGENCY

The Kentucky Community and Technical College System ("KCTCS") was created by the Postsecondary Education Improvement Act of 1997. KCTCS blends two education systems with long histories of service to Kentucky: 13 community colleges and 15 technical colleges. In this powerful 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.

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 attached hereto.

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

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

The Kentucky Comprehensive Annual Financial Report for Fiscal Year 2003 is incorporated herein by reference. The Commonwealth has filed *The Kentucky Comprehensive Annual Financial Report* for Fiscal Year 2003 with the following Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs") in accordance with SEC Rule 15c2-12:

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

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

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

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

A copy of *The Kentucky Comprehensive Annual Financial Report* for Fiscal Year 2003 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 2003 and certain other 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" herein. In addition, ongoing financial disclosure regarding the Commonwealth will be available through the filing by the Commonwealth of two documents entitled *The Kentucky Comprehensive Annual Financial Report* and *Supplementary Information to the Kentucky Comprehensive Annual Financial Report* (or successor reports) with the NRMSIRs as required under Rule 15c2-12.

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.

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 percent) 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 percent 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 October 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

The Commonwealth began Fiscal Year 2003 without a legislatively enacted budget for the Executive branch of government and operated under an Executive Spending Plan implemented by an Executive Order of the Governor. In the General Assembly's 2003 Regular Session, which concluded on March 25, 2003, the legislature enacted House Bill 269, which included a budget for the Executive branch of government for the 2003-2004 biennium. The General Assembly also passed separate legislation that effectively ratified all amounts previously spent under the Executive Spending Plan.

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

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

An additional portion of the Commonwealth's net assets $1.65 billion is restricted and represents resources that are subject to either external restrictions or legislative restrictions on how they may be used. The remaining balance is unrestricted net assets. The unrestricted net assets which, if positive could be used at the Commonwealth's discretion, showed a negative balance of $(2.06) billion. Therefore, no funds were available for discretionary purposes. A contributing factor to the negative balance is that liabilities are recognized on the government-wide statement of net assets when the obligation is incurred. Accordingly, the Commonwealth recognizes long-term liabilities (such as general bonded debt, compensated absences, unfunded employer pension cost, and contingent liabilities) on the statement of net assets.

The Commonwealth received program revenues of $7.7 billion and general revenues of $8.1 billion for total revenues of $15.8 billion during Fiscal Year 2003. Expenses for the Commonwealth during Fiscal Year 2003 were $15 billion, which resulted in a total increase of the Commonwealth's net assets in the amount of $770 million, net of contributions, transfers and special items.

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

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

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

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

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

The Transportation Fund balance at June 30, 2003 totaled $335 million, a decrease of $114 million during the fiscal year. The decrease primarily relates to an accelerated program for the construction of road projects.

The Commonwealth of Kentucky's bonded debt decreased by $240 million to $3,165,223, a 7 percent decrease during the fiscal year. No general obligation bonds were authorized or outstanding at June 30, 2003. The key factor in this decrease was the payment of principal on bonds outstanding and the absence of any new money bonds issued during Fiscal Year 2003.

Fiscal Year 2004 (Unaudited)

On December 22, 2003, the Consensus Forecasting Group (the "Group") made an official revision to the Fiscal Year 2004 revenue estimate for the General Fund. The official revised General Fund revenue estimate is $6,835.2 million, a decrease of $261.3 million when compared to the last official estimate utilized to create the 2003-2004 Enacted Budget. The revised General Fund revenue estimate excludes Phase I Tobacco Settlement Agreement ("MSA") payments of $110.2 million. The estimate of MSA payments for FY04 remained unchanged from the prior estimate. Total General Fund resources are expected to be $6,945.4 million.

As a result of the revision to the official General Fund revenue estimate the Governor issued General Fund Budget Reduction Order 04-01. The order requires a $147.4 million reduction in General Fund expenditures; the transfer of $86.4 million of agency funds; and the application of $68.7 million of federal fiscal relief in order to balance the budget by fiscal year end on June 30, 2004. Of the $147.4 million reduction to General Fund appropriations, approximately sixty-seven percent is generated from four sources: unused debt service of $25.8 million, $24.0 million of tobacco related funds and reductions to the Department for Education and Postsecondary Education of $24.0 and $24.8 million, respectively. After implementation of the reduction order there will be $50.8 million in the Budget Reserve Trust Fund.

General Fund revenues for the first six-months of Fiscal Year 2004, excluding tobacco receipts, totaled $3,452.9 million. This represents an increase of .3 percent versus the same period last fiscal year. Major components of the General Fund receipts are Corporate and Individual Income Tax collections of $1,553.8 million, up 2.2 percent; Sales and Use Tax receipts of $1,226.2 million, down .6 percent; and Property Tax revenues of $265.4 million, down .3 percent versus the previous year. The General Fund needs 1.2% growth for the remaining six-months of Fiscal Year 2004 over Fiscal Year 2003 receipts for the same time period in order to meet the December 22, 2003 revised revenue estimate.

For the month of December 2003 General Fund receipts were $702.8 million compared to $660.4 million in December 2002, an increase of 6.4 percent. Individual Income taxes rose almost $19.7 million to $247.5 million over the previous December, an 8.6 percent increase. Corporate income tax collections increased almost 1 percent to $59.4 million. Sales and Use tax revenues increased $15.4 million or 8.0

percent versus the prior December to $207.9 million. Property Taxes increased 22.1 percent to $129.0 million due to timing issues.

The Group also convened on January 9, 2004 and issued the official General Fund revenue estimate for Fiscal Years 2005 and 2006. General Fund revenues, excluding MSA payments, are projected to be $7,153.8 million in FY05 and $7,457.0 million in FY06. MSA payments are estimated to be $108.8 million and $108.6 million for FY05 and FY06, respectively. The official revenue estimate for the upcoming biennium will serve as the basis for appropriations made in the branch budget bills.

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 December 31, 2003, the Commonwealth's operating portfolio was approximately $2.65 billion in cash and securities. The composition of investments was as follows: U.S. treasury securities (14%); securities issued by agencies, corporations and instrumentalities of the United States Government, including mortgage backed securities and collateralized mortgage obligations (48%); repurchase agreements collateralized by the aforementioned (22%); municipal securities (6%); and corporate and asset backed securities, including money market securities (10%). The portfolio had a current yield of 1.96% and an effective duration of 1.54 years.

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

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

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

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

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

As of December 31, 2003 the Commonwealth had two delayed start asset-based interest rate swaps totaling $100,000,000 notional amount with a current market value of minus $6,000. In both transactions the Commonwealth receives a fixed rate and pays a variable rate based upon three-month LIBOR, with maturities of January 26, 2006 and January 26, 2007.

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, the Lease and the Sublease. Such statements do not purport to be complete and reference is made to the Resolution, the Lease and the Sublease, copies of which are available for examination at the Office of Financial Management, 702 Capitol Avenue, Suite 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 Prior Bond Fund and 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, and interest on all Bonds Outstanding under the Bond Resolution at or before their maturity. Accrued interest on the Bonds will be deposited in the Bond Fund. The Resolution requires the Commission to deposit or cause to be deposited on or before any April 1 or October 1 (each a "Payment Date") with the

Trustee all amounts required for the payment of the principal of, 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.

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

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

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

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

Notwithstanding the above, while the Bond Insurance Policy is in effect, the Bond Insurer is to be recognized as the registered owner of each Bond for the purposes of exercising all rights and privileges available to the Holders of Bonds.

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, 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 by the Bond Insurer in writing and approved as provided in the Resolution by the Holders of 66 2/3% of the aggregate 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, or interest on any Bond, or a reduction in the amount of principal 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.

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 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 and interest on the Bonds or any part thereof to and including the date upon which the Bonds or any of them mature, then and in any of said events all such Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the defeasance provisions of the Bond Resolution, and the Trustee will and is irrevocably instructed by the Resolution to publish notice thereof.

As used herein, "Defeasance Obligations" means:

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

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

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

The Lease and Sublease

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

The Lease and the Sublease 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 Sublease has a corresponding renewal provision. The last renewal terms for the Lease and Sublease relating to the Bonds end June 30, 2024 and June 30, 2012, respectively. Under the provisions of the Constitution of the Commonwealth, the Commission, the Cabinet and the State Agency are each prohibited from entering into lease obligations extending beyond their biennial budget period. Notwithstanding the foregoing, the Lease and Sublease provide that each succeeding renewal term will be deemed to be automatically renewed unless written notice of the election by the Cabinet or State Agency, respectively, to not so renew is given to the Commission by the last business day of May (or April under the Sublease) prior to the beginning of the next succeeding biennial renewal term. Upon the first day of the biennial renewal term, the Cabinet and State Agency are bound for the entire amount of the rent becoming due during such term as a general obligation, 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 State Agency have covenanted and agreed in the Lease and Sublease that when appropriations bills are prepared for introduction at the various successive sessions of the General Assembly of the Commonwealth, they will cause to be included in the appropriations proposed for that biennial period to be made for the Cabinet and the State Agency sufficient amounts (over and above all other requirements of the Cabinet and the State Agency) to enable the Cabinet and the State Agency to make rental payments under the Lease and Sublease 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 Sublease 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 Sublease will terminate.

If the Lease and Sublease are renewed, then on the first day of the biennial renewal term the Cabinet and the State Agency are firmly bound for the entire amount of 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 Sublease 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 State Agency under the Sublease. 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 Bond 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, Inc. 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, Chicago, Illinois, Bond Counsel, who has been retained by, and acts as Bond Counsel, to the Commission. The form of the approving legal opinion of Bond Counsel is attached hereto as EXHIBIT D. Certain legal matters will be passed upon for the Underwriters by their counsel, Peck, Shaffer & Williams LLP, Covington, Kentucky.

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, the Cabinet and the State Agency 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 the 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, the State Agency 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 and the Cabinet relating to the application of the proceeds of the Bonds and upon the Verification Report described later in this Official Statement regarding the yield on the Bonds and the yield on certain United States government obligations. 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 the 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 the 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 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. 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"). The Bonds that bear an interest rate that is higher than the yield (as shown on the inside cover page) are expected to be offered and sold to the public, subject to change based on actual sales, at a price that is in excess of its 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 effect 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

The initial offering price of certain Bonds 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 Bonds that bear an interest rate that is lower than the yield (as shown on the inside cover page) are expected to be offered and sold to the public, subject to change based on actual sales, at an Issue Price that is less than the principal amount payable at maturity.

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 and 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, Causey Demgen & Moore Inc., Denver, Colorado (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 Prior Bonds as they become due and upon redemption prior to maturity, 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 underwriters identified on the cover page hereof (the "Underwriters"). The

Underwriters have agreed, subject to certain conditions, to purchase the Bonds at an aggregate purchase price of $438,553,922.70 (which is equal to the principal amount of the Bonds plus net original issue premium of $50,735,811.05 and less underwriting discount of $2,016,888.35). 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 yields set forth on the inside 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.

THE COMMONWEALTH OF KENTUCKY STATE PROPERTY AND BUILDINGS COMMISSION

By: /s/ George R. Burgess, Jr.
Executive Director
Office of Financial Management
(Secretary to the Commission)

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EXHIBIT A

DEBT INFORMATION PERTAINING TO THE COMMONWEALTH OF KENTUCKY

COMMONWEALTH DEBT MANAGEMENT

Management

The Office of Financial Management ("OFM"), Finance and Administration Cabinet has central responsibility for the issuance, management, review and approval of all debt issued by the Commonwealth and its agencies. Table I lists state agencies which 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 interim financing of capital projects and cash flow borrowings to meet working capital needs of the state.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly, exclusive of cash flow borrowings within a fiscal year.	Varies
Turnpike Authority of Kentucky	**KRS 175.410-175.990** Construct, maintain, repair, and operate Turnpike projects, resource recovery roads and economic development roads	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	Aa3/A+/AA-
The State Universities (consisting of nine)	**KRS 56.495** Construct educational buildings and housing and dining facilities.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	Varies
Kentucky Housing Corporation	**KRS 198A** Make low interest mortgage loans and construction loans to increase the supply of housing for low and moderate income residents in the State.	Limited to $2.5 billion of debt outstanding	Aaa/AAA
Kentucky Infrastructure Authority	**KRS 224A** Provide financial assistance to local governments for the construction or refinancing of infrastructure facilities and to provide loans to industries for construction of pollution control facilities.	Revolving Fund programs cannot incur debt without appropriation of debt service by the General Assembly. Without legislative approval, other programs are limited to debt outstanding of $500 million.	Aa3/A+/AA-
Kentucky Higher Education Student Loan Corporation	**KRS 164A** Make guaranteed student loans to residents of the state to attend postsecondary institutions and to make loans to students attending postsecondary schools within the state.	Limited to $1.95 billion of debt outstanding.	Aaa/AA-
School Facilities Construction Commission	**KRS 157.800-157.895** Assist local school districts with the financing and construction of school buildings. Finance the construction of vocational education facilities.	Cannot incur debt without appropriation of debt service by General Assembly.	Aa3/A+/A
Kentucky Economic Development Finance Authority	**KRS 154** Issue industrial revenue bonds on behalf of industries, hospitals, and commercial enterprises in the state. Provide low interest loans to developing businesses. Provide financing and tax credits to manufacturing entities expanding or locating facilities in the state.	None.	Varies
Kentucky Local Correctional Facilities Construction Authority	**KRS 441.605-441.695** Provide an alternative method of constructing, improving, repairing and financing local jails.	Limited to the level of debt service supported by court fees pledged as repayment for the bonds.	AAA (Insured)

*Ratings, where applicable, include Moody's, S&P and Fitch. S&P rates the Kentucky Infrastructure Authority's moral obligation bonds A-. Certain State Property and Buildings Commission Agency Fund Revenue Bonds may have ratings different than those identified above.

EXHIBIT B

SUMMARY OF THE REFUNDED BONDS

Current Refunded Bonds

Prior University Bonds. University of Kentucky Community Colleges Educational Buildings Refunding Revenue Bonds, 1994 Series A, C, F and H (Second Series).

Maturity	Coupon	Principal Amount
May 1, 2005	4.500%	$4,090,000
May 1, 2006	4.600	4,295,000
May 1, 2007	4.600	4,520,000
May 1, 2008	4.600	2,735,000
May 1, 2009	4.600	2,865,000
May 1, 2010	4.600	2,340,000
May 1, 2011	4.600	2,465,000

Advance Refunded Bonds

Commonwealth of Kentucky State Property and Buildings Commission Revenue and Revenue Refunding Bonds, Project No. 57.

Maturity	Coupon	Principal Amount
November 1, 2008	5.400%	$305,000
November 1, 2009	5.500	320,000
November 1, 2010	5.500	340,000
November 1, 2011	5.500	360,000
November 1, 2012	5.500	380,000
November 1, 2013	5.500	400,000
November 1, 2014	5.500	425,000
November 1, 2015	5.500	450,000

Commonwealth of Kentucky State Property and Buildings Commission Revenue and Revenue Refunding Bonds, Project No. 59

Maturity	Coupon	Principal Amount
November 1, 2008	5.250%	$8,225,000

Commonwealth of Kentucky State Property and Buildings Commission Revenue and Revenue Refunding Bonds, Project No. 60.

Maturity	Coupon	Principal Amount
October 1, 2011	5.000%	$395,000
October 1, 2012	5.000	415,000

Commonwealth of Kentucky State Property and Buildings Commission Revenue Bonds, Project No. 63.

Maturity	Coupon	Principal Amount
November 1, 2012	5.000%	$1,430,000
November 1, 2013	5.000	1,505,000
November 1, 2014	5.000	1,580,000

Commonwealth of Kentucky State Property and Buildings Commission Revenue Bonds, Project No. 64.

Maturity	Coupon	Principal Amount
May 1, 2005	4.700%	$2,530,000
May 1, 2005	5.000	1,100,000
May 1, 2012	5.375	975,000
May 1, 2014	5.375	1,040,000
May 1, 2016	5.375	9,285,000
May 1, 2017	5.500	9,785,000
May 1, 2018	5.500	10,325,000

Commonwealth of Kentucky State Property and Buildings Commission Revenue Bonds, Project No. 67.

Maturity	Coupon	Principal Amount
September 1, 2004	4.400%	$4,795,000
September 1, 2012	4.900	2,020,000
September 1, 2013	5.000	2,995,000
September 1, 2013	5.625	4,380,000
September 1, 2014	5.100	710,000
September 1, 2014	5.625	7,080,000
September 1, 2015	5.125	1,240,000
September 1, 2015	5.625	7,000,000
September 1, 2016	5.125	8,690,000
September 1, 2017	5.125	9,145,000
September 1, 2019	5.375	10,145,000

Commonwealth of Kentucky State Property and Buildings Commission Revenue Bonds, Project No. 68.

Maturity	Coupon	Principal Amount
October 1, 2004	4.500%	$1,090,000
October 1, 2004	5.250	4,640,000
October 1, 2012	5.050	390,000
October 1, 2013	5.125	240,000
October 1, 2013	5.750	9,000,000
October 1, 2014	5.250	1,355,000
October 1, 2014	5.750	8,405,000
October 1, 2015	5.300	1,910,000
October 1, 2015	5.750	8,375,000

Commonwealth of Kentucky State Property and Buildings Commission Revenue and Revenue Refunding Bonds, Project No. 69, Series A.

Maturity	Coupon	Principal Amount
August 1, 2013	5.250%	$11,815,000
August 1, 2014	5.250	13,250,000
August 1, 2015	5.250	13,965,000
August 1, 2016	5.375	14,730,000

Commonwealth of Kentucky State Property and Buildings Commission Revenue and Revenue Refunding Bonds, Project No. 72.

Maturity	Coupon	Principal Amount
October 1, 2013	5.375%	$16,035,000
October 1, 2014	5.375	15,685,000
October 1, 2015	5.375	17,780,000
October 1, 2016	5.375	19,035,000
October 1, 2017	5.375	20,085,000
October 1, 2018	5.375	20,875,000
October 1, 2019	5.375	18,860,000

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

Maturity	Coupon	Principal Amount
February 1, 2014	5.375%	$9,990,000
February 1, 2015	5.375	10,960,000
February 1, 2016	4.850	405,000
February 1, 2016	5.375	11,435,000
February 1, 2017	4.900	1,815,000
February 1, 2017	5.375	10,660,000
February 1, 2018	5.375	12,165,000

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EXHIBIT C

BOOK ENTRY ONLY SYSTEM

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

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

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

NEITHER THE COMMISSION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A HOLDER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

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

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

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

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

EXHIBIT D

FORM OF BOND COUNSEL OPINION FOR THE BONDS

(Date of Delivery)

Commonwealth of Kentucky
State Property and Buildings Commission
Frankfort, Kentucky

Re: State Property and Buildings Commission of the Commonwealth of Kentucky $389,835,000 Revenue Refunding Bonds, Project No. 82

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 Refunding Bonds, Project No. 82 (the *"Bonds"*) in the aggregate principal amount of $389,835,000, issued for the purpose of providing funds (i) to refund certain outstanding bonds, and (ii) 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"*), and a resolution adopted by the Commission on January 14, 2004 (the *"Bond Resolution"*). The project to be refinanced with the proceeds of the Bonds (the *"Project"*) has been leased to the Cabinet, pursuant to the Lease dated as of February 1, 2004, by and between the Commission and the Cabinet (the *"Lease"*). A portion of the Project has been subleased by the Cabinet to the Kentucky Community and Technical College System (the *"Sublessee"*), pursuant to the Sublease dated as of February 1, 2004, between the Cabinet and the Sublessee (the *"Sublease"*).

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 April 1 and October 1 of each year, commencing on October 1, 2004, as follows:

DATE	PRINCIPAL AMOUNT	INTEREST RATE	DATE	PRINCIPAL AMOUNT	INTEREST RATE
October 1, 2005	$ 350,000	2.00%	October 1, 2012	$3,810,000	5.25%
October 1, 2006	2,215,000	2.00	October 1, 2013	715,000	3.40
October 1, 2007	2,180,000	2.00	October 1, 2013	57,315,000	5.25
October 1, 2007	1,230,000	5.00	October 1, 2014	1,435,000	3.50
October 1, 2008	1,050,000	2.20	October 1, 2014	58,560,000	5.25
October 1, 2008	11,010,000	5.00	October 1, 2015	275,000	3.75
October 1, 2009	2,325,000	2.40	October 1, 2015	72,300,000	5.25
October 1, 2009	770,000	5.00	October 1, 2016	685,000	3.75
October 1, 2010	1,630,000	2.70	October 1, 2016	64,735,000	5.25
October 1, 2010	1,590,000	5.00	October 1, 2017	52,410,000	5.25
October 1, 2011	850,000	3.00	October 1, 2018	1,105,000	4.00
October 1, 2011	1,265,000	5.00	October 1, 2018	19,820,000	5.25
October 1, 2012	1,185,000	3.25	October 1, 2019	29,020,000	5.25

The Bonds are not subject to redemption prior to maturity.

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) a certified copy of the Bond Resolution, (iii) an executed counterpart of the Lease, (iv) an executed counterpart of the Sublease, (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 constitutes the 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.

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 Lessee pursuant to the Lease and, in part, by the Sublessee under the Sublease, 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 Lessee, the Sublessee and others 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 the Sublessee with respect to certain material facts solely within the respective knowledge of the

Commission, the Cabinet and the Sublessee relating to the application of the Bonds and upon the report of Causey Demgen & Moore Inc., Denver, Colorado, with respect to (i) the suffficiency of certain United States government obligations purchased with the proceeds of the Bonds to pay the princpal 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,

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EXHIBIT E

FORM OF MUNICIPAL BOND INSURANCE POLICY

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EXHIBIT E

FORM OF MUNICIPAL BOND INSURANCE POLICY

FINANCIAL SECURITY ASSURANCE®

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

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

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

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

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

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

[Countersignature] FINANCIAL SECURITY ASSURANCE INC.

By ______________________ By ______________________
Authorized Officer

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

Form 500NY (5/90)

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