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

NEW ISSUE

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series A Bonds (including original issue discount treated as interest) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, except that such interest will be included in the "adjusted current earnings" of certain corporations for purposes of calculating alternative minimum taxable income. Interest on the Series B Bonds and the Series C Bonds is included in gross income for federal income tax purposes. Bond Counsel also is of the opinion that, under existing laws of the Commonwealth of Kentucky, interest on the Series A Bonds, Series B Bonds and Series C Bonds is excluded from the gross income of the recipients thereof for Kentucky income tax purposes and the Bonds are exempt from taxation or assessment of any type by the Commonwealth of Kentucky, its agencies and departments, and by all political subdivisions thereof. See "CERTAIN FEDERAL INCOME TAX CONSIDERATIONS" herein for a more complete description of the opinions of Bond Counsel and additional federal tax law consequences.

$401,345,000
COMMONWEALTH OF KENTUCKY
State Property and Buildings Commission
Revenue Bonds,
Project No. 96

$64,090,000 Series A
$14,170,000 Series B (Federally Taxable)
$323,085,000 Series C (Federally Taxable – Build America Bonds – Direct Payment to the Commission)

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

The Revenue Bonds, Project No. 96, Series A, Series B (Federally Taxable) and Series C (Federally Taxable – Build America Bonds – Direct Payment to the Commission) (collectively, the "Bonds") will be issued only as fully registered bonds, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest due on the Bonds will be made directly to DTC. The Series A Bonds will be issued in denominations of $5,000 or any integral multiple thereof. The Series B Bonds and the Series C Bonds will be issued in denominations of $1,000 or any integral multiple thereof. The Bonds will bear interest payable on each May 1 and November 1, commencing on May 1, 2010. Principal of, redemption premium, if any, and interest on the Bonds will be paid directly to DTC by U.S. Bank National Association, Louisville, Kentucky, as Trustee and Paying Agent.

The Bonds mature on the dates and in the principal amounts, bear annual interest and have the prices and/or yields as shown on the inside cover.

Certain of the Bonds are subject to redemption prior to maturity as described herein.

The Bonds are being issued by the State Property and Buildings Commission (the "Commission"), an independent agency of the Commonwealth of Kentucky (the "Commonwealth"), at the request of the Finance and Administration Cabinet of the Commonwealth (the "Cabinet") pursuant to a Resolution adopted October 19, 2009 to (i) finance the Project, including the payment of certain capitalized interest, 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 THE BIENNIALLY RENEWABLE LEASE AND SUBLEASES (ALL AS DESCRIBED AND DEFINED HEREIN), THE RENT FROM WHICH IS SUBJECT TO APPROPRIATION BY THE GENERAL ASSEMBLY OF THE COMMONWEALTH ON A BIENNIAL BASIS. THE BONDHOLDERS HAVE NO SECURITY INTEREST IN ANY PROPERTIES CONSTITUTING THE PROJECT OR ANY AMOUNTS DERIVED THEREFROM. 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 Kutak Rock LLP, Omaha, Nebraska, Bond Counsel. Certain legal matters will be passed on for the Underwriters by their counsel, Frost Brown Todd LLC, Louisville, Kentucky. It is expected that delivery of the Bonds will be made on or about November 17, 2009, in New York, New York, through the facilities of DTC, against payment therefor.

Morgan Stanley

Citi

J.J.B. Hilliard, W.L. Lyons, LLC	**Morgan Keegan & Co., Inc.**	**PNC Capital Markets LLC**
Edward D. Jones & Co., L.P.	**First Kentucky Securities Corp.**	**Stifel Nicolaus & Company, Incorporated**
Ross, Sinclaire & Associates, LLC	**Sterne, Agee & Leach, Inc.**	**Merrill Lynch & Co.**

Dated: October 28, 2009

$401,345,000
COMMONWEALTH OF KENTUCKY
State Property and Buildings Commission
Revenue Bonds,
Project No. 96

Dated Date: November 17, 2009 **Maturity:** As shown below
Delivery Date: November 17, 2009

$64,090,000 Series A

Maturity November 1	Principal Amount	Interest Rate	Price/Yield	CUSIP*	Maturity November 1	Principal Amount	Interest Rate	Price/Yield	CUSIP*
2012	$915,000	3.000%	1.600%	49151E3R2	2013	$8,795,000	5.000%	2.060%	49151E3Z4
2012	$3,865,000	4.000%	1.600%	49151E3U5	2014	$2,430,000	3.000%	2.530%	49151E3T8
2012	$10,495,000	5.000%	1.600%	49151E3Y7	2014	$2,200,000	4.000%	2.530%	49151E3W1
2013	$1,965,000	3.000%	2.060%	49151E3S0	2014	$12,090,000	5.000%	2.530%	49151E4A8
2013	$5,225,000	4.000%	2.060%	49151E3V3					

$4,460,000 4.250% Series A Term Bonds, maturing November 1, 2029, to yield 4.450%, CUSIP 49151E3X9.
$11,650,000 5.000% Series A Term Bonds, maturing November 1, 2029, to yield 4.450%, CUSIP 49151E4B6.

$14,170,000 Series B (Federally Taxable)

Maturity November 1	Principal Amount	Interest Rate	Price/Yield	CUSIP*
2010	$7,085,000	0.720%	100%	49151E4C4
2011	$7,085,000	1.627%	100%	49151E4D2

$323,085,000 Series C (Federally Taxable – Build America Bonds – Direct Payment to the Commission)

Maturity November 1	Principal Amount	Interest Rate	Price/Yield	CUSIP*
2015	$17,480,000	4.077%	100%	49151E4H3
2016	$17,990,000	4.440%	100%	49151E4J9
2017	$18,555,000	4.640%	100%	49151E4K6
2018	$18,960,000	4.961%	100%	49151E4E0
2019	$19,935,000	5.061%	100%	49151E4F7

$63,910,000 5.561% Series C Term Bonds, maturing November 1, 2022, price 100%, CUSIP 49151E4L4.
$166,255,000 6.155% Series C Term Bonds, maturing November 1, 2029, price 100%, CUSIP 49151E4G5.

* Copyright 2009, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a Division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed are being provided solely for the convenience of the bondholders only at the time of issuance of the Bonds and the Commission does not make any representations with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

COMMONWEALTH OF KENTUCKY
STATE PROPERTY AND BUILDINGS COMMISSION

MEMBERS

STEVEN L. BESHEAR
Governor
(Chairman of the Commission)

DANIEL MONGIARDO
Lieutenant Governor

JACK CONWAY
Attorney General

JONATHAN MILLER
Secretary
Finance and Administration Cabinet
(Executive Director of the Commission)

LARRY M. HAYES
Secretary
Cabinet for Economic Development

MARY E. LASSITER
State Budget Director

EDGAR C. ROSS
State Controller

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

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

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION OR AUTHORITY, NOR HAS SUCH FEDERAL OR ANY STATE 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.

CIRCULAR 230

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

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

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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 (i) $64,090,000 Revenue Bonds, Project No. 96, Series A (the "Series A Bonds"), (ii) $14,170,000 Revenue Bonds, Project No. 96, Series B (Federally Taxable) (the "Series B Bonds") and (iii) $323,085,000 Revenue Bonds, Project No. 96, Series C (Federally Taxable – Build America Bonds – Direct Payment to the Commission) (the "Series C Bonds") (collectively, the "Bonds").

Authority

The Bonds are being issued pursuant to the provisions of the Constitution and laws of the Commonwealth, including particularly Chapters 56 and 58 of the Kentucky Revised Statutes ("KRS") and a Bond Resolution (the "Resolution") adopted by the Commission on October 19, 2009 (i) authorizing the issuance of the Bonds and (ii) authorizing the Lease Agreement dated as of November 1, 2009 by and between the Commission and the Cabinet, which, together with the Prior Lease (as defined herein), as supplemented and amended, is hereinafter referred to as the "Lease".

Use of Proceeds

The Bonds are being issued to provide funds with which to (i) finance the Project, including the payment of certain capitalized interest, 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. See "SECURITY FOR THE BONDS" and "SUMMARIES OF THE PRINCIPAL DOCUMENTS - The Lease and the Subleases". The Bonds are not secured by a lien on any of the properties constituting the Project or any amounts derived therefrom.

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE COMMISSION. THE BONDS DO NOT CONSTITUTE A DEBT, LIABILITY, OR OBLIGATION OF THE COMMONWEALTH, OR A PLEDGE OF THE FULL FAITH AND CREDIT OR TAXING POWER OF THE COMMONWEALTH, BUT ARE PAYABLE SOLELY FROM AMOUNTS DEPOSITED IN CERTAIN FUNDS AND ACCOUNTS CREATED BY THE RESOLUTION AND FROM RENTAL INCOME DERIVED FROM A BIENNIALLY RENEWABLE LEASE AGREEMENT WITH THE CABINET AND TO THE CABINET BY CERTAIN STATE AGENCIES UNDER BIENNIALLY RENEWABLE SUBLEASES, THE RENTS FROM WHICH ARE 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.

Features of Bonds

The Series A Bonds will be issued in denominations of $5,000 or any integral multiple thereof, at the interest rates and yields set forth on the inside cover hereof. The Series B Bonds and the Series C Bonds will be issued in denominations of $1,000 or any integral multiple thereof, at the interest rates and yields set forth on the inside cover hereof. The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of, premium, if any, and interest due on the Bonds will be made directly to DTC.

The Bonds will bear interest payable on each May 1 and November 1, commencing on May 1, 2010. Principal of, premium, if any, and interest on the Bonds will be paid directly to DTC by U.S. Bank National Association, Louisville, Kentucky, as Trustee and Paying Agent (the "Trustee").

It is expected that delivery of the Bonds will be made on or about November 17, 2009, in New York, New York, against payment therefor.

Redemption

The Series A Bonds maturing on November 1 in the years 2012 through 2014 are not subject to optional redemption. The 4.25% Series A Term Bonds maturing on November 1, 2029 and the 5.00% Series A Term Bonds maturing on November 1, 2029 are subject to optional redemption at par on November 1, 2019 and on any Business Day thereafter. The Series B Bonds are not subject to optional redemption prior to their maturity. See "THE BONDS - Redemption Provisions – *Optional Redemption of Series A and Series B Bonds*."

The Series C Bonds maturing on November 1 in the years 2015 through 2019 are subject to optional redemption prior to maturity by written direction of the Commission on any Business Day, in whole or in part, and if in part in authorized denominations, at a redemption price equal to the Make-Whole Redemption Price (as defined herein). The Series C Term Bonds maturing on November 1, 2022 and November 1, 2029 are subject to optional redemption prior to maturity by written direction of the Commission on any Business Day, in whole or in part, and if in part in authorized denominations, at a redemption price equal to the Make-Whole Redemption Price. See "THE BONDS - Redemption Provisions – *Optional Redemption of Series C Bonds*."

The Series C Bonds are subject to redemption prior to maturity at the option of the Commission, in whole or in part upon the occurrence of an Extraordinary Event (as defined herein), at a the Extraordinary Redemption Price (as defined herein). See "THE BONDS - Redemption Provisions – *Extraordinary Optional Redemption of Series C Bonds*."

The 4.25% Series A Term Bonds maturing on November 1, 2029 and the 5.00% Series A Term Bonds maturing on November 1, 2029 are subject to mandatory sinking fund redemption, as set forth herein. See "THE BONDS - Redemption Provisions – *Mandatory Sinking Fund Redemption of Series A Term Bonds*."

The Series C Term Bonds maturing on November 1, 2022 and on November 1, 2029, are subject to mandatory sinking fund redemption, as set forth herein. See "THE BONDS - Redemption Provisions – *Mandatory Sinking Fund Redemption of Series C Term Bonds*."

Tax Status

Subject to compliance by the Commission, the Cabinet and others with certain covenants, in the opinion of Kutak Rock LLP, Omaha, Nebraska, Bond Counsel, under present law, interest on the Series A Bonds (including original issue discount treated as interest) is (i) excluded from gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, except that such interest will be included in the "adjusted current earnings" of certain corporations for purposes of calculating alternative minimum taxable income. Interest on the Series B Bonds and the Series C Bonds is included in gross income for federal income tax purposes. It is also the opinion of Bond Counsel, under the laws of the Commonwealth of Kentucky, as presently enacted and construed, that interest on the Series A Bonds, Series B Bonds and Series C Bonds is exempt from Kentucky income tax and the Bonds are exempt from taxation or assessment of any type by the Commonwealth of Kentucky, its agencies and departments, and by all political subdivisions thereof. See "CERTAIN FEDERAL INCOME TAX CONSIDERATIONS" herein and "EXHIBIT D – FORM OF BOND COUNSEL OPINION FOR THE

BONDS" for a more complete description of the opinions of Bond Counsel and additional federal tax law consequences.

Continuing Disclosure	The Bonds are subject to Rule 15c2-12 under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"). In general, Rule 15c2-12 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 Rule 15c2-12, if material. In order to enable the purchaser to comply with the provisions of Rule 15c2-12, the Commission will enter into a Continuing Disclosure Agreement with the Trustee. See "CONTINUING DISCLOSURE AGREEMENT" herein.
General	The Official Statement speaks only as of its date, and the information contained herein is subject to change. All summaries of documents and agreements in the Official Statement are qualified in their entirety by reference to such documents and agreements, copies of which are available from the Office of Financial Management.
Information	Information regarding the Bonds is available by contacting the Office of Financial Management, 702 Capitol Avenue, Suite 76, Frankfort, Kentucky 40601, (502) 564-2924; or, during the initial offering period, by contacting the representative of the Underwriters, Morgan Stanley, 1585 Broadway, New York, New York 10036, (212) 761-1284.

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OFFICIAL STATEMENT
Relating to

$401,345,000
COMMONWEALTH OF KENTUCKY
State Property and Buildings Commission
Revenue Bonds,
Project No. 96

$64,090,000 Series A
$14,170,000 Series B (Federally Taxable)
$323,085,000 Series C (Federally Taxable – Build America Bonds – Direct Payment to the Commission)

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 (i) $64,090,000 Revenue Bonds, Project No. 96, Series A (the "Series A Bonds"), (ii) $14,170,000 Revenue Bonds, Project No. 96, Series B (Federally Taxable) (the "Series B Bonds") and (iii) $323,085,000 Revenue Bonds, Project No. 96, Series C (Federally Taxable – Build America Bonds – Direct Payment to the Commission) (the "Series C Bonds") (collectively, the "Bonds"), issued at the request of the Finance and Administration Cabinet of the Commonwealth (the "Cabinet") to provide funds with which to (i) finance the Project (as described and defined herein under the caption "THE PROJECT"), including the payment of certain capitalized interest, as 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 adopted a Bond Resolution (the "Resolution") on October 19, 2009 authorizing the issuance of the Bonds and approving and affirming the Lease hereinafter described.

The Cabinet, as lessee, has entered into the Amended and Restated Financing/Lease Agreement dated as of January 1, 2006, the First Supplemental Financing/Lease Agreement dated as of July 1, 2006, the Second Supplemental Financing/Lease Agreement dated as of October 1, 2006, the Third Supplemental Financing/Lease Agreement dated as of November 1, 2007, the Fourth Supplemental Financing/Lease Agreement dated as of November 15, 2007 and the Fifth Supplemental Financing/Lease Agreement dated as of May 1, 2008, with the Commission and the Kentucky Asset/Liability Commission ("ALCo"), each as lessor (collectively, as from time to time supplemented and amended, the "Prior Lease"), and the Lease Agreement dated as of November 1, 2009, with the Commission as lessor (the "Project 96 Lease") (the Prior Lease and the Project 96 Lease, collectively, the "Lease"). Payments made pursuant to the Lease will provide the Commission with amounts to pay the principal of and interest on the Bonds as they become due. The current term of the Lease ends June 30, 2010, and the Lease renews automatically (unless terminated in writing by the last business day of the preceding May by the Cabinet) for successive biennial periods to and including the biennial period which includes the final maturity of the Bonds. The Lease requires the Cabinet, for each biennial period during which Bonds are outstanding, to seek legislative appropriations to the Cabinet in amounts which are sufficient to permit the Cabinet to make rental payments to the Commission in amounts sufficient to pay principal of and interest on the Bonds.

The Kentucky General Assembly has appropriated to the Cabinet and the Sublessees (as defined below) amounts sufficient to meet the rental payments under the Lease and the hereinafter described Subleases, and therefore to permit the Commission to meet the debt service requirements of the Bonds, through June 30, 2010.

Portions of the Project will be used by various state agencies described under "THE STATE AGENCIES" (collectively, the "Sublessees"). In order to comply with the Commonwealth's budget process, the Cabinet has subleased portions of the Project to the Sublessees under the Subleases executed and delivered under the Prior Lease, the Subleases dated as of February 1, 2009 and the Subleases dated as of July 1, 2009, each as amended to date (collectively, the "Subleases"). The current term of each Sublease ends June 30, 2010, and the Subleases renew automatically (unless terminated in writing by the last business day in the preceding April by the applicable Sublessee) for successive biennial periods to and including the biennial period which includes the final maturity of the Bonds. Each Sublease requires the applicable Sublessee, for each biennial period of its Sublease, beginning with the first July 1 occurring after the date of its Sublease, to seek to have legislative appropriations made to the Sublessee in amounts sufficient to permit the Sublessee to make rental payments to the Cabinet. Under the Commonwealth's current budget process, appropriations to make payments under the Subleases which are included in the current budget will be made directly to the Cabinet in future biennial periods. If this process is continued, amounts sufficient to pay principal of and interest on all the Bonds will be appropriated to the Cabinet and the Subleases will terminate.

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

Brief descriptions of the Commonwealth, the Commission, the Resolution, the Bonds, the Lease, the Subleases, the Project, the Cabinet and the state agencies are included in this Official Statement. Capitalized terms not otherwise defined herein have the meanings assigned to them in the Resolution. All summaries of documents and agreements in this Official Statement are qualified in their entirety by reference to such documents and agreements, copies of which are available at the Office of Financial Management, 702 Capitol Avenue, Suite 76, Frankfort, Kentucky 40601, (502) 564-2924.

THE BONDS

General

The Bonds are issuable only as fully registered Bonds. The Series A Bonds will be issued in denominations of $5,000 or any integral multiple thereof and will be dated the date of their delivery. The Series B Bonds and the Series C Bonds will be issued in denominations of $1,000 or any integral multiple thereof and will be dated the date of their delivery. The Bonds will bear interest payable on each May 1 and November 1, commencing May 1, 2010, at the interest rates set forth on the inside cover of this Official Statement. U.S. Bank National Association, Louisville, Kentucky, is the trustee for the Bonds (the "Trustee").

Build America Bonds

The America Recovery and Reinvestment Act of 2009 (the "Act") authorizes the Commission to issue taxable bonds known as "Build America Bonds" to finance capital expenditures for which it could issue tax-exempt bonds and to elect to receive a subsidy payment (a "Subsidy Payment") from the federal government equal to the amount of 35% of each interest payment on such taxable bonds. The Commission has determined to issue all of the Series C Bonds as Build America Bonds. The Subsidy Payments will be paid to the Commission or to the Trustee on the Commission's behalf; no holders of Series C Bonds will be entitled to a tax credit and interest paid to holders of Series C Bonds will be subject to federal income tax but will be exempt from Kentucky income tax. See "CERTAIN FEDERAL INCOME TAX CONSEQUENCES" herein. The Subsidy Payments have not been pledged to the payment of the Bonds. To the extent such Subsidy Payments are paid by the federal government to the Commission, such amounts would be part of the Commission's general revenues. The Subsidy Payments are not full faith and credit obligations of the United States.

Book-Entry-Only System

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

Redemption Provisions

Optional Redemption of Series A and Series B Bonds. The Series A Bonds maturing on November 1 in the years 2012 through 2014 are not subject to optional redemption. The 4.25% Series A Term Bonds maturing on November 1, 2029 and the 5.00% Series A Term Bonds maturing on November 1, 2029 are subject to optional redemption at par on November 1, 2019 and on any Business Day thereafter.

The Series B Bonds are not subject to optional redemption prior to their maturity.

Optional Redemption of Series C Bonds. The Series C Bonds maturing on November 1 in the years 2015 through 2019 are subject to optional redemption prior to maturity by written direction of the Commission on any Business Day, in whole or in part, and if in part in authorized denominations, at a redemption price equal to the Make-Whole Redemption Price. The "Make-Whole Redemption Price" for the Series C Bonds maturing on November 1 in the years 2015 through 2019 is the greater of (i) 100% of the principal amount of such Series C Bonds to be redeemed or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series C Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series C Bonds are to be redeemed, discounted to the date on which such Series C Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus 25 basis points, plus, in each case, accrued and unpaid interest on the Series C Bonds to be redeemed on the redemption date.

The Series C Term Bonds maturing on November 1, 2022 and November 1, 2029 are subject to optional redemption prior to maturity by written direction of the Commission on any Business Day, in whole or in part, and if in part in authorized denominations, at a redemption price equal to the Make-Whole Redemption Price. The "Make-Whole Redemption Price" for the Series C Bonds maturing on November 1, 2022 and November 1, 2029 is the greater of (i) 100% of the principal amount of such Series C Bonds to be redeemed or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series C Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series C Bonds are to be redeemed, discounted to the date on which such Series C Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus 30 basis points, plus, in each case, accrued and unpaid interest on the Series C Bonds to be redeemed on the redemption date.

The "Treasury Rate" is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series C Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. For purposes of this calculation, a "Business Day" means any day other than (A) a Saturday or Sunday or legal holiday or a day on which banking institutions in the city in which the designated corporate trust office of the Trustee is located are authorized by law or executive order to close or (B) a day on which the New York Stock Exchange is closed.

The redemption price for the Series C Bonds will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the Commission at the Commission's expense to calculate such redemption price (the "Calculation Agent"). The determination by the Calculation Agent of the redemption price shall be conclusive and binding on the Trustee, the Commission and the Owners of the Series C Bonds.

Extraordinary Optional Redemption of Series C Bonds. The Series C Bonds are subject to redemption prior to maturity at the option of the Commission, in whole or in part upon the occurrence of an Extraordinary Event (as defined below), at a redemption price (the "Extraordinary Redemption Price") equal to the greater of:

(1) the principal amount of the Series C Bonds to be redeemed, less any original issue discount and plus any original issue premium related to such Series C Bonds; or

(2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series C Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series C Bonds are to be redeemed, discounted to the date on which such Series C Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (described above) plus 100 basis points;

plus, in each case, accrued interest on such Series C Bonds to be redeemed to the redemption date.

An "Extraordinary Event" will have occurred if Section 54AA or 6431 of the Internal Revenue Code of 1986, as amended (the "Code") (as such Sections were added by Section 1531 of the Recovery Act, pertaining to "Build America Bonds") is modified, amended or interpreted in a manner pursuant to which the Commission's 35% cash subsidy payment from the United States Treasury is reduced or eliminated.

Mandatory Sinking Fund Redemption of Series A Term Bonds. The 4.25% Series A Term Bonds maturing on November 1, 2029, are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof being redeemed, plus interest accrued to the date fixed for redemption, on November 1 of the years and in the principal amounts, as follows:

Year	Principal Amount
2025	$815,000
2026	855,000
2027	890,000
2028	930,000
2029	970,000

The 5.00% Series A Term Bonds maturing on November 1, 2029, are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof being redeemed, plus interest accrued to the date fixed for redemption, on November 1 of the years and in the principal amounts, as follows:

Year	Principal Amount
2025	$2,100,000
2026	2,210,000
2027	2,325,000
2028	2,445,000
2029	2,570,000

Mandatory Sinking Fund Redemption of Series C Term Bonds.

The Series C Term Bonds maturing on November 1, 2022, are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof being redeemed, plus interest accrued to the date fixed for redemption, on November 1 of the years and in the principal amounts, as follows:

Year	Principal Amount
2020	$20,525,000
2021	21,295,000
2022	22,090,000

The Series C Term Bonds maturing on November 1, 2029, are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof being redeemed, plus interest accrued to the date fixed for redemption, on November 1 of the years and in the principal amounts, as follows:

Year	Principal Amount
2023	$22,980,000
2024	23,930,000
2025	21,985,000
2026	22,885,000
2027	23,830,000
2028	24,810,000
2029	25,835,000

Selection of Bonds for Redemption; Notice of Redemption.

The Commission has directed the Trustee to notify DTC that in the event less than all of any Series C Bonds are to be redeemed, any such redemption shall be on a pro rata basis in a principal amount equal to authorized denominations of $1,000 or any integral multiple thereof. The Commission and the Trustee are not making any representation relating to, and do not have any responsibility or obligation with respect to, whether DTC will follow the direction to redeem Bonds of a series on a pro rata basis in the event of a partial redemption as described above.

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

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

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

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

SECURITY FOR THE BONDS

The Bonds are not secured by a lien on any properties constituting the Project or any amounts derived therefrom. The principal and interest and premium, if any, on the Bonds are payable solely from the Bond Fund (hereinafter defined) and from the rental payments of the Cabinet and the Sublessees under the Lease and the Subleases, respectively. See "SUMMARIES OF THE PRINCIPAL DOCUMENTS" herein.

The Kentucky General Assembly has appropriated to the Cabinet and the Sublessees amounts sufficient to meet the rental payments under the Lease (and each Sublease), and therefore to permit the Commission to meet the debt service requirements of the Bonds through June 30, 2010.

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

The proceeds of the Bonds, except for amounts used for issuance costs, will be deposited in various accounts of the Construction Fund established by the Commonwealth and will be used to fund the Project. See "THE PROJECT" herein and EXHIBIT B for information regarding the Project.

As of November 1, 2009, the Commission will have outstanding bonds in the aggregate principal amount of $3,427,905,000. Upon the issuance of the Bonds, the Commission will have a total of $3,829,250,000 aggregate principal amount of bonds outstanding.

PLAN OF FINANCE

The proceeds of the Bonds will be used by the Commission and the Cabinet to (i) pay costs of financing the Project, including the payment of certain capitalized interest, and (ii) pay costs of issuing the Bonds. See "SOURCES AND USES OF FUNDS FOR THE BONDS" and "SUMMARIES OF THE PRINCIPAL DOCUMENTS" herein.

The Project financed with the proceeds of the Bonds consists of the different project components identified in EXHIBIT B (the "Project"). The Cabinet and the Sublessees will lease and sublease the Project from the Commission under the Lease and Subleases. For further information on the Sublessees and the state agencies benefiting from the Project, see "THE STATE AGENCIES" herein.

SOURCES AND USES OF FUNDS FOR THE BONDS

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

SOURCES OF FUNDS:	
Par Amount of Bonds	$401,345,000.00
Net Original Issue Premium	4,737,881.85
TOTAL SOURCES	$406,082,881.85
USES OF FUNDS:	
Deposit to Project Fund	$364,000,000.00
Capitalized Interest	39,397,327.87
Costs of Issuance	2,685,553.98
TOTAL USES	$406,082,881.85

Includes Underwriters' discount, legal fees, printing, and miscellaneous costs.

THE PROJECT

The Project financed with the proceeds of the Bonds consists of the different project components identified in EXHIBIT B – "THE PROJECT." The Cabinet and the Sublessees will lease and sublease the Project from the Commission under the Lease and Subleases. For further information on the Sublessees and the state agencies benefiting from the Project, see "THE STATE AGENCIES" herein.

THE STATE PROPERTY AND BUILDINGS COMMISSION

General

The Commission is composed of the Governor (who is the Chairman of the Commission), the Lieutenant Governor, the Attorney General, the Secretary of the Finance and Administration Cabinet (who is the Executive Director of the Commission), the Secretary of the Cabinet for Economic Development, the State Budget Director and the State Controller. The Office of Financial Management ("OFM") in the Finance and Administration Cabinet serves as staff to the Commission, and the Executive Director of the OFM serves as Secretary to the Commission. The Commission is an independent agency of the Commonwealth, created by KRS 56.450, with power, subject to approval by and in cooperation with 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 and revenue refunding bonds in the Commission's name in accordance with the provisions of KRS Chapters 56 and 58, secured by and payable solely from all or any part of the revenues derived from the leasing of the project financed to such state agency. The Commission is authorized to execute lease agreements with those state agencies requesting the Commission to issue revenue bonds, which leases provide for the payment of lease rentals to the Commission in order to make principal and interest payments on the revenue bonds issued in the name of the Commission. The Cabinet has applied to the Commission to issue the Bonds secured by revenues from the Lease.

Future Financings

The 2005 General Assembly enacted a State Budget for the biennium ending June 30, 2006, which authorized $2.056 billion of bond funded capital projects. The General Fund authorization was $1,204 million; the Road Fund authorization was $450 million; Agency Restricted Funds were authorized at $251.7 million; and $150 million was authorized to be supported by the Federal Highway Trust Funds. The Road Fund and Federal

Highway Trust Fund authorizations have been issued. Bonds have been issued to permanently finance the Agency Fund projects and a significant portion of the General Fund projects have been permanently funded.

The 2006 General Assembly adopted a State Budget for the biennium ending June 30, 2008, which authorized an additional $2.3 billion of capital projects to be funded with debt. The General Fund authorization is $1,392.9 million; the Agency Restricted Fund authorizations total $267.5 million; while the Road Fund and Federal Highway Trust Fund authorizations are $350 million and $290 million, respectively. Bonds have been issued to permanently finance the Federal Highway Trust Fund, Agency Restricted Fund and Road Fund authorizations as well as a significant portion of the General Fund authorization.

The 2007 second Special Session of the General Assembly adopted House Bill 1 authorizing $100 million of General Fund supported debt for an energy projects economic development bond pool.

The 2008 General Assembly adopted a State Budget for the biennium ending June 30, 2010, which authorized debt financing for projects totaling $1.659 billion to support various capital initiatives of the Commonwealth. Of the total authorization, $650.3 million is General Fund supported, $643.2 million is Agency Restricted Fund supported, $135 million is Road Fund supported and $231 million is Federal Highway Trust Fund supported through Grant Anticipation Revenue Vehicle Bonds designated for the Louisville-Southern Indiana Ohio River Bridges Project. This authorization is in addition to the authority to issue refunding bonds to refund outstanding issues. The budget also included $50 million of debt restructuring for fiscal relief in each of Fiscal Years 2009 and 2010. A portion of the General Fund, Road Fund and Agency Fund projects has been permanently funded, and the Fiscal Year 2009 and Fiscal Year 2010 debt restructuring has been completed.

The 2009 General Assembly adopted House Bill 536 authorizing $400 million of Road Fund supported debt for a variety of road projects.

The 2009 Special Session of the General Assembly adopted House Bill 4 (Budget Reduction Plan) authorizing $100 million of Agency Fund supported debt for the University of Kentucky for Phase III of its Patient Care Facility.

A portion of the General Fund projects from each of the above authorizations will be financed with the proceeds of the Bonds and the timing of the issuance of bonds or notes for the remaining balance of the projects is uncertain.

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

THE FINANCE AND ADMINISTRATION CABINET

General. 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. 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) 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) 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.

Department of Facilities and Support Services. The Department of Facilities and Support Services is responsible for the Commonwealth's capital construction program; real property acquisition, disposition and leasing services; the daily operation and maintenance of state-owned office properties and surplus property services.

Department of Revenue. The Department of Revenue is responsible for the administration and enforcement of all state revenue laws and for the assessment and collection of state taxes. The Department of Revenue bills and collects the tax revenue necessary to support the state services provided by the Commonwealth.

Commonwealth Office of Technology ("COT") The Commonwealth Office of Technology is headed by the Commonwealth's Chief Information Officer (and Commissioner of Technology). The agency carries out the functions necessary for the efficient, effective and economical administration of information technology and resources within the Executive Branch. These duties include overseeing shared Information Technology ("IT") infrastructure resources and services; developing and implementing statewide IT applications; establishing IT policy and standards, strategic and tactical IT planning, assessing; recommending and implementing IT governance and organization design; and establishing partnerships and alliances for effective implementation of IT projects.

THE STATE AGENCIES

Cabinet for Economic Development

The Cabinet for Economic Development is the primary state agency in Kentucky responsible for creating new jobs and investment in the state. Programs administered by the Cabinet are designed to support and promote economic development within the state, primarily by attracting new industries to the state, assisting in the development of existing industries, and assisting communities in preparing for economic development opportunities. By statute, the Cabinet is governed by the Kentucky Economic Development Partnership (or the Partnership Board). The Partnership Board is responsible for directing and overseeing the Cabinet and adopting a Strategic Plan. The Kentucky Economic Development Finance Authority ("KEDFA") is a statutorily created committee under the authority of the Partnership Board. KEDFA is responsible for awarding most of the financial incentives offered by the Cabinet.

Governor's Office of Agricultural Policy

The Governor's Office of Agricultural Policy is dedicated to developing and implementing agricultural development policies, as well as national agricultural policy, that will result in a better future for the Commonwealth. The Office administers the Governor's Commission on Family Farms, the Kentucky Agricultural Resource Development Authority, the Kentucky Agricultural Development Board, the Kentucky Tobacco Settlement Trust Corporation, and the Kentucky Aquaculture Infrastructure Development Fund.

Department for Local Government

The Department for Local Government ("DLG") (*formerly known as the Governor's Office for Local Development*) provides financial help in the way of grant and loan assistance, as well as advising local governments in matters of budget, personnel and other items relevant to those entities. The mission of DLG is to empower partners with effective advocacy, information and funding resources. DLG includes six divisions: Office of Financial Management and Administration, Office of Federal Grants, Office of State Grants, Office of Legal Services, Office of Field Services and the Kentucky Infrastructure Authority. DLG also partners with the state's fifteen Area Development Districts in serving the local governments of Kentucky.

Kentucky Infrastructure Authority ("KIA") was created to provide a mechanism for funding infrastructure projects for governmental agencies in the Commonwealth. Through the various programs currently offered, KIA has become a supplement for local financing needs. KIA administers the Infrastructure for Economic Development Funds Bond Pool projects. KIA also administers the Water and Sewer Resources Development Funds Bond Pool Projects which were financed by the SPBC Project No. 79, in addition to the following four programs:

The Clean Water State Revolving Fund Loan Program ("Fund A") is used to finance local wastewater treatment facilities and nonpoint source projects that qualify under the U.S. Environmental Protection Agency requirements of the Clean Water Act. The state match for Fund A projects is funded through bonds supported by General Fund appropriations.

The Infrastructure Revolving Loan Program ("Fund B") provides funding for utilities and other public services projects. Fund B also includes the 2020 Water Service Account which is used to fund drinking water projects and improvements to drinking water systems. General Fund appropriations are the source of payment for Fund B bonds.

The Governmental Agencies Program ("Fund C") is a pooled loan program that seeks to provide local governmental agencies access to funding at better terms than could be obtained on an individual basis. Financing for approved projects is provided through the issuance of Fund C bonds secured by local governmental agency receipts.

The Drinking Water State Revolving Fund Loan Program ("Fund F") program is used to finance local drinking water treatment facilities that qualify under the U.S. Environmental Protection Agency requirements of the Safe Drinking Water Act. The state match for Fund F projects is funded through bonds by General Fund appropriations.

Cabinet for Health and Family Services

The Cabinet for Health and Family Services is composed of eleven main agencies directed toward the goal of fostering a coordinated approach to health care issues in Kentucky. The eleven program agencies are as follows: Department for Aging and Independent Living, Commission for Children with Special Health Care Needs, Department for Community Based Services, Department for Family Resource Centers and Volunteer Services, Office of Health Policy, Department for Income Support, Department for Medicaid Services, Department for Mental Health, Development Disabilities and Addiction Services (formerly known as the Department of Mental Health and Mental Retardation), Department for Public Health, the Office of the Inspector General, and the Office of Administrative and Technology Services.

Department for Community Based Services ("DCBS"). DCBS's services are administered through a network of nine service regions and offices in each of Kentucky's 120 counties. In addition, DCBS utilizes a network of contract officials to deliver services, such as child care. The provision of services is enhanced through a close relationship and coordination with local community partners. DCBS provides family support; child care; child and adult protection; eligibility determinations for Medicaid and food stamps; and energy assistance to low-income households. The Department administers the state foster care and adoption systems and recruits and trains parents to care for the state's children who are waiting for a permanent home.

Department for Public Health. The Department is the sole organizational unit of Kentucky's state government responsible for developing and operating all public health programs and activities for the citizens of Kentucky. These activities include health service programs for the prevention, detection, care, and treatment of physical disability, illness and disease.

Department of Mental Health, Departmental Disabilities, and Addiction Services (formerly known as the Department for Mental Health and Mental Retardation). The Department's purpose is to provide leadership, in partnership with others, to prevent disability, build resilience in individuals and their communities, and facilitate recovery for people whose lives have been affected by mental illness, mental retardation or other developmental disability, substance abuse or an acquired brain injury.

Justice and Public Safety Cabinet

With close to 8,000 employees, the Kentucky Justice and Public Safety Cabinet ("JPSC") is the second largest agency in state government. It is the state entity responsible for criminal justice services, which encompasses law enforcement activities and training; prevention, education and treatment of substance abuse; juvenile treatment and detention; adult incarceration; autopsies, death certifications and toxicology analyses; special investigations; paroling of eligible convicted felons; and long range planning and recommendations on statewide criminal justice reform issues. JPSC's vision is to continuously improve public safety and the quality of life.

Department of Corrections. Corrections' mission is to protect the citizens of the Commonwealth and to provide a safe, secure and humane environment for staff and offenders in carrying out the mandates of the legislative and judicial processes; and to provide opportunities for offenders to acquire skills which facilitate non-criminal behavior.

Kentucky State Police. Since being established in 1948 by act of the Legislature of the Commonwealth of Kentucky, the Kentucky State Police has defined itself as a professional and efficient law enforcement agency dedicated to preserving law and order for the protection of Kentucky's citizens.

Personnel Cabinet

The Personnel Cabinet provides leadership and guidance to attract, develop, motivate and retain a talented, diverse workforce; foster an understanding of and adherence to regulatory requirements; and create a positive, supportive work environment that values all employees. The Cabinet strives to be regarded by the state's employees and stakeholders as a trusted and valuable resource for innovative, accessible and responsive human resource services.

Council on Postsecondary Education

The Council on Postsecondary Education ("CPE"), created and governed by the provisions of KRS 164.011, is an agency, instrumentality and political subdivision of the Commonwealth. It is composed of the Commissioner of Education, a faculty member, a student member and 13 citizen members appointed by the Governor. Its work involves coordinating the change and improvement of Kentucky postsecondary education. It is responsible for general planning and oversight of a system that includes the eight public universities of the Commonwealth and the Kentucky Community and Technical College System ("KCTCS"). CPE's role includes developing a strategic plan, measures of efficiency, educational attainment, and effectiveness, approving all educational programs, monitoring tuition and admission rates, and housing a database of information. Information on each of the individual institutions can be found at http://cpe.ky.gov/institutions.

Education and Workforce Development Cabinet

General. The Kentucky Education and Workforce Development Cabinet provides life-long educational and workforce services through seamless, efficient and accessible learning opportunities for all Kentucky's citizens, from pre-school to senior citizens.

Department of Education. The Kentucky Department of Education (the "Department") provides services and resources to Kentucky's public school system, grades preschool through 12. The Department's responsibilities include data reporting, assistance to local school districts, assessment and accountability for school improvement, and implementation of state and federal education legislation. Some of the Department's activities include: administering the statewide assessment and accountability system; providing technical assistance to schools and districts in the areas of finance, management and curriculum; providing support and information to the Kentucky Board of Education as it promulgates state education regulations; overseeing the state's education technology system; and monitoring school and district compliance with state and federal laws.

Kentucky Educational Television ("KET"). KET's mission is to make Kentucky a better place and strengthen its communities by educating, inspiring, and connecting its citizens through communication and technology. It is Kentucky's public television network, but their vision goes beyond the television or computer screen. They promote learning, the arts and culture, and citizenship, working each day to use television and related media for the benefit of everyone in Kentucky.

Department of Veterans' Affairs

The Department of Veterans' Affairs ("KDVA") mission is to ensure Kentucky's 357,000 veterans and their families receive all the benefits and services they have earned. KDVA provides benefits counseling, skilled nursing care at state veterans' centers, dignified interment at state veterans' cemeteries, and special programs for women veterans, homeless veterans and others.

Tourism, Arts and Heritage Cabinet

The Tourism, Arts and Heritage Cabinet combines Kentucky's assets in parks, tourism, cultural heritage, outdoor attractions and arts to effectively promote and market these assets. The Cabinet is comprised of the Kentucky Department of Travel, Kentucky Department of Parks, Kentucky Department of Fish and Wildlife Resources, Kentucky Historical Society, Kentucky Humanities Council, Kentucky State Fair Board, Kentucky Sports Authority, Kentucky Heritage Council, Kentucky Center for the Performing Arts, Frankfort Convention Complex, Governor's School for the Arts, Kentucky Artisans Center in Berea, Kentucky Arts Council, Kentucky Horse Park Commission and the Office of Creative Services.

Kentucky Department of Parks. The Department of Parks was created in 1924 by the General Assembly and has grown to include 49 parks and historic sites and one interstate park. The parks have facilities for meetings and conferences with fine accommodations and camping, golf, and education. The Department of Parks maintains 32 campgrounds, 260 miles of trails and offers seventeen state resort parks, more than any other state. The Kentucky State Parks also operate three airfields at Rough River, Lake Barkley and Kentucky Dam Village and oversees three cafeterias in Frankfort. Nearly 8 million people visit Kentucky State Parks each year.

Kentucky State Fair Board. The State Fair Board was created in 1938 by the General Assembly and is comprised of governor appointments, elected members of university administrations and pertinent associations. Since 1950, when the Fair Board began construction of the Kentucky Exposition Center, the Kentucky State Fair Board has been at the forefront of Kentucky tourism development. The State Fair Board now operates two of the largest facilities in the state - the Kentucky Exposition Center and the Kentucky International Convention Center - in addition to producing three signature events annually - the Kentucky State Fair, National Farm Machinery Show and North American International Livestock Exposition.

The Kentucky Center for the Performing Arts. The mission of The Kentucky Center for the Performing Arts is to provide artistically diverse performances of the highest quality. The Center serves Kentucky through education and initiatives which expand and diversify audiences while enhancing their understanding, appreciation and support for the arts. The Center strives to challenge, stimulate, and entertain while operating in a fiscally responsible manner and acting as an economic and cultural catalyst for the Commonwealth.

Kentucky Horse Park Commission. The Kentucky Horse Park Commission has seventeen members who provide broad management expertise and direction in the operation of the Kentucky Horse Park and represent the diverse interest of the Kentucky horse industry. The Kentucky Horse Park is located in Lexington, Kentucky, the heart of the Bluegrass. It is a working horse farm with 1,224 acres surrounded by 34 miles of white plank fencing with 110 structures and 260 campsites. The park features two outstanding museums, twin theaters and nearly 50 different breeds of horses. It is also the site for the 2010 World Equestrian Games, which will be the first time the Games have been held outside of Europe.

Energy and Environment Cabinet

The Energy and Environment Cabinet is responsible for the oversight of addressing the energy needs of citizens. Whether from our historic coal operations and seeking ways in which to mine and deliver that mineral more safely and cleanly, or developing stringent regulations that make certain Kentucky's natural beauty is not harmed. There are three departments within the Cabinet: the Department for Environmental Protection, Department for Natural Resources, and Department for Energy Development and Independence.

The Petroleum Storage Tank Environmental Assurance Fund. The Petroleum Storage Tank Environmental Assurance Fund is managed by the Kentucky Underground Storage Tank Branch (USTB). The USTB is a state agency operating under the umbrella of the Division of Waste Management of the Department for Environmental Protection. The agency's mission is to provide for the prevention, abatement and control of contaminants from regulated underground storage tanks (USTs) that may threaten human health, safety and the environment. The USTB regulates the registration, compliance, closure, inspections and corrective actions of UST systems.

Kentucky Heritage Land Conservation Fund. The Kentucky Heritage Land Conservation Fund established in 1994 provides funding for preserving and conserving natural areas that possess unique features such as areas which are a habitat for rare and endangered species, important to migratory birds, perform important natural functions subject to alteration or loss, and preserved in their natural state for public use, outdoor recreation and education. The Heritage Land Conservation Fund Board gives special consideration to funding agencies working together to meet these goals. Revenue for the Fund comes from the Nature License Plate, the state portion of the unmined minerals tax, and environmental fines. The Environmental Education Council receives $150,000 of environmental fines each year for environmental education programs.

Kentucky Department of Agriculture

The Kentucky Department of Agriculture is a consumer protection and service agency. Under the Commissioner of Agriculture there are six main offices, the Division of Public Relations, Office of Agricultural Marketing and Product Promotion, Office of the Chief Executive Officer, Office for Consumer and Environmental Protection, Office of State Veterinarian and Office for Strategic Planning and Administration and the agricultural boards.

Kentucky River Authority

The Kentucky River Authority (the "Authority") was first established by the Kentucky General Assembly in 1986 to take over operation of the Kentucky River Locks and Dams 5 through 14 from the United States Corps of Engineers. Following the drought of 1988, the Authority was given a mission to protect and improve the waters of the Kentucky River through environmental management of the entire watershed.

The Authority is charged with developing comprehensive plans for the management of the Kentucky River Basin, including long range water supply, drought response and ground water protection plans. It is also charged to adopt regulations to improve and coordinate water resource activities within the basin among state agencies. It is also charged to develop recreational areas within the basin.

The Authority is responsible for maintaining the 14 lock and dam structures on the Kentucky River. These structures were constructed by the United States Army Corps of Engineers for navigation purposes but are now only used for recreational boating and water supply.

The Authority is supported by water-user fees collected from facilities which withdraw water from the basin. Exemptions are given to facilities using water for agricultural purposes. These fees are then passed on to the citizens in the basin who purchase water or the product manufactured by use of the water resources.

In October 2008, the Commission issued $15,720,000 Agency Fund Revenue Bonds, Project No. 91, on behalf of the Authority, to provide permanent financing for the construction of the Authority's Dam 9 Project near Lexington, Kentucky.

Transportation Cabinet

The Kentucky Transportation Cabinet is an agency in the Executive Branch responsible for overseeing the development and maintenance of a safe, efficient multi-modal transportation system throughout the Commonwealth. The Cabinet manages more than 27,000 miles of highways, including roughly 20,500 miles of secondary roads, 3,600 miles of primary roads, and more than 1,400 interstate and parkway miles. The Cabinet also provides direction for 230 licensed airports and heliports and oversees all motor vehicle and driver's licensure for more than three million drivers in the Commonwealth. The central mission of the Transportation Cabinet is to provide a safe, efficient, environmentally sound, and fiscally responsible transportation system that delivers economic opportunity and enhances the quality of life 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.

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 NRMSIR and the Commonwealth

The Kentucky Comprehensive Annual Financial Report for Fiscal Year 2008 is incorporated herein by reference. The Commonwealth has filed *The Kentucky Comprehensive Annual Financial Report* for Fiscal Year 2008 with the following Nationally Recognized Municipal Securities Information Repository ("NRMSIR") in accordance with Rule 15c2-12 under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"):

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

A copy of *The Kentucky Comprehensive Annual Financial Report* for Fiscal Year 2008 may be obtained from EMMA or from the Office of Financial Management, 702 Capitol Avenue, Suite 76, Frankfort, Kentucky 40601, (502) 564-2924. Additionally, *The Kentucky Comprehensive Annual Financial Report* for Fiscal Year 2008 and certain other fiscal years may be found on the Internet at:

http://finance.ky.gov/ourcabinet/caboff/OOC/ofm/debt/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 (as hereinafter defined) 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 NRMSIR as required under Rule 15c2-12.

Budgetary Process in the Commonwealth

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

In the two even numbered years prior to 2006, the regular legislative session of the General Assembly adjourned without adoption of a State Budget. On both occasions, the Governor signed Executive Orders authorizing the Secretary of the Finance and Administration Cabinet to issue warrants for the payment of all claims made by the Executive Branch of government in accordance with a Public Services Continuation Plan providing for the continued operation of state government in the absence of a legislatively adopted State Budget (the "Continuation Plan"). The Continuation Plans provided full spending authority for the total debt service payments. In both cases, the Kentucky General Assembly enacted a State Budget in November of the following odd numbered year, which incorporated the Continuation Plans and appropriated funds for the remainder of the biennium.

Fiscal Year 2007

The Commonwealth's combined net assets (governmental and business-type activities) totaled $17.4 billion at the end of 2007, as compared to $17.9 billion at the end of the previous year.

The largest portion of the Commonwealth's net assets, $18.2 billion, is invested in capital assets (e.g. land, infrastructures, buildings and improvements and machinery and equipment), and minus any related debt, which is still outstanding and used to acquire those assets. The Commonwealth uses these capital assets to provide services to its citizens; therefore, these assets are not available for future spending.

The second largest portion of the Commonwealth's net assets, totaling $1.6 billion, is restricted and represents resources that are subject to either external restrictions or legislative restrictions on how they may be used. The remaining balance is unrestricted net assets. The unrestricted net assets, if they have a positive value, could be used at the Commonwealth's discretion. However, the unrestricted balance is a negative $2.4 billion; therefore funds are not available for discretionary purposes. A contributing factor to the negative balance is that liabilities are recognized on the government-wide statement of net 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 $9.5 billion and general revenues (including transfers) of $10.2 billion for total revenues of $19.7 billion during Fiscal Year 2007. Expenses for the Commonwealth during Fiscal Year 2007 were $20.2 billion, which resulted in a total decrease of the Commonwealth's net assets in the amount of $(507) million, net of contributions, transfers and special items.

The slowing economy, during Fiscal Year 2007, caused revenues to decline resulting in the decrease in net assets of governmental activities by $(466) million or 2.6 percent. Approximately 56 percent of the governmental activities' total revenue came from taxes, while 34 percent resulted from grants and contributions (including federal aid). Overall, program revenues were insufficient to cover program expenses for governmental activities. Therefore, the net program expenses of these governmental activities were supported by general revenues, mainly taxes.

As of the end of Fiscal Year 2007, the Commonwealth's governmental funds reported combined ending fund balances of $2.86 billion, a decrease of $(280) million in comparison with the prior year. The unreserved portion of fund balance ($1.86 billion), which is the portion of fund balance available for spending in the coming year, has increased to 65 percent of the total fund balance. 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 Fiscal Year 2007, total fund balance reached $813 million, with an unreserved balance of $517 million. This compares to a General Fund unreserved Fund Balance of $713 million as of June 30, 2006. 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 Commonwealth's General Fund balance, after several years of growth, has decreased by $81 million during Fiscal Year 2007, which represents a decline of 9 percent, of the prior year balance. The slow economy which reduced tax revenues is the major factor for this decline.

The major special revenue funds had no significant changes in fund balances, however, some changes in a fund's revenues and/or expenditures, might be considered significant. These changes include an increase in motor fuels tax receipts, in the Transportation Fund; increased benefit payments in the Federal Fund, and increased spending in the Transportation function of the Agency Revenue Fund.

The Commonwealth of Kentucky's bonded debt decreased by $104 million to $3.4 billion, a 2.93 percent decrease during Fiscal Year 2007. The major factor in this decrease was the maturity of bonds outstanding and the issuance of notes for interim financing, rather than bonds. No general obligation bonds were authorized or outstanding at June 30, 2007.

Fiscal Year 2008

The Commonwealth's combined net assets (governmental and business-type activities) totaled $16.3 billion at the end of 2008, as compared to $17.4 billion at the end of the previous year.

The largest portion of the Commonwealth's net assets, $20.2 billion, is invested in capital assets (e.g. land, infrastructures, buildings and improvements and machinery and equipment), and minus any related debt, which is still outstanding and used to acquire those assets. The Commonwealth uses these capital assets to provide services to its citizens; therefore, these assets are not available for future spending.

The second largest portion of the Commonwealth's net assets, totaling $1.45 billion, is restricted and represents resources that are subject to either external restrictions or legislative restrictions on how they may be used. The remaining balance is unrestricted net assets. The unrestricted net assets, if they have a positive value, could be used at the Commonwealth's discretion. However, the unrestricted balance is a negative $(5.4) billion; therefore funds are not available for discretionary purposes. A contributing factor to the negative balance is that liabilities are recognized on the government-wide statement of net 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 $10 billion and general revenues (including transfers) of $10.4 billion for total revenues of $20.4 billion during Fiscal Year 2008. Expenses for the Commonwealth during Fiscal Year 2008 were $21.7 billion, which resulted in a total decrease of the Commonwealth's net assets in the amount of $1.3 billion, net of contributions, transfers and special items.

The slowing economy, during Fiscal Year 2008, caused revenues to decline resulting in the decrease in net assets of governmental activities by $1.29 billion or 7.4 percent. Approximately 56 percent of the governmental activities' total revenue came from taxes, while 36 percent resulted from grants and contributions (including federal aid). Overall, program revenues were insufficient to cover program expenses for governmental activities. Therefore, the net program expenses of these governmental activities were supported by general revenues, mainly taxes.

As of the end of Fiscal Year 2008, the Commonwealth's governmental funds reported combined ending fund balances of $2.44 billion, a decrease of $434 million in comparison with the prior year. $1.21 billion of the fund balances are reserved for legal obligations and are not available to fund current operations. The amount available to fund current expenditures is $1.23 billion.

The General Fund is the primary operating fund of the Commonwealth. The fund balance at the end of Fiscal Year 2008 was $288 million. The balance reported reflects a decrease of $525 million from the previously reported amount, which represents a decline of 65%. The major factor for the decline is attributable to the slow national and state economy which has reduced tax revenues.

The fund balance is segregated into reserved and unreserved amounts. The reservations of the fund balance restrict those amounts for specific purposes such as: encumbrances, inventory, and capital outlay. The General Fund balance at the end of Fiscal Year 2008 had $290 million as a reserved fund balance and a negative $(2.0) million unreserved. The unreserved represents the amount available for current expenditures.

The major special revenue funds experienced normal cyclical changes in revenues and expenditures. The significant change in fund balance recorded in the Agency Revenue Fund is attributable to the issuance of General Receipts Notes. These Notes are to be repaid by the revenues of the agency for which they were issued.

The Commonwealth of Kentucky's bonded debt increased by $174 million to $3.6 billion, a 5.00 percent increase during Fiscal Year 2008. The major factors in this increase were the issuance of bonds to replace notes which had been issued as an interim financing source and additional bonds to fund new projects. No general obligation bonds were authorized or outstanding at June 30, 2008.

Fiscal Year 2009 (Unaudited)

Fiscal Year 2009 General Fund revenues totaled $8,426.4 million versus $8,664.3 million for the prior fiscal year, which represents a decrease 2.7 percent. Actual revenues for Fiscal Year 2009 were $55.7 million below the official revised revenue estimate rendered in May 2009 by the Consensus Forecasting Group ("CFG") as modified by 2009 legislation, which projected a revenue decline of 2.1 percent. Tobacco tax receipts rose by 9.8 percent compared to the previous fiscal year. Reduced revenue estimates in November 2008 and May 2009 resulted in budget reductions during Fiscal Year 2009.

Individual income tax receipts declined by 4.8 percent in FY 2009 compared to the previous fiscal year with weakness in all components of the tax. Sales and use tax receipts fell by 0.7 percent, despite 3.2 percent growth in the first quarter. The last three quarters of the fiscal year posted declines, despite the addition of packaged alcohol to the base in the last quarter. Corporate income tax collections declined 38.4 percent due to declining corporate profits. Coal severance taxes increased by 25.6 percent in FY 2009, with total collections of $292.6 million. This annual total was far in excess of previous records for coal severance receipts. Property tax receipts increased by 2.5 percent from the previous fiscal year, with omitted and delinquent and public service property tax collections posting the largest increase. Meanwhile, Lottery receipts rose by 3.2 percent.

Fiscal Year 2010 (Unaudited)

In May 2009, the CFG revised the official Fiscal Year 2010 General Fund revenue estimate downward by $996.0 million and also revised the official estimate for Phase I Tobacco MSA payments downward by $9.3 million from the original CFG estimates upon which the budget was enacted. Governor Beshear subsequently called for a Special Session of the General Assembly in June 2009 to address the projected budget shortfall.

The Governor proposed a balancing plan for Fiscal Year 2010 that combined spending reductions with the use of ARRA funds, and a small amount of additional revenues from enhanced tax collection efforts. The ARRA funds enabled the Commonwealth to free up state funds budgeted for Medicaid and included 55 percent of the State Fiscal Stabilization Fund. During the Special Session, the General Assembly also enacted House Bill 3 which among other things made two tax-related changes that will reduce General Fund revenues in Fiscal Year 2010. A permanent change was enacted to exempt active duty military pay from the Kentucky income tax. This change is estimated to reduce General Fund revenues in Fiscal Year 2010 by $9 million with a January, 2010 effective date, for an estimated $18 million annual impact. The second change was to enact a temporary, one-year, homebuyer tax credit. This incentive provides a non-refundable income tax credit of up to $5,000 for the purchase of a new home by non-first-time homebuyers. This 12-month credit is capped at $25 million and is expected to reduce General Fund revenues by $13.6 million in Fiscal Year 2010. Altogether, when combined with other additional obligations, the total projected General Fund budget shortfall for Fiscal Year 2010 was $1,129.0 million.

Based on the revised CFG estimate along with the changes enacted in House Bill 3 and House Bill 4 by the General Assembly, the revised official General Fund revenue estimate for Fiscal Year 2010 is $8,295.9 million and the revised estimate for Phase I Tobacco MSA payments is $112.3 million.

The Governor signed General Fund Budget Reduction Order 10-01 on September 18, 2009 to implement the budget reduction plan enacted by the General Assembly and to balance the Commonwealth's Fiscal Year 2010 General Fund budget. The General Fund Budget Reduction Order called for appropriation reductions of $248.5 million, which included cuts to various state agency budgets as well as $113 million of debt restructuring. The General Fund Budget Reduction Order also called for the use of $787.5 million of ARRA funds from Medicaid and the State Fiscal Stabilization Fund. These actions along with certain authorized transfers from the Legislative branch and the Judicial branch and various other funds were used to balance the Fiscal Year 2010 General Fund budget.

On October 12, 2009, the CFG met, as statutorily required, to provide planning estimates for the upcoming 2011-2012 biennium. During the October meeting, the CFG also lowered the revenue outlook for the remainder of Fiscal Year 2010. The CFG will meet again in December 2009 to provide an official revision to the Fiscal Year 2010 General Fund revenue estimate and to provide an official revenue estimate for Fiscal Years 2011 and 2012.

Fiscal Year 2010 General Fund actual revenues total $1,968.5 million through September 2009, a decrease of 5.6 percent over the same period in Fiscal Year 2009. Based on year-to-date receipts, General Fund revenues can fall 0.2 percent for the remainder of the fiscal year and still meet the revised official revenue estimate.

General Fund revenues for September 2009 were $725.6 million, a decrease of 9.8 percent compared to September 2008. During September 2009, sales and use tax revenues were down 6.6 percent when compared to September 2008 and are down 7.7 percent for the year. Individual income tax receipts fell by 9.9 percent due to lower withholding and declaration payments. Corporation income tax receipts for September 2009 were down 46.5 percent compared to September 2008 due to lower declaration payments and are down 40.5 percent for the year. Property taxes for September 2009 fell 16.2 percent compared to September 2008. Cigarette tax receipts increased 88.1 percent in September 2009 compared to September 2008 and are up 79.1 percent for the year as a result of the recent tax increase. Coal severance tax receipts fell by 12.7 percent in September 2009 compared to September 2008 because of lower prices and are down 8.0 percent for Fiscal Year 2010. The Kentucky Lottery Corporation dividend payment for September 2009 was unchanged from last September and is up 2.3 percent for Fiscal Year 2010.

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 September 30, 2009, the Commonwealth's operating portfolio was approximately $2.7 billion in cash and securities. The composition of investments was as follows: U.S. Treasury securities (15%); securities issued by agencies and instrumentalities of the United States Government (20%); mortgage–backed securities and collateralized mortgage obligations (12%); repurchase agreements collateralized by the aforementioned (32%); municipal securities (10%); and corporate and asset–backed securities, including money market securities (11%). The portfolio had a current yield of 2.77% and an effective duration of 0.90 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 20% of the total portfolio of treasury and agency securities. Historically, actual commitments have been less than ten percent of the portfolio. The Commonwealth currently has no options positions outstanding.

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, Credit Suisse, lends the Commonwealth's treasuries and agencies, takes the cash received from the loan and invests it in Eligible Collateral authorized for purchase pursuant to KRS 42.500. The income generated by these transactions is split between the agent and the Commonwealth.

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. The Commonwealth currently has no asset-based interest rate swaps outstanding.

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

KAR Title 200 Chapter 14 provides, among other things that: corporate securities, inclusive of Commercial Paper, Banker's Acceptances and Certificates of Deposit are limited to $25 million per issuer and a stated final maturity of five years or less. Money market securities rated A1-P1 or higher are limited to 20% of the investment pools. Asset-Backed Securities ("ABS") are limited to 20% of the investment pools. Mortgage–Backed

Securities ("MBS") and Collateralized Mortgage Obligations ("CMO") are also limited to a maximum of 25% of the investment pools. ABS, MBS and CMO must have a weighted-average-life of four years or less at time of purchase.

Interest Rate Swaps

From time to time, the Commonwealth of Kentucky utilizes interest rate swaps for the purpose of hedging certain of its current or projected interest-sensitive assets and interest-sensitive liabilities. ALCo is the agency with specific statutory authority to enter into and manage interest rate swaps and other similar vehicles. As of October 1, 2009, ALCo will have one interest rate swap transaction outstanding with a total notional amount outstanding of $232,575,000. This swap transaction consists of a series of four amortizing "cost of funds" interest rate swaps that totaled $243.08 million at the time of execution and having maturity dates beginning November 1, 2017 through November 1, 2027. This transaction is integrated as part of the issuance of the ALCo's 2007 $243.08 million General Fund Floating Rate Project Notes.

State Retirement Systems

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

Pension Plans. Eligible state employees participate in one of two multi-employer defined benefit plans, the Kentucky Retirement Systems and the Kentucky Teacher's Retirement System ("KTRS"). The Kentucky Retirement Systems is comprised of four retirement plans, Employees Non-Hazardous and Employees Hazardous, County Employees and State Police. Each retirement plan is state supported, except for the County Employees, which has been excluded from the Kentucky Retirement Systems information provided herein. The Kentucky Retirement Systems and KTRS (collectively, the "Pension Plans") provide both pension and Other Post Employment Benefits ("OPEB") to state employees and teachers based upon their years of service and retirement dates. The Pension Plans are component units of the Commonwealth of Kentucky for financial reporting purposes and are included in *The Kentucky Comprehensive Annual Financial Report*. For a brief description of the Pension Plans and of the Pension Plans' assets and liabilities, see *The Kentucky Comprehensive Annual Financial Report* for Fiscal Year 2008, Note 8 beginning on page 76. Additional information regarding the Kentucky Retirement Systems and KTRS can be found in their respective web sites at http://www.kyret.com and http://www.ktrs.ky.gov, including their respective Comprehensive Annual Financial Reports (collectively, the "CAFRs") and the accompanying actuarial studies, described under "Other Post Employment Benefits ("OPEB"). Only information contained on the Internet web page identified above is incorporated herein and no additional information that may be reached from such page by linking to any other page should be considered to be incorporated herein.

Pension Funding. Based upon the assumptions employed in the Pension Plans' June 30, 2008 actuarial valuation reports used in preparing the associated Pension Plans' 2008 CAFRs, the Kentucky Retirement Systems had a state supported pension Unfunded Actuarial Accrued Liability (the "UAAL") of $5,163 million, while KTRS had a UAAL of $7,139 million. The state supported portion of the Pension Plans for Fiscal Year ended June 30, 2008 had funding percentages of 54.5 percent for the Kentucky Retirement Systems and 68.2 percent for KTRS. The Kentucky Retirement Systems state supported Annual Required Contribution for Fiscal Year ended June 30, 2008 pension benefits was $292.7 million versus the Actual Contribution of $127.4 million. The KTRS state supported Annual Required Contribution for Fiscal Year ended June 30, 2008 was $563.8 million; $438.8 million was contributed.

Other Post Employment Benefits ("*OPEB*"). The Governmental Accounting Standards Board has promulgated Statement 45 ("Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pensions"). The State is required to adopt the standards after the Fiscal Year ending June 30, 2008.

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

The Pension Plans have commissioned actuarial studies which have provided results for consideration, under certain actuarial funding methods and sets of assumptions. A five year experience study was completed for the period ending June 30, 2006 for the Kentucky Retirement Systems and the next scheduled experience study period will be prepared in January 2011. KTRS' last five-year experience study was for the period ending June 30, 2005, the next five year experience study will be for the period ending June 30, 2010. Pursuant to their respective actuarial studies, the OPEB UAAL as of June 30, 2008 has been estimated to not exceed $5,403 million for the Kentucky Retirement Systems and $6,255 million for KTRS. These estimates represent the amount of healthcare benefits under the respective Health Plans, payable for the ensuing 30-year period and allocated by the actuarial cost method, as of June 30, 2008. The actuarial estimates for the Kentucky Retirement Systems' OPEB liabilities slightly increased from the $5,151 million previously reported in the Kentucky Retirement Systems' 2007 CAFR. The actuarial estimates for KTRS increased from $5,788 million due to health care costs escalating at a much faster rate than revenue growth in the Medical Insurance Plan.

The Kentucky Retirement Systems' state supported Annual Required Contribution for Fiscal Year ended June 30, 2008 healthcare benefits was $653.4 million versus the Actual Contribution of $93 million. The KTRS state supported Annual Required Contribution for Fiscal Year ended June 30, 2008 was $397.2 million; $166.3 million was contributed. Previously, the General Assembly directed transfers of $125.0 million in Fiscal Year 2008, $73.0 million in Fiscal Year 2007, $62.3 million in Fiscal Year 2006 and $29.1 million in Fiscal Year 2005. These amounts are to be repaid from the State General Fund over a 10-year period corresponding with each transfer. The state supported portion of the Health Plans for Fiscal Year ended June 30, 2008 had funding percentages of 15.8 percent for the Kentucky Retirement Systems and 4.0 percent for KTRS.

The Commonwealth's 2008-2010 biennial budget increased employer contribution rates by 37 percent for the Kentucky Retirement Systems' non-hazardous duty retirement system. The increase for the State Police Retirement System is 18 percent.

Changes to State Retirement Systems. During the 2008 Regular Session, Governor Steve Beshear presented the Kentucky Public Pension Protection and Modernization Act to address the long-term financial stability of the Commonwealth's pension systems. While there was significant discussion and debate between both the House and the Senate resulting in different versions of the pension legislation being considered, ultimately both sides of the General Assembly failed to reach an agreement.

On May 29, 2008, Governor Beshear issued an executive order creating the Kentucky Public Pension Working Group and urged both the House and Senate to work together toward an agreement for a special session. Governor Beshear's May 29, 2008 Executive Order created a working group composed of senior executive branch officials, pension fund directors, employee representatives and private sector investment experts. The working group conducted an operational and governance review of the state retirement systems and studied the issues in dispute during the 2008 Regular Session that had not been recommended by the prior administration's Blue Ribbon Commission, to determine their viability and cost. To accomplish these tasks, the working group was divided into six subcommittees, including: best practices in investments; future funding strategies; a County Employees Retirement System and Local Government Employees Retirement System committee that was tasked to study the transfer of classified school employees to a new retirement system and the potential for a new local government employees retirements system; a committee that considered defined contribution options; a group that evaluated healthcare costs and strategies; and a committee that evaluated and ensured best practices in securities litigation. The working group provided its final report to the Governor in November 2008 and offered to provide testimony to the Interim State Government Committee, allowing the General Assembly to address these issues in the 2009 regular legislative session and future legislative sessions.

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

As a result of the passage of House Bill 1, the growth in the state's unfunded liability is expected to be slowed. These results are expected to be augmented by proposed changes in the Commonwealth's investment strategies and allocations to bring the retirements systems closer to their peer group performance levels over time. By using the dual combination of the best practices and findings of the Kentucky Public Pension Working Group and by following the schedule of payments included in House Bill 1, the state expects to see reductions in the liability that have accrued over time.

SUMMARIES OF THE PRINCIPAL DOCUMENTS

The following statements are brief summaries of certain provisions of the Resolution, the Lease, and the Subleases. The statements regarding the Resolution, the Lease and the Subleases do not purport to be complete and reference is made to the Resolution, the Lease, and the Subleases, copies of which are available for examination at the Office of Financial Management, 702 Capitol Avenue, Suite 76, 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 bond funds 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 and a separate Series C Account therein with respect to the Series C Bonds (the "Bond Fund"), to be held and maintained by the Trustee. There will be deposited into the Bond Fund all or such portion of the Revenues as will be sufficient to pay when due the principal of, premium, if any, and interest on all Bonds Outstanding under the Resolution at or before their maturity. Capitalized interest and accrued interest on the Bonds, if any, will be deposited in the Bond Fund and, with respect to the Series C Bonds, in the Series C Account therein. The Resolution requires the Commission to deposit or cause to be deposited on or before any May 1 or November 1 and any date set for redemption of Bonds prior to maturity (each a "Payment Date") with the Trustee all amounts required for the payment of the principal of, premium, if any, and interest on the Bonds due on such Payment Date.

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

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

2. Cost of Issuance Fund. The Resolution creates a Cost of Issuance Fund for the Bonds and a separate Series C Account therein with respect to the Series C 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 in the Cost of Issuance Fund, and with respect to the Series C Bonds, in the Series C Account, 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 the Bonds, any remaining balance in the Cost of Issuance Fund or the Series C Account therein will be transferred to the Bond Fund and the Series C Account therein.

3. Construction Fund. The Resolution creates a Construction Fund with respect to the Series A and Series B Bonds, and a Series C Account therein with respect to the Series C Bonds, to be held by the Treasurer of

the Commonwealth. Until disbursed as authorized by the Resolution, the Construction Fund constitutes a trust fund for the benefit of the owners of the Bonds. The Construction Fund will be used for the purposes of funding that portion of the Project financed with proceeds of the related series of Bonds consisting of the acquisition, construction or undertaking of new property in connection with buildings, real estate, economic development projects, or community development projects, including costs of materials, construction work, installation of utilities, services, installation of equipment, facilities and furnishings of a permanent nature for buildings, appurtenances thereto, plans, specifications, blueprints, architectural and engineering fees and other expenses authorized to be incurred under the terms of KRS Chapters 56 and 58. Any moneys remaining in the Construction Fund after the related portion of the Project is completed in full will be transferred to the Trustee to be held, in trust, in the Bond Fund or, with respect to the Series C Bonds, in the Series C Account therein.

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 Series A Bonds by the Commission shall be excludable from the gross income of the owners of such Bonds for the purposes of federal income taxation and not permit the Series A Bonds to be or become "arbitrage bonds," as defined in the Code.

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

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

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

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

(c) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Commission in the Resolution or in the Bonds contained, and the continuance thereof for a period of 30 days after written notice given by the Trustee to the Commission or by the owners 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 owners 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 owners 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 condition that if, at any time after such declaration, all overdue installments of interest on such Bonds and the principal of all Bonds which will have matured by their terms, together with the reasonable and proper charges, expenses and liabilities of the Trustee, are either paid by or for the account of the Commission or provision satisfactory to the Trustee is made for such payment, then and in every such case any such default and its consequences will ipso facto be deemed to be annulled, but no such annulment will extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

The Resolution provides that upon the happening and continuance of any event of default thereunder, the Trustee may proceed, and upon the written request of the owners 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 owners of the Bonds 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.

The Resolution provides that 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 owners of the Bonds, 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.

The Resolution provides that, 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 owners 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 owners 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 owners of the Bonds not making such request.

Individual Owner Action Restricted. No owner 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 owner 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 owners 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 owners 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 owners of all of such Bonds then Outstanding. Nothing contained in the Resolution or in the Bonds affects or impairs the right of any owner of any Bond to payment of the principal of or interest on such Bond at and after the maturity thereof or the obligation of the Commission to pay the principal of, premium, if any, and interest on the Bonds to the respective owners 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 owners 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 owners of the Bonds, but each such supplemental resolution will not become effective unless and until it has been approved as provided in the Resolution by the owners of at least 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, premium, if any, or interest on any Bond, or a reduction in the amount of principal or premium, if any, or the rate of interest thereon without the written consent of the owner thereof, or which would reduce the percentage of owners 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 owners of the Bonds, (ii) to grant to or confer on the Trustee for the benefit of the owners 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 owners of the Bonds, and the Commission may adopt such supplemental resolution to accomplish the foregoing.

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

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

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

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

As used herein, "Defeasance Obligations" means:

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

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

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

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

(e) non–callable senior debt obligations of U.S. government sponsored agencies that are not backed by the full faith and credit of the U.S. government, including, but not limited to, Federal Home Loan Mortgage Corp. debt obligations, Farm Credit System consolidated systemwide bonds and notes, Federal Home Loan Banks consolidated debt obligations, Federal National Mortgage Association debt obligations, Resolution Funding Corp. debt obligations and U.S. Agency for International Development guaranteed notes (which must mature at least four business days before the appropriate payment date); provided that, in each case, the obligations are rated "AAA" by S&P, "Aaa" by Moody's and "AAA" by Fitch (if rated at the time of purchase).

The Lease and the Subleases

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

The Lease has a current term ending June 30, 2010 and the Subleases have a current term ending June 30, 2010. The Commission has granted the Cabinet the exclusive option to renew the Lease for successive and ensuing renewal terms of two years commencing July 1 in each even-numbered year and the Subleases have corresponding renewal provisions. The last renewal term for the Lease and Subleases relating to the Bonds ends June 30, 2030, the final maturity date for the Bonds to be issued by the Commission for the Project being November 1, 2029. Under the provisions of the Constitution of the Commonwealth, the Commission, the Cabinet and the Sublessees are each prohibited from entering into lease obligations extending beyond their biennial budget period. Notwithstanding the foregoing, the Lease and the Subleases provide that each succeeding renewal term will be deemed to be automatically renewed unless written notice of the election by the Cabinet or the Sublessees, respectively, to not so renew is given to the Commission by the last business day of May (or the last business day of April under the Subleases) prior to the beginning of the next succeeding biennial renewal term. Upon the first day of the biennial renewal term, the Cabinet and the Sublessees are bound for the entire amount of the rent becoming due during such term as a general obligation of the Cabinet or applicable Sublessee, limited to amounts appropriated for such purpose payable from any and all funds of the Cabinet or applicable Sublessee, 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 the Sublessees have covenanted and agreed in the Lease and Subleases that when appropriations bills are prepared for introduction at the various successive sessions of the General Assembly of the Commonwealth, they will cause to be included in the appropriations proposed for that biennial period to be made for the Cabinet and the Sublessees sufficient amounts (over and above all other requirements of the Cabinet and the Sublessees) to enable the Cabinet and the Sublessees to make rental payments under the Lease and Subleases and thereby produce income and revenues to the Commission to permit timely payment of the Bonds as the same become due during such period. If appropriations relating to payments under the Subleases are made directly to the Cabinet in future biennial periods so that amounts sufficient to pay principal and interest on all the Bonds are appropriated to the Cabinet, the Subleases will terminate.

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

Events of default under the Lease and the Subleases include a default in the due and punctual payment of any rent or a default in the performance of any covenants therein not remedied within 30 days (or in the process of being remedied).

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

RATINGS

Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("S&P") and Fitch Ratings ("Fitch") have assigned the ratings of "Aa3," "A+" and "AA-" to the Bonds, respectively. Such ratings reflect only the views of the respective rating agencies. An explanation of the significance of the ratings given by Moody's may be obtained from Moody's Investors Service, Inc. at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, (212) 583-0300; 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 agency, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving legal opinion of Kutak Rock LLP, Omaha, Nebraska, 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 Commission by its counsel. Certain legal matters will be passed upon for the Underwriters by Frost Brown Todd LLC, Louisville, Kentucky.

LITIGATION

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

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

Holders of the Series A Bonds, Series B Bonds and Series C Bonds (collectively, the "Bonds") should be aware that: (a) the discussion in this Official Statement with respect to U.S. federal income tax consequences of owning the Bonds is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer; (b) such discussion was written in connection with the promotion or marketing (within the meaning of Treasury Circular 230) of the transactions or matters addressed by such discussion; and (c) each taxpayer should seek advice based on its particular circumstances from an independent tax advisor.

The following is a summary of certain material federal income tax consequences of the purchase, ownership and disposition of the Bonds for the investors described below and is based on the advice of Kutak Rock LLP, as Bond Counsel. This summary is based upon laws, regulations, rulings and decisions currently in effect, all of which are subject to change. The discussion does not deal with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules, including but not limited to, partnerships or entities treated as partnerships for federal income tax purposes, pension plans and foreign investors, except as otherwise indicated. In addition, this summary is generally limited to investors who will hold the Bonds as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"). Investors should consult their own tax advisors to determine the federal, state, local and other tax consequences of the purchase, ownership and disposition of Bonds. To ensure compliance with Treasury Circular 230, taxpayers are hereby notified that: (A) any discussion of U.S. federal tax issues in this Official Statement is not intended or written by us to be relied upon, and cannot be relied upon, by taxpayers for the purpose of avoiding penalties that may be imposed on taxpayers under the Code; (B) such discussion is written in connection with the promotion or marketing of the transactions or matters addressed herein; and (C) taxpayers should seek advice based on their particular circumstances from an independent tax advisor. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the "Service") with respect to any of the federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

Series A Bonds – Tax-Exempt Bonds

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

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

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

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

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

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

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

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

Backup Withholding. Certain purchasers may be subject to backup withholding at the application rate determined by statute with respect to interest paid with respect to the Tax-Exempt Bonds if the purchasers, upon issuance, fail to supply the indenture trustee or their brokers with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fail to provide the indenture trustee with a certified statement, under penalty of perjury, that they are not subject to backup withholding. Information returns will be sent annually to the Service and to each purchaser setting forth the amount of interest paid with respect to the Tax-Exempt Bonds and the amount of tax withheld thereon.

Series B Bonds and Series C Bonds

In General. The Commonwealth intends to elect to designate the Series C Bonds as taxable "Build America Bonds" pursuant to Section 54AA(d) of the Code and as "Qualified Bonds" pursuant to Section 54AA(g) of the Code. Although the Series B Bonds and Series C Bonds are issued by the Commonwealth, interest on the Series B Bonds and Series C Bonds (including original issue discount, as discussed below) is not excludable from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Series B Bonds and Series C Bonds will be fully subject to federal income taxation. Thus, owners of the Series B Bonds and Series C Bonds generally must include interest (including original issue discount) on the Series B Bonds and Series C Bonds in gross income for federal income tax purposes.

Build America Bonds. The Series C Bonds are expected to be issued as taxable, Build America Bonds as authorized by the Recovery Act. Pursuant to the Recovery Act, the Commission will receive cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the Series C Bonds. The Internal Revenue Code of 1986 imposes requirements on the Series C Bonds that the Commission must continue to meet after the Series C Bonds are issued in order to receive the cash subsidy payments. These requirements generally involve the way that Series C Bond proceeds must be invested and ultimately used. If the Commission does not meet these requirements, it is possible that the Commission may not receive the cash subsidy payments and the Series C Bonds may fail to be "Build America Bonds" under Section 54AA(d) of the Code and "Qualified Bonds" under Section 54AA(g) of the Code retroactively to the date of issuance of the Series C Bonds.

In certain circumstances, the cash subsidy payments to be made to the Commission may be reduced (offset) by amounts determined to be applicable under the Code and Regulations. For example, offsets may occur by reason of any past-due legally enforceable debt of the Commonwealth to any Federal agency. The amount of any such offsets is not predictable, and the Commission does not currently expect that any such offsets will apply to the credits the Commission expects to receive.

Characterization of the Trust Estate. Kutak Rock LLP will render on the closing date, with respect to the Series B Bonds and Series C Bonds, its opinion to the effect that the Series B Bonds and Series C Bonds will be treated as debt of the Commission, based in part on the current financial condition of the Commission as set forth in the most recent financial statements. There can be no assurances that the financial condition of the Commission will not change over the term of the Series B Bonds and Series C Bonds.

If, alternatively, it were determined that the Series B Bonds and Series C Bonds transaction created an entity which was classified as a corporation or a publicly traded partnership taxable as a corporation, such entity would be subject to federal income tax at corporate income tax rates on the income it derives from the Lease, which would reduce the amounts available for payment to the Bondholders. Cash payments to the holders of the Series B Bonds and Series C Bonds who are treated as equity owners generally would be treated as dividends for tax purposes to the extent of such corporation's accumulated and current earnings and profits. A similar result would apply if the holders of the Series B Bonds and Series C Bonds were deemed to have acquired stock or other equity interests. However, as noted above, the Commonwealth has been advised that the Series B Bonds and Series C Bonds will be treated as debt of the Commission for federal income tax purposes and that the transaction will not be characterized as an association or publicly traded partnership taxable as a corporation.

Characterization of the Bonds as Indebtedness. The Commonwealth intends that, for federal income tax purposes, the Series B Bonds and Series C Bonds will be indebtedness of the trust estate created by the Bond Resolution secured by the proceeds of the Bonds, the Funds and Accounts created by the Bond Resolution, and the Revenues. The owners of the Series B Bonds and Series C Bonds, by accepting such Series B Bonds and Series C Bonds, have agreed to treat the Series B Bonds and Series C Bonds as indebtedness of the Commission for federal income tax purposes. The Commission intends to treat the Series B Bond and Series C Bond transactions as a financing reflecting the Series B Bonds and Series C Bonds as its indebtedness for tax and financial accounting purposes.

In general, the characterization of a transaction as a sale of property or a secured loan, for federal income tax, is a question of fact, the resolution of which is based upon the economic substance of the transaction, rather than its form or the manner in which it is characterized for state law or other purposes. While the Service and the courts have set forth several factors to be taken into account in determining whether the substance of a transaction is a sale of property or a secured indebtedness, the primary factor in making this determination is whether the transferee has assumed the risk of loss or other economic burdens relating to the property and has obtained the benefits of ownership thereof. Notwithstanding the foregoing, in some instances, courts have held that a taxpayer is bound by the particular form it has chosen for a transaction, even if the substance of the transaction does not accord with its form.

The Commonwealth believes that it has retained the preponderance of the primary benefits and burdens associated with ownership of the Project and that as a result, the owners of the Series B Bonds and Series C Bonds should not be treated as the owners of the Project for federal income tax purposes. If, however, the Service were successfully to assert that the Series B Bond and Series C Bond transactions should be treated as a sale of the Project, the Service could further assert that the entity created pursuant to the Bond Resolution, as the owner of the Project for federal income tax purposes, should be deemed engaged in a business and, therefore, characterized as a publicly traded partnership taxable as a corporation.

Taxation of Interest Income of the Bonds. Payments of interest with regard to the Series B Bonds and Series C Bonds will be includible as ordinary income when received or accrued by the holders thereof in accordance with their respective methods of accounting and applicable provisions of the Code. If the Series B Bonds and Series C Bonds are deemed to be issued with original issue discount, Section 1272 of the Code requires the current ratable inclusion in income of original issue discount greater than a specified de minimis amount using a constant yield method of accounting. In general, original issue discount is calculated, with regard to any accrual period, by applying the instrument's yield to its adjusted issue price at the beginning of the accrual period, reduced by any qualified stated interest (as defined below) allocable to the period. The aggregate original issue discount allocable to an accrual period is allocated to each day included in such period. The holder of a debt instrument must include in income the sum of the daily portions of original issue discount attributable to the number of days he owned the instrument. The legislative history of the original issue discount provisions indicates that the calculation and accrual of original issue discount should be based on the prepayment assumptions used by the parties in pricing the transaction.

Original issue discount is the stated redemption price at maturity of a debt instrument over its issue price. The stated redemption price at maturity includes all payments with respect to an instrument other than interest unconditionally payable at a fixed rate or a qualified variable rate at fixed intervals of one year or less ("qualified stated interest"). Caps or floors may be ignored in determining whether an obligation bears interest at a qualified variable rate, if among other things, the cap or floor is fixed through the term of the obligation. The Commonwealth expects that interest payable with respect to the Series B Bonds and Series C Bonds will constitute qualified stated interest and that the Series B Bonds and Series C Bonds will not be issued with original issue discount. However, there can be no assurance that the Service would not assert that the interest payable with respect to the Series B Bonds and Series C Bonds may not be qualified stated interest because such payments are not unconditional and/or that the Series B Bonds and Series C Bonds otherwise are issued with original issue discount.

Payments of interest received with respect to the Series B Bonds and Series C Bonds will also constitute investment income for purposes of certain limitations of the Code concerning the deductibility of investment interest expense. Potential holders of the Series B Bonds and Series C Bonds should consult their own tax advisors concerning the treatment of interest payments with regard to the Series B Bonds and Series C Bonds.

A purchaser (other than a person who purchases a Series B Bond and Series C Bond upon issuance at the issue price) who buys a Series B Bond or a Series C Bond at a discount from its principal amount (or its adjusted issue price if issued with original issue discount greater than a specified de minimis amount) will be subject to the market discount rules of the Code. In general, the market discount rules of the Code treat principal payments and gain on disposition of a debt instrument as ordinary income to the extent of accrued market discount. Although the accrued market discount on debt instruments such as the Series B Bonds and Series C Bonds which are subject to prepayment based on the prepayment of other debt instruments is to be determined under regulations yet to be issued, the legislative history of the market discount provisions of the Code indicate that the same prepayment assumption used to calculate original issue discount should be utilized. Each potential investor should consult his tax advisor concerning the application of the market discount rules to the Series B Bonds and Series C Bonds.

In the event that the Series B Bonds and Series C Bonds are considered to be purchased by a holder at a price greater than their remaining stated redemption price at maturity, they will be considered to have been purchased at a premium. The holder of a Series B Bond or Series C Bond may elect to amortize such premium (as an offset to interest income), using a constant yield method, over the remaining term of the Series B Bonds and Series C Bonds. Special rules apply to determine the amount of premium on a "variable rate debt instrument" and certain other debt instruments. Prospective holders of a Series B Bond or a Series C Bond should consult their tax advisors regarding the amortization of bond premium.

Sale or Exchange of Series B Bonds and Series C Bonds. If a Bondholder sells a Series B Bond or Series C Bond, such person will recognize gain or loss equal to the difference between the amount realized on such sale and the Bondholder's basis in such Bond. Ordinarily, such gain or loss will be treated as a capital gain or loss. At the present time, the maximum capital gain rate for certain assets held for more than twelve months is 15%. However, if a Series B Bond or Series C Bond was subject to its initial issuance at a discount, a portion of such gain will be recharacterized as interest and therefore ordinary income. In February of 2009, President Barack Obama proposed increasing the long-term capital gains rate to 20%. The Commission and Bond Counsel cannot predict whether this increase will receive Congressional approval.

If the term of a Series B Bond or Series C Bond was materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications which may be treated as material are those which relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential holder of a Series B Bond or Series C Bond should consult its own tax advisor concerning the circumstances in which the Series B Bonds or Series C Bonds would be deemed reissued and the likely effects, if any, of such reissuance.

Backup Withholding. Certain purchasers may be subject to backup withholding at the application rate determined by statute with respect to interest paid with respect to the Series B Bonds and Series C Bonds if the purchasers, upon issuance, fail to supply the indenture trustee or their brokers with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fail to provide the indenture trustee with a certified statement, under penalty of perjury, that they are not subject to backup withholding. Information returns will be sent annually to the Service and to each purchaser setting forth the amount of interest paid with respect to the Series B Bonds and Series C Bonds and the amount of tax withheld thereon.

State, Local or Foreign Taxation. The Commission makes no representations regarding the tax consequences of purchase, ownership or disposition of the Series B Bonds and Series C Bonds under the tax laws of any other state, locality or foreign jurisdiction. Investors considering an investment in the Series B Bonds and Series C Bonds should consult their own tax advisors regarding such tax consequences.

Tax-Exempt Investors. In general, an entity which is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business which is not substantially related to the purpose which forms the basis for such entity's exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation which gave rise to such interest is subject to acquisition indebtedness. However, as noted above, bond counsel has rendered its opinion that the Series B Bonds and Series C Bonds will be characterized as debt for federal income tax purposes. Therefore, except to the extent any holder of a Series B Bond or Series C Bond incurs acquisition indebtedness with respect to a Series B Bond or Series C Bond, interest paid or accrued with respect to such Bondholder may be excluded by such tax exempt Bondholder from the calculation of unrelated business taxable income. Each potential tax exempt holder of a Series B Bond or Series C Bond is urged to consult its own tax advisor regarding the application of these provisions.

European Union Directive on the Taxation of Savings Income. The European Union adopted a directive (2003/48/EC) (the "Directive") regarding the taxation of savings income. The Directive requires a member state of the European Union (a "Member State") to provide to the tax authorities of another Member State details of payments of interest or other similar income payments made by a person within its jurisdiction for the immediate benefit of an individual or to certain non-corporate entities resident in that other Member State (or for certain payments secured for their benefit). However, Austria, Belgium, and Luxembourg have opted out of the reporting requirements and are instead applying a special withholding tax for a transitional period in relation to such payments of interest, deducting tax at rates increasing over time to 35% after July 1, 2011. The rate for 2009 is 20%.

A number of non-European Union countries and certain dependent or associated territories of Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments of interest or other similar income payments made by a person in that jurisdiction for the immediate benefit of an individual or to certain non-corporate entities in any Member State. The Member States have entered into reciprocal provision of information or transitional special withholding tax arrangements with certain of those dependent or associated territories. These apply in the same way to payments by persons in any Member State to individuals or certain non-corporate residents in those territories.

On November 13, 2008, the European Commission proposed changes to the Directive which extended its scope so that it applies to interest payments to certain intermediate persons or structures interposed between the person making the payment and the individual who is the beneficial owner of the interest. It is proposed that a Member state intermediary that receives an interest payment be treated as a person making payment, so as to subject it to the exchange of information or withholding obligation in the Directive. Further, it is proposed that an interest payment made to an intermediary established outside the European Union be treated as a payment made directly to the individual beneficiary if the person making the payment knows that the individual beneficiary is European Union resident.

No additional amounts will be payable with respect to the Series B Bonds and Series C Bonds if a payment on such Series B Bond or Series C Bond is reduced as a result of any tax, assessment or other governmental charge that is required to be made pursuant to any European Union directive on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, any such directive. Holders of Series B Bonds and Series C Bonds should consult their tax advisers regarding the implications of the Directive in their particular circumstances.

Foreign Investors. A holder of a Series B Bond or Series C Bond which is not a U.S. person ("foreign holder") will not be subject to U.S. federal income or withholding tax in respect of interest income or gain on the such Bonds if certain conditions are satisfied, including: (1) the foreign holder provides an appropriate statement, signed under penalties of perjury, identifying the foreign holder as the beneficial owner and stating, among other things, that the foreign holder is not a U.S. person, (2) the foreign holder is not a "10 percent shareholder" or "related controlled foreign corporation" with respect to the Commission, and (3) the interest income is not effectively connected with a United States trade or business of the Bondholder. The foregoing exemption does not apply to contingent interest or market discount. To the extent these conditions are not met, a 30% withholding tax will apply to interest income on the Series B Bonds and Series C Bonds, unless an income tax treaty reduces or eliminates such tax or the interest is effectively connected with the conduct of a trade or business within the United States by such foreign holder. In the latter case, such foreign holder will be subject to U.S. federal income tax with respect to all income from the Series B Bonds and Series C Bonds at regular rates applicable to U.S. taxpayers, and may be subject to the branch profits tax if it is a corporation. A "U.S. person" is: (i) a citizen or resident of the United States, (ii) a corporation (or other entity that is treated as a corporation for U.S. federal tax purposes) that is created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust, if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all of its substantial decisions.

Generally, a foreign holder will not be subject to federal income tax on any amount which constitutes capital gain upon the sale, exchange, retirement or other disposition of a Series B Bond or Series C Bond unless such foreign holder is an individual present in the United States for 183 days or more in the taxable year of the sale, exchange, retirement or other disposition and certain other conditions are met, or unless the gain is effectively connected with the conduct of a trade or business in the United States by such foreign holder. If the gain is effectively connected with the conduct of a trade or business in the United States by such foreign holder, such holder will generally be subject to U.S. federal income tax with respect to such gain in the same manner as U.S. holders, as described above, and a foreign holder that is a corporation could be subject to a branch profits tax on such income as well.

Exemption Under State Tax Law

In Bond Counsel's further opinion, under the existing laws of the Commonwealth, interest on the Bonds is excluded from the gross income of the recipients thereof for Kentucky income tax purposes and the Bonds are exempt from taxation or assessment of any type by the Commonwealth of Kentucky, its agencies and departments, and by all political subdivisions thereof.

Treatment of Interest Expense for Financial Institutions

The Series A Bonds are issued in calendar year 2009 for new money project expenditures and are not issued for any refunding purpose. For certain banks, thrift institutions or other financial institutions interest on the Series A Bonds is not taken into account in determining the pro-rata allocation of interest expense to tax-exempt interest under Code Section 265(b), but only if the amount of tax-exempt obligations (including the Series A Bonds) held by the bank, thrift institution or financial institution does not exceed 2% of the average adjusted bases for all assets of such bank, thrift institution or financial institution.

Notwithstanding the prior paragraph, in the case of certain banks, thrift institutions or other financial institutions owning the Series A Bonds, a deduction is allowed for only 80% of that portion of such institutions' interest expense allocable to interest on the Series A Bonds.

Bond Counsel has expressed no opinion with respect to any deduction for federal tax law purposes of interest on indebtedness incurred or continued by a holder of the Bonds or a related person to purchase or carry the Bonds.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state 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. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

CERTAIN ERISA CONSIDERATIONS

To ensure compliance with Treasury Circular 230, taxpayers are hereby notified that: (i) the discussion of U.S. federal tax issues in this Official Statement is not intended or written to be relied upon, and cannot be relied upon, by any taxpayers for the purpose of avoiding penalties that may be imposed on taxpayers under the Code; (ii) such discussion is written in connection with the promotion or marketing of the transactions, or matters addressed in this Official Statement; and (iii) taxpayers should seek advice based on their particular circumstance from an independent tax advisor.

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of a Series B Bond or Series C Bond could be viewed as violating those prohibitions. In addition, Code Section 4975 prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Code Section 503 includes similar restrictions with respect to governmental and church plans. In this regard, the Commission or any Dealer of the Series B Bonds and Series C Bonds might be considered or might become a "party in interest" within the meaning of ERISA or a "disqualified person" within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Code Sections 4975 or 503. Prohibited transactions within the meaning of ERISA and the Code may arise if Series B Bonds and Series C Bonds are acquired by such plans or arrangements with respect to which the Commission or any Dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above Code Sections, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Series B Bonds and Series C Bonds. The sale of the Series B Bonds and Series C Bonds to a plan is in no respect a representation by the Commission or the Underwriters that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. Any plan proposing to invest in the Series B Bonds and Series C Bonds should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

UNDERWRITING

Morgan Stanley & Co. Incorporated, as representative of the Underwriters, has agreed to purchase (i) the Series A Bonds for an aggregate purchase price of $68,509,898.22, which is an amount equal to an aggregate par amount of the Series A Bonds, plus a net premium of $4,737,881.85 and less an underwriters' discount of $317,983.63; (ii) the Series B Bonds for an aggregate purchase price of $14,130,933.31, which is an amount equal to an aggregate par amount of the Series B Bonds, less an underwriters' discount of $39,066.69; and (iii) the Series C Bonds for an aggregate purchase price of $321,123,067.28, which is an amount equal to an aggregate par amount of the Bonds, less an underwriters' discount of $1,961,932.72. The Underwriters have advised the Commission that they intend to make a public offering of the Bonds at the initial public offering 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.

Morgan Stanley and Citigroup Inc., the respective parent companies of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc., each an underwriter of the Bonds, have entered into a retail brokerage joint venture. As part of the joint venture each of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, each of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC. for its selling efforts in connection with their respective allocations of Bonds.

CONTINUING DISCLOSURE AGREEMENT

The Bonds are subject to Rule 15c2-12. In general, Rule 15c2-12 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 Rule 15c2-12, if material. In order to enable the Underwriters to comply with the provisions of Rule 15c2-12, the Commission will enter into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") with the Trustee. Specifically, the Commission will covenant (1) annually to file the Commonwealth's annual financial information, including its audited financial statements, with the NRMSIR or the Municipal Securities Rulemaking Board (the "MSRB"), and the appropriate state information depository, if any, and (2) to provide notice in a timely manner 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. Effective on July 1, 2009, the MSRB became the sole NRMSIR and the Commission's filings with the MSRB will be in accordance with the MSRB's Electronic Municipal Market Access (EMMA) system, as applicable to the Continuing Disclosure Agreement. The Commonwealth is already providing ongoing market disclosure as required by Rule 15c2-12 pursuant to agreements entered into in connection with other outstanding securities and has complied with requirements of Rule 15c2-12.

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/ F. Thomas Howard

F. Thomas Howard
Executive Director
Office of Financial Management
(Secretary to the Commission)

EXHIBIT A

DEBT INFORMATION PERTAINING TO THE COMMONWEALTH OF KENTUCKY

COMMONWEALTH DEBT MANAGEMENT

Management

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

Structure

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

> **Appropriation supported debt** carries the name of the Commonwealth and is either (i) a general obligation of the State, or (ii) a lease 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 revenue debt is not a direct obligation of the Commonwealth. Project revenues are, in some cases, derived partially or solely from biennial appropriations of the General Assembly. In other cases the direct revenues generated from the project funded constitute the entire source of payment.
>
> The payment of debt service by the state universities is enhanced by a state intercept provision that provides that in the event of a default, the Secretary of the Finance Cabinet is required to intercept any funds appropriated to the University but not yet disbursed and to remit those funds to the Trustee to remedy the default.

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

Default Record

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

TABLE I
ACTIVE DEBT ISSUING ENTITIES

ENTITY	STATUTORY AUTHORITY/ PURPOSE	DEBT LIMITATIONS	RATINGS*
State Property and Buildings Commission	**KRS 56.450** Provide financing for capital construction projects and financing programs approved by the General Assembly.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	Aa3/A+/AA-
Kentucky Asset/Liability Commission	**KRS 56.860** Provide financing of capital projects and cash flow borrowings to meet working capital needs of the state.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly, exclusive of cash flow borrowings within a fiscal year.	Varies
Turnpike Authority of Kentucky	**KRS 175.410-175.990** Construct, maintain, repair, and operate Turnpike projects, resource recovery roads and economic development roads.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	Aa3/AA+/AA-
The State Universities (consisting of nine)	**KRS 56.495** Construct educational buildings and housing and dining facilities.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	Varies
Kentucky Housing Corporation	**KRS 198A** Make low interest mortgage loans and construction loans to increase the supply of housing for low to moderate income residents of the State.	Limited to $ 5 billion of debt outstanding.	Aaa/AAA/NR
Kentucky Infrastructure Authority	**KRS 224A** Provide financial assistance to local governments for the construction or refinancing of infrastructure facilities and to provide loans to industries for construction of pollution control facilities.	Revolving Fund programs cannot incur debt without appropriation of debt service by the General Assembly. Without legislative approval, other programs are limited to debt outstanding of $500 million.	Aa3/A+/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 $5.0 billion of debt outstanding.	NR/AAA/AAA (Sr. Series) NR/A/A (Subord. Series)**
School Facilities Construction Commission	**KRS 157.611-157.665** Assist local school districts with the financing and construction of school buildings. Finance the construction of vocational education facilities.	Cannot incur debt without appropriation of debt service by General Assembly.	Aa3
Kentucky Economic Development Finance 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.	Baal/A/NR (National Insured)

* Ratings, where applicable, include Moody's, Standard & Poor's, and Fitch. Certain State Property and Buildings Commission Agency Fund Revenue bonds may have ratings different from those identified above. The Kentucky Infrastructure Authority's Governmental Agencies Program Revenue Bonds are rated "AA-" by Standard & Poor's and are backed by the loans of the borrowers.
** The Kentucky Higher Education Student Loan Corporation, Series 2008 A-1, A-2 and A-3 Bonds are rated "A+" by Standard & Poor's due to the downgrade of the LOC provider for the transaction.

EXHIBIT B

THE PROJECT

The Cabinet will lease all of the property, economic development projects or community development projects, as described below, to the extent proceeds of the Bonds are used to pay the costs thereof (portions of which costs have been paid with proceeds of the Commission's Revenue and Revenue Refunding Bonds, Project No. 90, Revenue and Revenue Refunding Bonds, Project No. 93, Revenue and Revenue Refunding Bonds, Project No. 95, and Revenue Bonds, Project No. 96, and may be paid from the proceeds of Commission bonds to be issued in the future).

<u>**PROJECT DESCRIPTIONS – Pre-Defined Allocations**</u>	Authorized Project <u>Amount</u> (1)
Projects Authorized by the 2008 General Assembly	
<u>General Government</u>	
Kentucky Infrastructure Authority-Infrastructure for Economic Development Fund for Non-Coal-Producing Counties	$50,000,000
<u>Council on Postsecondary Education</u>	
Research Challenge Trust Fund	9,306,430
Regional University Excellence Trust Fund	2,257,737
<u>General Government</u>	
Governor's Office of Agricultural Policy-Kentucky Agriculture Heritage Center	2,000,000
TOTAL – Pre-Defined Allocations	**$63,564,167**

<u>PROJECT DESCRIPTIONS – Partially Financed Projects</u>

Projects Authorized by the 2005 General Assembly	Authorized Project <u>Amount</u> (1)
<u>Cabinet for Economic Development</u>	
Innovation and Commercialization for a Knowledge-Based Economy Bond Pool	$1,250,000(2)
Economic Development Bond Pool	6,938,000(2)
<u>Finance and Administration Cabinet</u>	
Revenue - Business Refund Off-Set System	1,750,000
<u>General Government</u>	
Governor's Office of Agricultural Policy – Kentucky Agriculture Finance Corporation – Loan Pool	2,000,000(2)
<u>Department for Local Government</u>	
Kentucky Infrastructure Authority-Infrastructure for Economic Development Fund for Coal-Producing Counties	13,000,000(2)
Kentucky Infrastructure Authority-Infrastructure for Economic Development Fund for Tobacco-Producing Counties	7,500,000(2)
<u>Cabinet for Health and Family Services</u>	
General Administration and Program Support - Child Support Enforcement (KASES II)	2,040,000
Mental Health and Mental Retardation – Plan and Design – Glasgow State Nursing Facility	2,000,000(3)
Public Health - Upgrade KASPER System DPH	5,000,000
<u>Justice and Public Safety Cabinet</u>	
State Police - Replace Records and Secure Evidence Facility	6,075,000
<u>Personnel Cabinet</u>	
General Operations - Replace Commonwealth's Personnel Payroll System	25,000,000

Council on Postsecondary Education	
Eastern Kentucky University - Construct Business Technology Center – Phase II	32,850,000[2]
Kentucky Community and Technical College System - LCC Classroom/Lab Building	31,741,000
University of Kentucky - Expand & Upgrade Livestock Disease Diag. Center	8,500,000
Western Kentucky University – Renovate Science Campus Phase II	33,000,000[2]

Projects Authorized by the 2006 General Assembly	Authorized Project Amount[1]
Cabinet for Economic Development	
New Economy High-Tech Construction/Investment Pool	$16,592,500[2]
Economic Development Bond Pool	17,500,000
Education and Workforce Development Cabinet	
Department of Education - Letcher County Central Vocational Center	2,000,000
Kentucky Educational Television - Replace Master Control & Production Infrastructure	15,707,000
Finance and Administration Cabinet	
Department of Facilities and Support Services - Capital Plaza Complex - Renovation and Design	4,942,000
Commonwealth Office for Technology - Public Safety Commission Infrastructure - KEWS - Additional	13,000,000[2]
Department of Revenue - Implement a Comprehensive Tax System - Phase I	23,250,000[2]
General Government	
Governor's Office for Local Development - Warren County Fiscal Court - Transpark - Rail Spur	4,500,000
Governor's Office for Local Development - Community Development Fund Projects	28,958,000[2]
Kentucky Infrastructure Authority/Other - Infrastructure for Economic Development Fund for Non-Coal Producing Counties	112,500,000[2]
Kentucky Infrastructure Authority/Other - Infrastructure for Economic Development Fund for Coal-Producing Counties	75,000,000[2]
Department of Veteran's Affairs - Western Kentucky Veterans' Center - Alzheimer's/General Care unit	1,757,000
Cabinet for Health and Family Services	
General Administration and Program Support - Safeguarding Children at Risk (TWIST Re-Write II) - Additional	3,134,000[2]
Department of Mental Health Mental Retardation - Oakwood - Replace Chillers, Heating & Cooling Lines	2,131,000
Council on Postsecondary Education	
Eastern Kentucky University - Construct Science Building	54,108,000[2]
Eastern Kentucky University - Construct Manchester Postsecondary Education Center	3,500,000[2]
Kentucky State University - Renovate Hathaway Hall, Phase II	4,920,000[2]
Morehead State University - Construct Center for Health, Education and Research	23,000,000[2]
Morehead State University - Space Science Center - Completion	3,400,000[2]
Murray State University - Construct New Science Complex, Phase III	15,000,000[2]
Northern Kentucky University - Construct Center for Informatics	35,500,000
University of Kentucky - Construct Biological/Pharmaceutical Complex - Phase II	79,892,000[2]
University of Louisville - Construct HSC Research Facility Phase IV - Additional	69,680,000[2]
Western Kentucky University - Replace College of Education Building - Tate Page Hall	35,000,000
Kentucky Community Technical College System - Advanced Manufacturing Technology Center-Gateway Community and Technical College - Design	28,000,000
Kentucky Community Technical College System - Construct Emerging Technology Center - West KY CTC	16,518,000
Kentucky Community Technical College System - Construct Allied Health/Technical Educational Building - Laurel Campus	14,015,000
Kentucky Community Technical College System - Construct Administration Building, Phase I - Maysville CC	5,008,000
Kentucky Community Technical College System - Construct Science/Allied Health Building - Jefferson CTC	25,557,000
Kentucky Community Technical College System - Construct Central Regional Postsecondary Education Center Phase II - Elizabethtown CTC	20,000,000

Kentucky Community Technical College System - Advanced Manufacturing Center - Design - Bluegrass CTC	1,500,000
Kentucky Community Technical College System - Construct Tech Drive Campus, Phase III - Ashland CTC	17,600,000[(2)]
Kentucky Community Technical College System - Springfield Community and Technical College	14,500,000
Kentucky Community Technical College System - McCreary Center - Somerset CC	6,500,000
Tourism, Arts and Heritage Cabinet	
Kentucky Horse Park – Construct New Indoor Arena	36,500,000

Projects Authorized by the 2007 General Assembly (2nd Special Session)	Authorized Project Amount[(1)]
Cabinet for Economic Development	
Department of Financial Incentives – Energy Bonds	$100,000,000

Projects Authorized by the 2008 General Assembly	Authorized Project Amount[(1)]
Cabinet for Economic Development	
Economic Development Bonds	$50,000,000
Education and Workforce Development Cabinet	
Department of Education – Operations and Support Services- Student Data Management System - Phase 2	4,000,000[(2)]
Energy and Environment Cabinet	
Department for Natural Resources – Kentucky Heritage Land Conservation Fund - Additional	17,000,000[(2)]
Department for Natural Resources - State-Owned Dam Repair	2,000,000
Department for Environmental Protection - Petroleum Storage Tank Environmental Assurance Fund	25,000,000
Finance and Administration Cabinet	
Facilities and Support Services - Maintenance Pool 2008-2010	6,000,000
Commonwealth Office for Technology – Public Safety Communications Infrastructure - KEWS	18,000,000[(2)]
General Government	
Department of Veteran's Affairs – Fourth State Veterans Nursing Home	10,500,000
Governor's Office of Agricultural Policy-Kentucky Agriculture Heritage Center	8,000,000
Kentucky Department of Agriculture – Animal Shelters	3,000,000
Department for Local Government	
Kentucky Infrastructure Authority-Infrastructure for Economic Development Fund for Coal-Producing Counties	75,000,000
Kentucky Infrastructure Authority-Infrastructure for Economic Development Fund for Non-Coal-Producing Counties	60,000,000[(2)]
Kentucky Infrastructure Authority-Wastewater Projects - Fund A - State Match	4,000,000
Kentucky Infrastructure Authority-Drinking Water Projects - Fund F - State Match	4,000,000
Flood Control Matching Funds	2,200,000[(2)]
Cabinet for Health and Family Services	
General Administration and Program Support - Maintenance Pool 2008-2010	3,000,000
Department of Mental Health Mental Retardation – Construct Hazelwood Intermediate Care Facility	10,000,000
Justice and Public Safety Cabinet	
Adult Correctional Institutions - Maintenance Pool 2008-2010	4,000,000
Kentucky River Authority	
Kentucky River Locks and Dams Maintenance & Renovation Pool	17,500,000
Council on Postsecondary Education	
Morehead State University - Replace Power Plant Pollution Control System	5,700,000
Capital Renewal and Maintenance Pool	13,927,000
Research Challenge Trust Fund	21,926,570[(2)]

Regional University Excellence Trust Fund	4,134,263[(2)]
Kentucky Community and Technical College System - LCC Classroom/Lab Building – Additional for Eastern State Hospital Site	4,000,000[(2)]
Transportation Cabinet	
Wetland Restoration	10,000,000
Tourism, Arts and Heritage Cabinet	
Parks Department - Maintenance Pool 2008-2010	4,000,000
State Fair Board - Upgrade HVAC Systems	2,000,000
Kentucky Center for the Arts - Major Maintenance Renovation Pool	8,954,000
TOTAL – Partially Financed Projects	**$1,507,155,333**

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(1) Excludes allocable costs of issuance.
(2) Less than full authorization
(3) Reauthorized and Reallocated in the 2009 Special Session of the General Assembly.

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-only system is used, only DTC will receive or have the right to receive physical delivery of Bonds and, except as otherwise provided herein with respect to tenders by Beneficial Owners (as hereinafter defined) of beneficial ownership interests, Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the Resolution.

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, 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 and www.dtc.org.

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

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

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

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

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

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

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

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

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

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

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

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

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

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EXHIBIT D

FORM OF BOND COUNSEL OPINION FOR THE BONDS

November __, 2009

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

U.S. Bank National Association
Louisville, Kentucky

$401,345,000
Commonwealth of Kentucky
State Property and Buildings Commission
Revenue Bonds, Project No. 96
Series A
Series B (Federally Taxable—Revenue)
Series C (Federally Taxable—Build America Bonds—Direct Payment to the Commission)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the State Property and Buildings Commission of the Commonwealth of Kentucky (the "Commission") of $401,345,000 aggregate principal amount of Revenue Bonds, Project No. 96 (the "Bonds") consisting of Series A (the "Series A Bonds"), Series B (Federally Taxable—Revenue) (the "Series B Bonds") and Series C (Federally Taxable—Build America Bonds—Direct Payment to the Commission) (the "Series C Bonds," and together with the Series A Bonds and the Series B Bonds, the "Bonds"). The Bonds are issuable as fully registered Bonds without coupons dated as of their date of delivery, bearing interest payable semiannually on May 1 and November 1 of each year commencing on May 1, 2010. The Series A Bonds are issuable in denominations of $5,000 or any integral multiple thereof, and the Series B Bonds and Series C Bonds are issuable in denominations of $1,000 or any integral multiple thereof. The Series A Bonds and Series B Bonds are not subject to optional redemption prior to maturity. The Series C Bonds are subject to redemption at the option of the Commission in whole or in part at any time, at a redemption price equal to the "Make-Whole Redemption Price" as described in the Bond Resolution (as defined below), plus accrued interest to the date fixed for redemption. The Series C Bonds are also subject to Extraordinary Optional Redemption and Mandatory Sinking Fund Redemption as set forth in the Bond Resolution.

The Bonds are being issued by the Commission, pursuant to Chapter 56 and Sections 58.010 to 58.140, inclusive, of the Kentucky Revised Statutes, as supplemented and amended (the "Act"), and a resolution adopted by the Commission on October 19, 2009 (the "Bond Resolution") for the purpose of providing funds to (a) pay the costs of the Project, including capitalized interest, as authorized by the Budget Act as described in the Bond Resolution, and (b) to pay the costs of issuing the Bonds.

The Commission has covenanted in the Bond Resolution to at all times do and perform all acts and things permitted by law and necessary or desirable to assure that (a) the interest on the Series A Bonds shall, for purposes of federal income taxation, be excludable from the gross income of the recipient and (b) the Series C Bonds will qualify as "build America bonds" under Section 54AA(d) of the Internal Revenue Code (the "Code") and as "qualified bonds" under Section 54AA(g) of the Code.

We have examined the laws of the Commonwealth of Kentucky, the Act, the Budget Act, a certified copy of the Bond Resolution, an executed counterpart of the Lease (as defined in the Bond Resolution), an executed counterpart of the Tax Exemption Certificate and Agreement dated the date hereof between the Commission and the Finance and Administration Cabinet of the Commonwealth of Kentucky Cabinet (the "Cabinet"), certified copies of proceedings of the Commission authorizing the issuance of the Bonds, a copy of an executed bond of each Series of the Bonds and such other documents, records, certificates and opinions as we have deemed relevant and necessary in rendering this opinion.

From such examination, we are of the opinion that:

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

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

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

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

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

6. Assuming compliance by the Commission and the Cabinet with certain covenants, existing laws, regulations, rulings and judicial decisions, the Series C Bonds are "build America bonds" under Section 54AA(d) of the Code and "qualified bonds" under Section 54AA(g) of the Code. Failure of the Commission and the Cabinet to comply with such requirements could result in the Series C Bonds failing to be "build America bonds" under Section 54AA(d) or "qualified bonds" under Section 54AA(g) retroactively to the date of issuance of the Series C Bonds.

7. Interest on the Series B Bonds and Series C Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Purchasers of the Series B Bonds and the Series C Bonds should consult their own tax advisors as to the tax consequences of purchasing or owning the Series B Bonds and Series C Bonds.

8. Under the existing laws of the Commonwealth of Kentucky, interest on the Bonds is excluded from the gross income of the recipients thereof for Kentucky income tax purposes and the Bonds are exempt from taxation or assessment of any type by the Commonwealth of Kentucky and all political subdivisions within the State of Kentucky.

9. The Series B Bonds and the Series C Bonds will be characterized as indebtedness of the Commission for federal income tax purposes.

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

This opinion is based upon existing law as of the date of issuance and delivery of the Bonds and we express no opinion as of any date subsequent thereto. We express no opinion as to the title to, or the sufficiency in the Bond Resolution or otherwise of the description of, the Project, or the priority of any liens, charges or encumbrances on the Project.

Very truly yours,
[To be signed and delivered at Closing by Kutak Rock LLP]

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