

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.

\$323,380,000

COMMONWEALTH OF KENTUCKY
State Property and Buildings Commission
Revenue Bonds, Project No. 99

\$98,065,000 Series A

\$10,325,000 Series B (Federally Taxable)

\$214,990,000 Series C (Federally Taxable – Build America Bonds – Direct Payment to the Commission)

Dated: Date of delivery

Due: November 1, as shown on the inside cover

The Revenue Bonds, Project No. 99, 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, 2011. 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.

AMOUNTS, MATURITIES, INTEREST RATES, PRICES OR YIELDS AND CUSIPS ON 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 18, 2010 to (i) pay costs of the Project described herein, including the payment of certain capitalized interest, 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, Peck, Shaffer & Williams LLP, Covington, Kentucky. It is expected that delivery of the Bonds will be made on or about November 17, 2010, in New York, New York, through the facilities of DTC, against payment therefor.

MORGAN STANLEY

Citi

J.J.B. Hilliard, W.L. Lyons, LLC
Edward D. Jones & Co., L.P.
Ross, Sinclair & Associates, LLC

Morgan Keegan & Co., Inc.
First Kentucky Securities Corp.
Sterne, Agee & Leach, Inc.

PNC Capital Markets LLC
Stifel Nicolaus & Company, Incorporated
BofA Merrill Lynch

\$98,065,000
COMMONWEALTH OF KENTUCKY
STATE PROPERTY AND BUILDINGS COMMISSION
REVENUE BONDS PROJECT NO. 99, SERIES A

<u>Maturity</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> ¹
2012	\$ 1,365,000	4.000%	0.870%	49151E6F5
2013	2,855,000	2.000	1.200	49151E6G3
2013	700,000	3.000	1.200	49151E6M0
2013	3,455,000	4.000	1.200	49151E6X6
2013	5,030,000	5.000	1.200	49151E6T5
2014	2,270,000	2.000	1.440	49151E6H1
2014	8,695,000	3.000	1.440	49151E6N8
2014	1,500,000	5.000	1.440	49151E6V0
2015	3,395,000	2.000	1.720	49151E6J7
2015	500,000	3.000	1.720	49151E6P3
2015	9,025,000	5.000	1.720	49151E6U2
2016	655,000	4.000	2.080	49151E6K4
2016	12,865,000	5.000	2.080	49151E6Q1
2017	500,000	4.000	2.440	49151E6L2
2017	13,710,000	5.000	2.440	49151E6R9
2018	14,935,000	5.000	2.740	49151E6S7
2021	16,610,000	5.000	3.410	49151E6W8

\$10,325,000
COMMONWEALTH OF KENTUCKY
STATE PROPERTY AND BUILDINGS COMMISSION
REVENUE BONDS PROJECT NO. 99, SERIES B
(Federally Taxable)

<u>Maturity</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>CUSIP</u> ¹
2012	\$10,325,000	1.650%	100.000%	49151E6Y4

\$214,990,000
COMMONWEALTH OF KENTUCKY
STATE PROPERTY AND BUILDINGS COMMISSION
REVENUE BONDS PROJECT NO. 99, SERIES C
(Federally Taxable – Build America Bonds – Direct Payment to the Commission)

<u>Maturity</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>CUSIP</u> ¹
2019	\$15,590,000	4.303%	100.000%	49151E6Z1
2020	16,050,000	4.403%	100.000	49151E7A5

\$73,785,000; 5.373%; Term Bonds due November 1, 2025; price 100%; CUSIP 49151E7C1
 \$109,565,000; 5.921%; Term Bonds due November 1, 2030; price 100%; CUSIP 49151E7B3

¹ Copyright 2010, CUSIP Global Services. CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by Standard & Poor's. 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 holders 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)

REGARDING USE OF THIS OFFICIAL STATEMENT

GENERAL

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 AFFECT 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.

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.

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 remainder of this page is intentionally left blank.]

INFORMATION COVERING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

THE FOLLOWING INFORMATION HAS BEEN PROVIDED BY THE UNDERWRITERS FOR USE IN THE OFFERING OF THE BONDS IN THE OFFICIAL STATEMENT. THE COMMISSION MAKES NO REPRESENTATION AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION.

Minimum Unit Sales

The Bonds will trade and settle on a unit basis (one unit equaling one Bond of \$5,000 principal amount for Series A Bonds and one unit equaling one Bond of \$1,000 for Series B Bonds and Series C Bonds), for any sales made outside the United States, the minimum purchase and trading amount is 20 units for Series A Bonds (being 20 Series A Bonds in an aggregate principal amount of \$100,000) and 100 units for Series B Bonds and Series C Bonds (being 100 such Bonds in an aggregate principal amount of \$100,000).

Australia

This Official Statement does not constitute an invitation to apply for, or offer of, the Bonds to any other person. In no circumstances may this Official Statement be made available to a "retail client" as defined in section 761G of the Australian Corporations Act. Further, the Bonds will only be issued to wholesale clients.

For further details, and other investor eligibility criteria that apply, see this Official Statement.

This offer is only available to sophisticated or professional investors under Section 708(8) and (11) of the Australian Corporations Act.

This Official Statement is accordingly not a Prospectus, other kind of Disclosure Document or a Product Disclosure Statement for the purposes of the Australian Corporations Act and has not been lodged with the Australian Securities and Investments Commission. This Official Statement is not a Product Disclosure Statement under part 7.9 of the Australian Corporations Act. This Official Statement is not required to, and does not, contain all the information which would be required to be included in a Disclosure Document or a Product Disclosure Statement under the Australian Corporations Act.

This Official Statement has not been prepared for Australian investors. It may, therefore, contain references to dollar amounts which are not Australian dollars, may contain financial information which is not prepared in accordance with Australian law or practices, may not address risks associated with investment in foreign currency denominated investments and does not address Australian tax issues. Australian investors should seek their own tax, legal, investment and other professional advice before making an investment decision.

If you are unsure of your eligibility to invest in the Bonds you should obtain legal advice.

The Bonds and the Commission are not, and are not required to be, registered as a managed investment scheme under the Australian Corporations Act.

Australian Arranger. The Underwriters ("Australian Arranger") are offering to eligible investors in Australia to arrange for the issue of the Bonds in accordance with the Official Statement. The Australian Arranger is authorized to make that offer in accordance with an "Intermediary Authorization" within the meaning of section 911A(2)(B) of the Australian Corporations Act.

The Australian Arranger will hold an appropriate Australian financial services license.

This Official Statement does not take into account any persons' objectives, financial situation or needs. There is no cooling-off regime applicable in respect of an acquisition of the Bonds. The Commission and the Underwriters may not be licensed under the Australian Corporations Act to provide financial product advice in relation to the Bonds.

Secondary Sale Restrictions. The Bonds must not be offered for sale, or invitations for offers to purchase the Bonds issued, unless disclosure is not required under part 6D.2 of the Australian Corporations Act and a product disclosure statement is not required to be given under part 7.9 of the Australian Corporations Act. Further, the Bonds may only be held by wholesale clients. Other restrictions on transferability of the Bonds are described in this Official Statement.

General. No representation is made or warranty given that this Official Statement is a complete or accurate statement of information which may be needed to make an investment decision. The Commission disclaims, to the maximum extent permitted by law, all responsibility for loss or damage which may be suffered by any person directly or indirectly through relying upon the Official Statement, whether that loss or damage is caused by any fault or negligence on the part of the Commission, or otherwise. Recipients of this Official Statement should rely upon their own inquiries and obtain independent legal, financial and taxation advice relevant to foreign investment of the kind involved, prior to making any investment decision. Nothing in this Official Statement is, or may be relied upon as, a promise or a representation or a warranty as to any future matter.

Your investment in the Bonds is subject to investment and other risks, including possible delays in repayment and loss of income and principal invested. Neither the Commission nor its advisors or affiliates guarantee the performance of the Commission, the repayment of capital or any particular rate of return. Neither the Commission nor its advisors or affiliates are authorized deposit-taking institutions regulated by the Australian Prudential Regulation Authority. Investments in the Bonds do not represent deposits with or other liabilities of the Commission or its advisors and affiliates.

Austria

This Official Statement has been produced for the sole purpose of providing information about the Bonds described herein to a limited number of qualified investors and less than 100 investors, other than qualified investors, in Austria. This Official Statement is made available on the condition that it is for the use only by the recipient as a qualified investor and may not be passed on to any other person or reproduced in any part. The Bonds will not be offered in the course of a public offering or of equivalent marketing in Austria and, therefore, the provisions of the Investment Fund Act 1993 (Investmentfondsgesetz 1993) and the provisions of the Capital Market Act 1991 (Kapitalmarktgesetz 1991) relating to prospectus requirements do not apply. Any order by any person other than the initial recipient of this Official Statement will be rejected. Past performance is no reliable indicator for future performance.

As of the date the directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending directive 2001/34/EC ("Prospectus Directive") is implemented in the relevant Member States of the European Economic Area (the "Implementation Date"), the Bonds may be offered and sold to the public within such member states of the European Economic Area only in accordance with the provisions of the prospectus directive and the acts and regulations passed in the respective member states with regard to the implementation of the prospectus directive.

Belgium

The Offering is exclusively conducted under applicable private placement exemptions and therefore neither this Private Placement Official Statement nor any other offering material related to the

Bonds has been or will be notified to, and neither this Private Placement Official Statement nor any other offering material relating to the Bonds has been or will be approved or reviewed by, the Belgian Banking, Finance And Insurance Commission (Commission Bancaire, Financiere Et Des Assurances/Commissie Voor Het Bank, Financie En Assurantiewezen) or the "CBFA". Nor has the CBFA commented as to their accuracy or adequacy or recommended the purchase of the Bonds. Nor will the CBFA so comment or recommend.

Neither this Private Placement Official Statement nor any other offering material relating to the Bonds may be distributed, directly or indirectly, to any investors in circumstances which would require the publication by the Commission of a prospectus, information circular, brochure or similar document pursuant to article 3 of the Belgian Law of 16 June 2006 on Public Offerings of investment instruments and the admission of investment instruments to trading on a regulated market.

Furthermore, none of the Bonds may be sold or offered for sale to consumers as such term is defined in the Belgian Law Dated 14 July 1991 on Commercial Practices and the information and protection of consumers.

This Private Placement Official Statement and any other offering material relating to the Bonds that you may receive is intended for your confidential use only, and may not be reproduced or used for any other purpose. Any action contrary to these restrictions may cause you and us to be in violation of the Belgian securities laws.

Brazil

The Bonds may not be offered or sold to the public in Brazil. Accordingly, the Bonds have not been and will not be registered with the Brazilian Securities and Exchange Commission (Comissão De Valores Mobiliários, the "CVM"), nor has it been submitted to the CVM for approval. This Official Statement relating to the Bonds, as well as the information contained herein, may not be supplied to the public in Brazil, as the offering of Bonds is not a public offering of securities in Brazil, nor used in connection with any offer for subscription or sale of securities to the public in Brazil. The Commission may be asked by the purchaser to comply with procedural requirements to evidence previous title to the Bonds and may be subject to Brazilian tax on capital gains which may be withheld from the sale price. Persons wishing to offer or acquire the Bonds within Brazil should consult with their own counsel as to the applicability of these registration requirements or any exemption therefrom.

Cyprus

This Official Statement does not constitute a prospectus under Cyprus law or regulation and as such it will not be publicly distributed or marketed in Cyprus. This Official Statement has not been filed or approved by the Cyprus Securities and Exchange Commission or any other Cypriot regulatory authority as this Official Statement has not been prepared in the context of a public offering of securities in Cyprus within the meaning of the Cyprus law on public offerings and prospectuses or any executive orders issued in connection thereto.

Denmark

This Official Statement does not constitute a prospectus under any Danish laws or regulations and has not been filed with or approved by the Danish financial supervisory authority as this Official Statement has not been prepared in the context of either (i) a public offering of securities in Denmark within the meaning of the Danish Securities Trading Etc. Act No. 479/2006, as amended from time to time, or any Executive Orders issued in connection thereto or (ii) an offering of a collective investment scheme comprised by the Danish Investment Association Act No. 55/2006, as amended from time to time, or any Executive Orders issued in connection thereto.

Estonia

This Official Statement is being distributed to a limited number of pre-selected investors and the Bonds may be offered in Estonia through private placement only. This Official Statement is directed only to such recipients to whom it is directly addressed to. The offering of the Bonds has not been and shall not be registered under the Investment Funds Act (Investeerimisfondide Seadus) of Estonia, or under the Securities Market Act (Väärtpaberituru Seadus) of Estonia, as a public offering, and no offer of any Bonds in Estonia shall constitute a public offering pursuant to applicable Estonian law. The Bonds may not be offered or sold, directly or indirectly, to any resident of the Republic of Estonia, or in the Republic of Estonia, except pursuant to the applicable Estonian laws and regulations. Specifically, the Bonds may not be offered or sold, directly or indirectly, to the public in the Republic of Estonia.

Finland

This offering of Bonds is targeted only to a limited number of institutional investors and does not constitute a public offering of the Bonds in Finland. Accordingly, this Official Statement has not been submitted to the Finnish Financial Supervision Authority for approval. This Official Statement may not be used for any purpose other than evaluating a potential investment in the Bonds offered hereunder. This Official Statement is submitted to a limited number of preselected sophisticated investors and may not be released to any other persons. Nothing in this Official Statement/material/presentation may be deemed to constitute any provision of investment advice.

France

This offering of Bonds is targeted only to a limited number of institutional investors and does not constitute a public offering of the Bonds in France. Accordingly, this Official Statement has not been submitted to the Autorité Des Marchés Financiers for approval. This Official Statement may not be used for any purpose other than evaluating a potential investment in the Bonds offered hereunder. This Official Statement is submitted to a limited number of institutional investors and may not be released to any other persons. Nothing in this Official Statement may be deemed to constitute any provision of investment advice.

Germany

The Bonds which are the subject of this Official Statement are neither registered for public distribution with the Federal Financial Supervisory Authority (Bundesanstalt Für Finanzdienstleistungsaufsicht – "BaFin") according to the German Investment Act (Investmentgesetz) nor listed on a German exchange. No sales prospectus pursuant to the German Investment Act or the German Securities Prospectus Act (Wertpapierprospektgesetz) or the German Sales Prospectus Act (Verkaufprospektgesetz) has been filed with BaFin.

Please note the restrictions concerning investors residing in Germany in the Official Statement. Accordingly, the Bonds are only offered under the following prerequisite:

Generally, the minimum amount for each investor is usd100,000, but Morgan Stanley may accept in its sole discretion lesser amounts. However, as far as investors residing in Germany are concerned, Morgan Stanley will under no circumstances accept investments under €50,000 per investor. No view on taxation is expressed. Prospective investors in Germany are urged to consult their own tax advisers as to the tax consequences that may arise from an investment in the Bonds.

Greece

The Bonds have not been approved by the Greek Capital Market Commission for distribution to the public in Greece. This Official Statement and the information contained herein does not and shall not

be deemed to constitute an invitation to the public in Greece to purchase Bonds. The Bonds may not be distributed, offered or in any way sold in Greece except as permitted by Greek law. The Bonds do not have a guaranteed performance and past returns do not guarantee future ones. This offering is exempt from the prospectus publication requirement and the prior Greek Capital Market Commission permission requirement as the offering is addressed only to qualified investors and the minimum investment amount per investor is €50,000.

Hong Kong

The contents of this Official Statement have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this Official Statement, you should obtain independent professional advice.

The Bonds may not be offered or sold, by means of any document, and no advertisement, invitation or document relating to the Bonds, whether in Hong Kong (except if permitted to do so under the securities laws of Hong Kong or elsewhere, shall be issued, circulated or distributed which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong other than (i) with respect to the Bonds, which are or are intended to be disposed of only to persons outside Hong Kong or only to "Professional Investors" within the meaning of the Securities And Futures Ordinance (Cap. 571) of Hong Kong ("SFO") and any rules made thereunder or (ii) in circumstances that do not constitute an invitation to the public for the purposes of the SFO.

Hungary

This Official Statement has not been and will not be submitted to the state supervision of financial organizations in Hungary and the investment instruments specified in this Official Statement will not be offered in the Republic of Hungary in a public offer as defined in Act No. Cxx of 2001 on the capital markets ("Capital Markets Act").

Members of the general public are not eligible to take part in this private placement, as specified in this private placement Official Statement. This Official Statement is a confidential Official Statement being made available to selected potential investors upon request and their exclusive use and for the purpose of assisting in deciding whether such selected investors wish to participate in the private placement.

Iceland

This Official Statement has been issued to you for your personal use only and exclusively for the purposes of this Official Statement. Accordingly, this Official Statement may not be used for any other purpose nor passed on to any other person in Iceland. The offering described in this prospectus is a private placement with regard to Icelandic law the Bonds may not be offered or sold by means of this prospectus or anyway later resold to other than entities or persons defined as qualified investors in the meaning of item No. 9 in Article 43 of the Icelandic Act on Securities Transactions. Any resale of the Bonds in Iceland will need to take place in accordance with the provisions of the Icelandic Act on Securities Transactions. Prospective investors should consult their own tax advisors as to the tax consequences of the investment.

Ireland

The offering of the Bonds has not been approved by, and is not regulated by, the Irish Financial Services Regulatory Authority. This Official Statement does not constitute or form part of any offer or invitation to the public to subscribe for or purchase Bonds and shall not be construed as such and no person other than the person to whom this Official Statement has been addressed or delivered shall be

eligible to subscribe for or purchase Bonds. Bonds shall not be marketed to the public in Ireland without the prior approval in writing of the Irish Financial Services Regulatory Authority.

This Official Statement is strictly private and confidential and should not be disseminated or circulated to the public.

This Official Statement is directed solely to certain individuals to whom they are addressed (the "Investor"). The investments or investment activities to which this Official Statement refers is the subject of a private invitation made by the Commission to the investor (the "Offer") and are available solely to the investor and no other person(s), directly or indirectly. Other than the investor, the Commission will not engage with any person(s) in relation to the documents. The Offer is not an offer to the public within the meaning of the applicable laws of Ireland and in particular Section 9(1)(B) of the Unit Trusts Act 1990 or within the meaning of Regulation 2 Of Part I of the Prospectus (Directive 2003/71/EC) Regulations 2005 (the "Directive"). This Official Statement has not been prepared in accordance with the Directive or any measures made under that Directive or the laws of Ireland or of any EU member state or EEA treaty adherent state that implement that Directive or those measures. They have not been reviewed, approved or authorized by any regulatory authority in Ireland, any other EU member state or any EEA treaty adherent state and therefore may not contain all the information required where a document is prepared pursuant to the Directive or those laws.

Other than the investor, no person(s) should rely on this Official Statement or take any action upon them. If you are not the intended recipient of this Official Statement and have received them in error you should return them immediately. Your postage and reasonable delivery expenses will be refunded.

The Commission is not supervised, approved or authorized in Ireland by the Irish Financial Services Regulatory Authority and the regulatory requirements which it imposes are not applicable.

Potential investors should consult a stockbroker, bank manager, solicitor, accountant or other financial adviser and are responsible for informing themselves as to the possible tax consequences of an investment.

The Commission has not made and will not make an offer of interest to the public in Ireland prior to the publication of a prospectus in relation to an offer of interest that has been approved by the Irish Financial Services Regulatory Authority or where appropriate, approved in another member state of the European Union and notified to the Irish Financial Services Regulatory Authority in Ireland, all in accordance with the Prospectus Directive 2003/71/EC, the Irish Prospectus (Directive 2003/71/EC) Regulations, 2005, and the Investment Funds, Companies and Miscellaneous Provisions Act, 2005 and any such marketing in Ireland is subject to the prior approval of the Irish Financial Services Regulatory Authority.

Japan

This Official Statement and all information disclosed herein shall be deemed to be confidential information and are intended solely for the use of its intended recipients. Any disclosure of the existence or contents of this Official Statement to third-parties, and/or any translation, duplication or redistribution of this Official Statement is strictly prohibited. By accepting delivery of this Official Statement, the intended recipient agrees and covenants with the Commission and Morgan Stanley to return this Official Statement and all related documents to the Commission and Morgan Stanley (i) if said recipient elects not to purchase any of the Bonds offered or (ii) if requested by the Commission or the Underwriters.

The intended recipient understands and acknowledges that upon purchasing of the Bonds, neither the return of the principal amount nor the distribution of any profit is guaranteed. Any investment in the Bonds involves certain risks of loss, including but not limited to risks caused by fluctuations in interest

rates, currency and other market factors, or the credit risk of other parties or affiliated parties thereof. Any person interested in purchasing the Bonds is advised to read the terms of investment carefully, paying particular attention to those provisions that relate to limitations on the period in which rights relating to such investment can be exercised.

This solicitation of an offer of acquisition relating to issuance of the Bonds falls within the "Solicitation for Small Number Investors, Etc.," as defined under Paragraph 3, Article 23-13 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended, the "FIEL"); and no securities registration statement, pursuant to the provisions of Paragraph 1 of Article 4 of the FIEL, has been filed or will be filed regarding this solicitation of an offer. The Bonds fall within the rights set forth in Item 6, Paragraph 2, Article 2 of the FIEL.

The Commission and the Underwriters may only solicit offer of acquisition relating to issuance of the interest to investors in Japan who do not fall under (I), (RO) and (HA) of Item 1, Paragraph 1, Article 63 of the FIEL ("Japan Investors") and is prohibited from making such solicitation to investors in Japan other than the Japan Investors.

If a Japan Investor who acquires or purchases the Bonds is a Qualified Institutional Investor as defined in Item 1, Paragraph 3, Article 2 of the FIEL ("QII"), the QII Japan Investor shall be prohibited from assigning the Bonds even if the Commission or Underwriters give their consent to such assignment, except in case of assigning the Bonds to another QII.

If a Japan Investor who acquires or purchases the Bonds is not a QII ("Non-QII"), the Non-QII Japan Investor is prohibited from assigning the Bonds even if the Commission or Underwriters give their consent to such assignment, except in case of assigning the Bonds in whole to one assignee.

Kuwait

The Bonds have not been authorized or licensed for offering, marketing or sale in the State of Kuwait pursuant to Law No. 31 of 1990, as amended, and the Ministerial Order No. 113 of 1992, as amended, governing the issue, offering and sale of bonds, and as such shall not be offered or sold in the State of Kuwait, except in compliance with the above law as amended, and the ministerial order as amended. No private or public offering of the Bonds is being made in the State of Kuwait, and no agreement relating to the sale of such Bonds will be concluded in the State of Kuwait. No marketing or solicitation or inducement activities are being used to offer or market such Bonds in the State of Kuwait. Interested investors from the State of Kuwait who approach us or any of the Underwriters realize this restriction, and that this offering and any related materials shall be subject to all applicable foreign laws and rules; therefore, they must not copy or distribute such materials to any other person.

Liechtenstein

The Bonds are offered to a narrowly defined category of investors, in all cases and under all circumstances designed to preclude a public solicitation. This offering Official Statement may not be reproduced or used for any other purpose, nor be furnished to any other person other than those to whom copies have been sent.

Luxembourg

The Luxembourg Regulatory Authorities have neither reviewed nor approved this Official Statement. Having regard to article 76 of the Luxembourg December 20, 2002 Law on Undertakings for Collective Investment, the Bonds are not and may not be offered to the public in or from Luxembourg, and further they may not be offered in Luxembourg outside the scope of the exemptions provided for by Article 5 §2 of the Luxembourg Law of 10 July 2005 on Prospectuses for Securities. This offer has not

been and may not be announced to the public and offering material may not be made available to the public.

The Netherlands

The Bonds may not be offered, sold, transferred or delivered, directly or indirectly, in the Netherlands, as part of their initial distribution or at any time thereafter, other than:

- (a) to individuals or legal entities which are considered to be "Qualified Investors" ("gekwalificeerde Beleggers") within the meaning of Section 1:1 of the Financial Supervision Act (Wet Op Het Financieel Toezicht, WFT);
- (b) to fewer than 100 individuals or legal entities within the Netherlands (other than the "Qualified Investors" as described above);
- (c) for a total consideration of at least € 50,000 per investor; or
- (d) in circumstances where another exemption or dispensation from both the prohibition of Section 2:65 WFT and Section 5:2 WFT applies under either Section 2:74 WFT in conjunction with section 4 of the exemption regulation WFT (Vrijstellingsregeling WFT) or Section 5:3 WFT or 5:5 WFT in conjunction with Sections 53, 54, or 55 of the exemption regulation WFT.

Neither the Commission nor the Bonds are subject to (a) the license requirement under the WFT and (b) the supervision of the Authority for the Financial Markets (Autoriteit Financiële Markten).

New Zealand

No prospectus has been registered with the New Zealand Registrar of Companies in accordance with the Securities Act 1978 (New Zealand) (the "Securities Act"). Accordingly, neither this Official Statement nor any other offering materials or advertisement in relation to the Bonds (together, the "Offering Documents And Materials") may be received by a person in New Zealand nor may the Bonds be offered or sold, directly or indirectly, in New Zealand unless the following exception applies or in other circumstances where there is no contravention of the Securities Act (or any statutory modification or re-enactment of, or statutory substitution for, the Securities Act).

Offering Documents and materials may be received by, and Bonds may be offered or sold to, persons:

- (a) whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money; and/or
- (b) who are each required to pay a minimum subscription price of at least NZ \$500,000 for the Bonds before the allotment of the Bonds.

Norway

This Official Statement has not been produced in accordance with the prospectus requirements laid down in the Norwegian Securities Trading Act 2007 or in accordance with the prospectus requirements laid down in the Norwegian Securities Fund Act 1981. This Official Statement has not been approved or disapproved by, or registered with, the Oslo Stock Exchange, Kredittilsynet nor the Norwegian Registry of Business Enterprises.

The offer to participate in the subscription of Bonds contained in this Official Statement is only and exclusively directed to the addressees of this offer and can not be distributed, offered or presented, either directly or indirectly to other persons or entities domiciled in Norway without the consent of the offeror.

The People's Republic Of China (for purposes of this Official Statement, The People's Republic of China does not include Hong Kong, Macau, and Taiwan)

The Bonds may not be offered or sold directly or indirectly in the People's Republic of China (which, for such purposes, does not include the Hong Kong or Macau Special Administrative Regions or Taiwan) (the "PRC"). The information contained in this Official Statement will not constitute an offer to sell or the solicitation of an offer to buy any Bonds within the PRC. This Official Statement or the information contained in this Official Statement have not been and will not be submitted to or approved/verified by or registered with any relevant governmental authorities in the PRC and may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Bonds in the PRC. The Bonds may only be offered or sold to PRC investors that are authorized to engage in the purchase of bonds of the type being offered or sold. PRC investors are responsible for obtaining all relevant government regulatory approvals/licenses, verification and/or registration themselves, including, but not limited to, any which may be required from the State Administration of Foreign Exchange, the China Securities Regulatory Commission, the China Banking Regulatory Commission, the China Insurance Regulatory Commission and other regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, any relevant foreign exchange regulations and/or overseas investment regulations.

Portugal

This Official Statement is private and confidential and is for the use solely of the person to whom it is addressed.

No action has been taken, or is intended to be taken, that would cause this distribution to be qualified under Portuguese Securities Law as a public offer of securities or, in particular, as a commercialization of investment funds, pursuant to Decree Law No. 252/2003, dated as of October 17, 2003, as amended.

Accordingly, this Official Statement shall not be made available to the public, advertised in any public manner in Portugal or to Portuguese residents or used for solicitation purposes to undetermined investors in Portugal.

This Official Statement is being made available for information purposes and on a personal and confidential basis exclusively to Portuguese "qualified investors," within the meaning of the Portuguese securities code, and to less than 100 determined Portuguese "non-qualified investors."

Saudi Arabia

This Official Statement may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the offers of securities regulations issued by the Saudi Arabian Capital Market Authority.

The Saudi Arabian Capital Market Authority does not make any representation as to the accuracy or completeness of this Official Statement and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Official Statement. Prospective purchasers of the Bonds offered hereby should conduct their own due diligence on the accuracy of the information relating to the Bonds. If you do not understand the contents of this Official Statement, you should consult an authorized financial adviser.

Singapore

Neither this Official Statement nor any other document or material in connection with any offer of the Bonds has been or will be lodged or registered as a prospectus with the Monetary Authority of Singapore ("MAS") under the securities and futures act (cap.289) of Singapore ("SFA"). Accordingly, the MAS assumes no responsibility for the contents of this Official Statement. This Official Statement is not a prospectus as defined in the SFA and statutory liability under the SFA in relation to the contents of prospectuses would not apply.

This Official Statement and any other documents or materials in connection with this offer and the Bonds may not be directly or indirectly issued, circulated or distributed, nor may the Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an Institutional Investor under section 274 of the SFA; (ii) to a Relevant Person (as defined in section 275(2) of the SFA) pursuant to section 275(1) of the SFA; (iii) to any Person pursuant to the conditions of Section 275(1a) of the SFA; or (iv) otherwise pursuant to, and in accordance with, the conditions of any other applicable provisions of the SFA.

Any subsequent offers in Singapore of the Bonds acquired pursuant to an initial offer made in reliance on an exemption under Section 274 of the SFA or section 275 of the SFA may only be made, pursuant to the requirements of Section 276 of the SFA, for the initial six month period after such acquisition to persons who are institutional investors (as defined in section 4a of the SFA) or to Accredited Investors and certain other persons (as set out in section 275 of the SFA). Any transfer after such initial six month period in Singapore shall be made, pursuant to the requirements of section 257 of the SFA, in reliance on any applicable exemption under subdivision (4) of division 1 of part xiii of the SFA.

In addition to the above, pursuant to the requirements of section 276(3) and 276(4) of the SFA, where the Bonds are subscribed or purchased under section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an Accredited Investor (as defined in section 4a of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an Accredited Investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an Accredited Investor,

Securities (as defined in section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interests (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under section 275 of the SFA except:

- (a) to an Institutional Investor or to a Relevant Person defined in section 275(2) of the SFA, or to any Person arising from an offer referred to in section 275(1a) or section 276(4)(i)(b) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law; or
- (d) where the Bonds were previously offered and made in or accompanied by a prospectus and which are of the same class as other securities of a corporation listed on the Singapore Exchange Bonds Trading Limited.

Spain

The offer of Bonds has not been registered with and authorized by the Spanish Securities Commission. Accordingly, no Bonds may be offered or sold in the Kingdom of Spain nor any document or offer material be distributed in Spain or targeted at Spanish residents save in compliance and in accordance with the requirements set out in Law 35/2003 and the regulation issued thereunder.

Sweden

Neither the Commission nor the Underwriters are authorised under the Swedish Investment Funds Act. The Bonds are being offered to a limited number of institutional investors and, therefore, this Official Statement has not been, and will not be, registered with the Swedish Financial Supervisory Authority under the Swedish Financial Instruments Trading Act (1991:980). Accordingly, this Official Statement may not be made available, nor may the Bonds otherwise be marketed and offered for sale in Sweden, other than in circumstances which are deemed not to be an offer to the public in Sweden under the Financial Instruments Trading Act.

Switzerland

This Official Statement does not constitute an issue prospectus pursuant Art 652A or Art 1156 of the Swiss Code of Obligations and the Commission has not and will not register with the Swiss Federal Banking Commission (the "FBC") as a Foreign Investment Fund. The products will not be listed on the SWX Swiss Exchange and, therefore, the Official Statement may not comply with the disclosure standards of the listing rules of the SWX Swiss Exchange.

Accordingly, the products may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors. The investors will be individually approached by the Commission from time to time. This Official Statement is personal to each offeree and does not constitute an offer to any other person. The offering Official Statement may only be used by those persons to whom it has been handed out in connection with the offer described therein and may neither be copied or directly nor indirectly be distributed or made available to other persons without express consent of the Commission. The offeree may not sell or offer the products to any other person except to (i) regulated financial intermediaries (such as banks, securities dealers and fund management companies), (ii) insurance companies, (iii) public entities and pension funds with professional treasury operations as defined by the practice of the FBC, (iv) companies with professional treasury operations as defined by the practice of the FBC, (v) high net worth individuals (individuals who have confirmed to a bank, securities dealer, fund management company or independent asset manager in writing, that, at the time of purchase, they directly or indirectly hold financial investments of two million Swiss Francs) or (vi) investors who have entered into a discretionary management agreement with a bank, securities dealer, or fund management company or with an independent asset manager subject to the Swiss anti-money laundering legislation and to a code of conduct recognized by the FBC.

Taiwan

The Bonds are being made available in Taiwan on a private placement basis only to banks, bills houses, trust enterprises, financial holding companies and other qualified entities or institutions (collectively, "Qualified Institutions") and other entities and individuals meeting specific criteria ("Other Qualified Investors") pursuant to the private placement provisions of the Taiwan Rules Governing Offshore Funds. No other offer or sale of the Bonds in Taiwan is permitted. Taiwan purchasers of the Bonds may not sell or otherwise dispose of their holdings except by redemption, transfer to a Qualified Institution or other Qualified Investor, transfer by operation of law or other means approved by the Taiwan Financial Supervisory Commission.

Thailand

The Bonds will not be offered or sold, directly or indirectly, in Thailand.

United Arab Emirates

The Bonds offered are not regulated under the laws of the United Arab Emirates ("UAE") relating to funds, investments or otherwise. Neither the Commission nor the Underwriters nor this Official Statement has been approved by the UAE Central Bank or any other regulatory authority in the UAE. This Official Statement is being distributed to a limited number of selected institutional and other sophisticated high net worth investors upon their request and confirmation that they understand, acknowledge and agree that:

(a) this Official Statement does not constitute a public offer of securities in the UAE in accordance with the applicable Financial Services Laws of the UAE and is not an advertisement or solicitation to the general public of the UAE;

(b) this Official Statement is strictly private and confidential and is intended only for the original recipients hereof to whom this Official Statement is personally provided and may not be reproduced or used for any other purpose;

(c) this Official Statement is for informational purposes only and nothing contained herein is intended to constitute UAE investment, legal, tax accounting or other professional advice (investors should consult with an appropriate professional for specific advice rendered on the basis of your situation and circumstances);

(d) the Bonds have not been and will not be marketed from within the UAE and no subscription of the Bonds will be consummated within the UAE; and

(e) the Commission and the Underwriters are not licensed to act as a broker or investment advisor in the UAE and does not advise persons resident in the UAE as to the appropriateness of investing in or purchasing or selling securities or other financial products.

The Bonds referred to in this Official Statement are not offered or intended to be sold directly or indirectly to the public in the UAE. Further, the information contained in this Official Statement is not intended to lead to the conclusion of any contract of any nature within the territory of the UAE.

United Kingdom

This communication is directed only at persons who (i) are outside the United Kingdom or (ii) are investment professionals falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 of the United Kingdom as amended (the "Order") or (iii) are high net worth entities falling within Article 49(2)(a) to (d) of the Order or (iv) such other persons to whom it may lawfully be communicated (all such persons together being referred to as "Relevant Persons"). This communication must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this communication relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

TABLE OF CONTENTS

	<u>Page</u>
SUMMARY	i
INTRODUCTION	1
THE BONDS	2
General	2
Build America Bonds	2
Book-Entry-Only System and Global Clearance Procedures	3
Redemption Provisions	3
SECURITY FOR THE BONDS	6
SOURCES AND USES OF FUNDS FOR THE BONDS	7
THE PROJECT	7
THE STATE PROPERTY AND BUILDINGS COMMISSION	7
General	7
Future Financings	7
THE FINANCE AND ADMINISTRATION CABINET	8
General	8
Department of Facilities and Support Services	8
Department of Revenue	8
Commonwealth Office of Technology	9
Office of the Controller	9
THE STATE AGENCIES	9
Cabinet for Economic Development	9
Department for Local Government	9
Cabinet for Health and Family Services	10
Justice and Public Safety Cabinet	11
Council on Postsecondary Education	11
Education and Workforce Development Cabinet	11
Department of Veterans' Affairs	12
Tourism, Arts and Heritage Cabinet	12
Energy and Environment Cabinet	13
Kentucky Department of Agriculture	13
Kentucky River Authority	13
Transportation Cabinet	14
THE COMMONWEALTH	14
Financial Information Regarding the Commonwealth	14
Certain Financial Information Incorporated by Reference	15
Budgetary Process in the Commonwealth	15
Fiscal Year 2008	16
Fiscal Year 2009	17
Fiscal Year 2010 (Unaudited)	18
Fiscal Year 2011 (Unaudited)	18
Investment Policy	19
Interest Rate Swaps	20
State Retirement Systems	21
SUMMARIES OF THE PRINCIPAL DOCUMENTS	23
The Resolution	23
The Lease and the Subleases	28
RATINGS	29
APPROVAL OF LEGAL PROCEEDINGS	29
LITIGATION	30
CERTAIN FEDERAL INCOME TAX CONSEQUENCES	30
General	30

Series A Bonds – Tax-Exempt Bonds.....	30
Series B Bonds and Series C Bonds.....	32
Exemption Under State Tax Law.....	37
Treatment of Interest Expense for Financial Institutions.....	37
Changes in Federal and State Tax Law.....	37
CERTAIN ERISA CONSIDERATIONS.....	38
UNDERWRITING.....	39
CONTINUING DISCLOSURE AGREEMENT.....	39
OTHER MATTERS.....	40

EXHIBIT A - DEBT INFORMATION PERTAINING TO THE COMMONWEALTH OF KENTUCKY

EXHIBIT B - THE PROJECT

EXHIBIT C - BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES

EXHIBIT D - FORM OF BOND COUNSEL OPINION FOR THE BONDS

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) \$98,065,000 Revenue Bonds, Project No. 99, Series A (the "Series A Bonds"), (ii) \$10,325,000 Revenue Bonds, Project No. 99, Series B (Federally Taxable) (the "Series B Bonds") and (iii) \$214,990,000 Revenue Bonds, Project No. 99, 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").

Authority

The Bonds are being issued pursuant to the provisions of the Constitution and laws of the Commonwealth, including particularly Chapters 56 and 58 of the Kentucky Revised Statutes ("KRS") and a resolution (the "Resolution") adopted by the Commission on October 18, 2010 (i) authorizing the issuance of the Bonds and (ii) authorizing the Lease Agreement dated as of November 1, 2010 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) pay costs of the Project, as described herein, including the payment of certain capitalized interest, 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 BIENNIAL RENEWABLE LEASE AGREEMENT WITH THE CABINET AND TO THE CABINET BY CERTAIN STATE AGENCIES UNDER BIENNIAL RENEWABLE SUBLEASES, THE RENT FROM WHICH IS SUBJECT TO APPROPRIATION BY THE GENERAL ASSEMBLY OF THE COMMONWEALTH ON A BIENNIAL BASIS. THE BONDHOLDERS HAVE NO SECURITY INTEREST IN ANY PROPERTIES CONSTITUTING THE PROJECT OR ANY AMOUNTS DERIVED THEREFROM.

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, 2011. Principal of, premium, if any, and interest on the Bonds will be paid directly to DTC by U.S. Bank National Association, as Trustee and Paying Agent (the "Trustee").

It is expected that delivery of the Bonds will be made on or about November 17, 2010, in New York, New York, against payment therefor.

Redemption

The Series A Bonds maturing on November 1, 2021 are subject to redemption at the option of the Commission on or after November 1, 2020, in whole or in part on any date, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

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

The Series C Bonds are subject to redemption at the option of the Commission, in whole or in part on any date, at a redemption price equal to the Make-Whole Redemption Price, plus accrued interest to the redemption date.

The Series C Bonds are subject to redemption prior to maturity at the option of the Commission, in whole or in part on any date, upon the occurrence of an Extraordinary Event (as defined herein), at a the Extraordinary Redemption Price (as defined herein).

See "THE BONDS - Redemption Provisions."

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 and Exchange Act of 1934, as amended (the "Rule"). In general, the Rule prohibits an underwriter from purchasing or selling municipal securities in an initial offering unless it has determined that the issuer of such securities has committed to provide annually, certain information, including audited financial information, and notice of various events described in the Rule, if material. In order to enable the purchaser to comply with the provisions of the Rule, the Commission will enter into a Continuing Disclosure Agreement (the "Disclosure Agreement") with the Trustee. 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 & Co. Incorporated, 1585 Broadway, New York, New York 10036, (212) 761-1284.

THIS PAGE INTENTIONALLY
LEFT BLANK

**OFFICIAL STATEMENT
Relating to**

\$323,380,000

**COMMONWEALTH OF KENTUCKY
State Property and Buildings Commission
Revenue Bonds, Project No. 99**

\$98,065,000 Series A

\$10,325,000 Series B (Federally Taxable)

\$214,990,000 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) \$98,065,000 Revenue Bonds, Project No. 99, Series A (the "Series A Bonds"), (ii) \$10,325,000 Revenue Bonds, Project No. 99, Series B (Federally Taxable) (the "Series B Bonds") and (iii) \$214,990,000 Revenue Bonds, Project No. 99, 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"), issued at the request of the Finance and Administration Cabinet of the Commonwealth (the "Cabinet") to provide funds with which to (a) pay costs of the Project (as described and defined herein under the caption "THE PROJECT"), including the payment of certain capitalized interest and (b) pay costs of issuing the Bonds.

The Bonds have been authorized and issued pursuant to the Constitution and laws of the Commonwealth, including particularly Chapters 56 and 58 of the Kentucky Revised Statutes ("KRS"). The Commission has adopted a Resolution dated October 18, 2010 (the "Resolution") 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 "Financing Agreement"). The Cabinet, as lessee, has also entered into a Lease Agreement dated as of November 1, 2010 with the Commission, as lessor, which, together with the Financing Agreement, is hereinafter referred to as the "Lease." 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, 2012, 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, 2012.

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 under Subleases dated as of November 1, 2010 (collectively, the "Subleases") to the Sublessees. The current term of each Sublease ends June 30, 2012, 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 Sublessees 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, 2011, at the interest rates set forth on the inside cover page of this Official Statement. U.S. Bank National Association, Louisville, Kentucky, is the trustee for the Bonds (the "Trustee").

Build America Bonds

As part of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"), Congress added Sections 54AA and 6431 to the Internal Revenue Code of 1986, as amended (the "Code"), which permit states and local governments to issue two types of taxable obligations, referred to as Build America Bonds, or "BABs," with federal subsidies to offset a portion of their interest costs, as an alternative to issuing traditional tax-exempt obligations. Interest on Build America Bonds is includable in gross income for federal income tax purposes. In order to qualify as Build America Bonds, the obligations must comply with certain requirements specified in the Code. If the obligations also comply with certain additional requirements specified in the Code, the Build America Bonds may constitute "Qualified Bonds" under Section 54AA of the Code, in which case an amount equal to 35% of the interest

payable on such Qualified Bonds (the "Credit Payments") is payable to the issuer by the U.S. Treasury upon compliance by the issuer with certain procedural requirements provided in the Code and Treasury Regulations. This direct payment to the issuer is in lieu of the tax credits otherwise allowed to owners of Build America Bonds under Section 54AA of the Code.

The Commission designated the Series C Bonds both as Build America Bonds and as Qualified Bonds and the Commission intends to apply for Credit Payments pursuant to Section 6431 of the Code. The Credit Payments are to be paid to the Commission or to the Trustee on the Commission's behalf. The Credit Payments will be paid to the Commission only to the extent that the Series C Bonds remain Qualified Bonds, which requires the Commission to comply with certain covenants and to establish certain facts and expectations with respect to the Series C Bonds, the use and investment of proceeds thereof and the use of property financed thereby. Also, credit payments may be subject to offset against certain amounts that may, for unrelated reasons, be owed by the Commission to an agency of the United States of America. The Subsidy Payments have not been pledged to the payment of the Bonds. See also "CERTAIN FEDERAL INCOME TAX CONSEQUENCES" herein.

Book-Entry-Only System and Global Clearance Procedures

The Bonds initially will be issued solely in book-entry form to be held in the book-entry-only system maintained by The Depository Trust Company ("DTC"), New York, New York. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Bonds and 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 AND GLOBAL CLEARANCE PROCEDURES."

Redemption Provisions

Optional Redemption - Series A Bonds. The Series A Bonds maturing on November 1, 2021 are subject to redemption at the option of the Commission on or after November 1, 2020, in whole or in part on any date, at a redemption price equal to the principal amount of the Series A Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

Selection of Series A Bonds for Redemption. The particular Series A Bonds to be redeemed may be selected by the Commission in its sole discretion.

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

Optional Redemption Series C Bonds. The Series C Bonds are subject to redemption at the option of the Commission, in whole or in part on any date, at a redemption price equal to the Make-Whole Redemption Price (determined by an independent accounting, investment banking, or financial advisory firm retained by the Commission to calculate such redemption price), plus accrued interest to the redemption date.

"Make-Whole Redemption Price" means the greater of (i) 100% of the principal amount of the 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 the Series C Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series C Bonds are to be redeemed, discounted to the date on which the Series C Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at (a) the Treasury Rate plus thirty (30) basis points for the Series C Bonds maturing November 1, 2019, November 1, 2020 and November 1, 2030 and (b) forty-five (45) basis points for the Series C Bonds maturing November 1, 2025.

"Treasury Rate" means, 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 serial bonds and remaining weighted average life of the Series C term bonds to be redeemed; provided, however, (i) that if the period from the redemption date to such 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 shall be used and (ii) for Series C Bonds subject to mandatory sinking fund redemption Weighted Average Life shall be used.

"Weighted Average Life" means the time period determined by (i) multiplying each remaining sinking fund redemption amount by the time from the optional redemption date to the respective sinking fund payment dates (in years) and (ii) dividing the sum of those amounts by the total outstanding principal amount of the particular Series B Bonds or Series C Bonds that are subject to such mandatory sinking fund redemption.

Extraordinary Optional Redemption of Series C Bonds. The Series C Bonds are subject to redemption prior to maturity at the option of the Commission on any date, 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:

- (i) 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
- (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 (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 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 that would reduce or eliminate the Credit Payments payable to the Commission.

Mandatory Sinking Fund Redemption - Series C Bonds. The Series C Bonds maturing on November 1, 2025 and November 1, 2030 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on the dates and in the principal amounts as follows:

<u>Date</u>	<u>Amount</u>
November 1, 2022	\$17,465,000
November 1, 2023	18,105,000
November 1, 2024	18,765,000
November 1, 2025*	19,450,000

*Maturity

<u>Date</u>	<u>Amount</u>
November 1, 2026	\$20,220,000
November 1, 2027	21,030,000
November 1, 2028	21,880,000
November 1, 2029	22,760,000
November 1, 2030*	23,675,000

*Maturity

Selection of Series C Bonds for Redemption. The particular Series C Bonds to be redeemed may be selected by the Commission in its sole discretion.

If the Series C Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of such Series C Bonds, if less than all of the Series C Bonds of a maturity are called for prior redemption, the particular Series C Bonds or portions thereof to be redeemed shall be selected on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the applicable series of Bonds is held in book-entry only form, the selection for redemption of such series of Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Series C Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

It is the Commission's intent that redemption allocations made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, neither the Commission nor the Underwriters can provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of Series C Bonds on such basis. If the DTC operational arrangements do not allow for the redemption of the Series C Bonds on a pro rata pass-through distribution of principal basis as discussed above, then the applicable Series of Bonds will be selected for redemption, in accordance with DTC procedures, by lot. If the Series C Bonds are registered with a successor securities depository or not registered in book-entry only form, any redemption of less than all of a maturity of the applicable Series of Bonds shall be allocated among the registered owners of such Bonds on a pro-rata basis and, if applicable, such successor depositories procedures.

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

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

date to DTC, and at least two (2) national information services that disseminate notices of redemption of obligations such as the Bonds; provided however, that such mailing shall not be a condition precedent to such redemption and failure to mail any such notice shall not affect the validity of any proceedings for the redemption of Bonds.

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

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

SECURITY FOR THE BONDS

The 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, 2012.

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 or to pay capitalized interest, 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.

The Commission had bonds outstanding in the aggregate principal amount of \$3,817,915,000 as of October 1, 2010. Upon the issuance of the Bonds, the Commission will have a total of \$4,126,560,000 aggregate principal amount of bonds outstanding.

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	\$323,380,000.00
Plus Net Original Issue Premium	<u>12,324,317.65</u>
TOTAL SOURCES	\$335,704,317.65

USES OF FUNDS:

Deposit to Project Fund	\$313,454,635.00
Capitalized Interest	20,109,580.64
Costs of Issuance*	<u>2,140,102.01</u>
TOTAL USES	\$335,704,317.65

*Includes underwriter's 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 2010 Extraordinary (Special) Session of the General Assembly delivered House Bill 1 (Executive Branch Budget other than Transportation Cabinet) to the Governor on May 28, 2010 and House Bill 3 (Kentucky Transportation Cabinet Budget) to the Governor on May 29, 2010, establishing an Executive Branch Budget for the biennium ending June 30, 2012. Governor Beshear took final action

on the bills on June 4, 2010. Together, the bills authorize bond financing for projects totaling \$1,980.2 million to support various capital initiatives of the Commonwealth. Of the total authorization, \$507.4 million is General Fund supported, \$515.3 million is Agency Restricted Fund supported, \$522.5 million is supported by Road Fund appropriations and \$435 million is Federal Highway Trust Fund supported through Grant Anticipation Revenue Vehicle Bonds designated for the Lake Barkley and Kentucky Lake Bridges Project and the Louisville-Southern Indiana Ohio River Bridges Project. The Executive Branch Budget also calls for approximately \$503 million of budgetary savings during the biennium to be achieved through a combination of contract reductions, non-merit personnel cost reductions, debt restructuring, and other efficiency measures.

The 2010 Regular Session of the General Assembly authorized House Bill 531 which amended certain sections of KRS 56.860 and authorized ALCo to issue up to \$875 million of Funding Notes for the purpose of financing or refinancing obligations owed under KRS 161.550 or 161.553 to the Teachers' Retirement System of the State of Kentucky (see "State Retirement Systems" herein). In August 2010, ALCo issued \$467.555 million of Funding Notes for this purpose. ALCo may issue additional Funding Notes based on this authorization during the current biennium.

The balance of prior bond authorizations of the General Assembly dating back to 2005 totals \$830.4 million. Of these prior authorizations, \$459.2 million is General Fund supported, \$40.2 million is Agency Restricted Fund supported, \$200 million is supported by Road Fund appropriations and \$131 million is Federal Highway Trust Fund supported.

The Bonds are being issued to finance a portion of the General Fund authorizations from the 2010 Extraordinary Session and prior sessions. 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

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.

Office of the Controller

The Office of the Controller is responsible for all state accounting policies and procedures, cash management and strategic financial planning. The Controller serves as the Commonwealth's chief accounting officer. The office maintains internal accounting controls, operates the statewide accounting system and reports the results of financial operations to management and the public. The office works closely with other agencies to coordinate the program, budget, and cost management components of the Commonwealth long-range business planning process.

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.

Department for Local Government

The Department for Local Government ("DLG"). 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 five divisions: Office of Financial Management and Administration, Office of Federal Grants, Office of State Grants, Office of Legal Services and Office of Field Services. The Kentucky Infrastructure Authority is also administratively attached to the department. DLG also partners with the state's fifteen Area Development Districts in serving the local governments of Kentucky.

Kentucky Infrastructure Authority ("KIA"). 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.

In addition, KIA sold its Wastewater and Drinking Water Revolving Fund Revenue Bonds, Series 2010A in late March 2010. The proceeds of the issue are being used to fund approximately \$230 million of wastewater and drinking water projects in the Commonwealth. The Revolving Fund Revenue Bonds are secured by loan repayments on wastewater and drinking water loans and interest earnings on obligations that have been pledged under the related trust indenture. These bonds are special and limited obligations of KIA and are not secured by a moral obligation pledge of the Commonwealth.

Cabinet for Health and Family Services

General. 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 Behavioral Health, Developmental and Intellectual Disabilities (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 General Administration and Program Support.

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 for Behavioral Health, Developmental and Intellectual Disabilities. The Department provides quality information, services and support for individuals with needs related to mental illness, intellectual disability, or other developmental disabilities and their families.

Justice and Public Safety Cabinet

General. 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 the responsibility for highway safety and traffic control, detecting and preventing crime, apprehending criminals and preserving and maintaining law and order for the protection of Kentucky's citizens.

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. The Cabinet is made up of eight agencies: Commission on the Deaf and Hard of Hearing, Department of Workforce Investment, Department of Education, Education Professional Standards Board, Kentucky Educational Television, Department for Libraries and Archives, Environmental Education Council, and Kentucky Center for School Safety.

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, in-school and at-home educational programs, professional development seminars, 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 through a variety of programs, 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 339,000 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

General. 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.

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 interests 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

General. 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 with adopting regulations to improve and coordinate water resource activities within the basin among state agencies and with the development of 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 that withdraw water from within 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 products 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 (for which a moral obligation pledge of the Commonwealth exists to replenish the related debt service reserve fund if at any time the balance therein is below the prescribed requirement), 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 Kentucky economy, once dominated by coal, horses, bourbon and tobacco has become a diversified, modern, international economy -- illustrated by the fact that Kentucky's manufacturing employment concentration as a percentage of non-farm employment is now higher than the national average, and recessionary employment declines in these sectors were more muted in Kentucky than the national equivalent. 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.

The U.S. and Kentucky economies are slowly emerging from the 2007-2009 recession and much like the U.S. economy, state economists project that the export-led sectors are leading the recovery as once-robust inventories have been rapidly depleted. Supporting service sectors are likely to respond with a slightly lagged recovery cycle. While Kentucky's non-farm employment shed nearly 115,000 jobs since December 2007, the official start of the U.S. recession, the decline was near the median of states in terms of the employment effect of the recession. Recent data indicates that Kentucky may rebound more quickly than other states if the resurgence of the domestic auto industry can be sustained, if Kentucky's expanded role in auto parts manufacturing remains, and if our relative insulation from the catastrophic losses of household wealth brought about by the national housing bubble continues.

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

The Kentucky Comprehensive Annual Financial Report for Fiscal Year 2009 is incorporated herein by reference. The Commonwealth has filed *The Kentucky Comprehensive Annual Financial Report* for Fiscal Year 2009 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 2009 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 2009 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 EMMA 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 absence of a legislatively enacted budget, the Supreme Court has ruled that the Governor has no authority to spend money from the state treasury except where there is a statutory, constitutional or federal mandate and the Commonwealth may be prevented from expending funds for certain state

governmental functions, including the ability to pay principal of and interest, when due, on obligations that are subject to appropriation. The Bonds are obligations that are subject to appropriation.

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 Bonds. These Bonds 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

The Commonwealth's combined net assets (governmental and business type activities) totaled \$14.3 billion at the end of 2009, as compared to \$16.1 billion at the end of the previous year.

The largest portion of the Commonwealth's net assets, \$19.9 billion, is invested in capital assets (e.g. land, infrastructures, buildings and improvements and machinery and equipment), 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 \$1.1 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 \$6.7 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 \$11.24 billion and general revenues (including transfers) of \$9.86 billion for total revenues of \$21.1 billion during Fiscal Year 2009. Expenses for the Commonwealth during Fiscal Year 2009 were \$23 billion, which resulted in a total decrease of the Commonwealth's net assets in the amount of (\$1.9) billion, net of contributions, transfers and special items.

The slowing economy, during the fiscal year caused revenues to decline, resulting in the decrease in net assets of governmental activities by (\$1.3) billion or 8.12 percent. Approximately 53 percent of the governmental activities' total revenue came from taxes, while 40 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 2009, the Commonwealth's governmental funds reported combined ending fund balances of \$1.99 billion, a decrease of \$444 million in comparison with the prior year. \$962.8 million 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 \$1.02 billion.

The General Fund is the primary operating fund of the Commonwealth. The fund balance at the end of Fiscal Year 2009 was \$30.4 million. The balance reported reflects a decrease of \$257.7 million from the previously reported amount, which represents a decline of 89.44 percent. The major factor for the decline is attributable to the slow national and state economy which has reduced individual and corporate income taxes.

The fund balance is segregated into reserved and unreserved amounts. The reservations of 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 2009 had \$80.13 million as a reserved fund balance and a negative \$49.7 million unreserved. The unreserved represents the amount available for current expenditures.

The major special revenue funds experienced normal cyclical changes in revenues and expenditures, except for the Transportation Fund which was affected by the nation's current economic conditions. The Transportation Fund taxes motor fuel consumption and levies a use tax on motor vehicles transfers. Both of these activities experience a downturn resulting in a \$69 million decrease in tax receipts.

The Commonwealth of Kentucky's bonded debt increased by \$812.4 million to \$4.4 billion, a 22.46 percent increase during Fiscal Year 2009. 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, 2009.

Fiscal Year 2010 (Unaudited)

In May 2009, the Consensus Forecasting Group ("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. The Governor subsequently called for a Special Session of the General Assembly in June 2009 to address the projected budget shortfall.

Based on the May 2009 revised CFG estimate along with the changes enacted in House Bill 3 and House Bill 4 by the General Assembly during the Special Session, the revised official General Fund revenue estimate for Fiscal Year 2010 became \$8,295.9 million and the revised estimate for Phase I Tobacco MSA payments became \$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 meet the projected revenue shortfall in Fiscal Year 2010.

On December 21, 2009, the CFG revised the official Fiscal Year 2010 General Fund revenue estimate downward by an additional \$99.9 million to \$8,196 million. This revision was slightly better than expected based on the initial planning estimates the CFG released in October, 2009. The Governor signed General Fund Budget Reduction Order 10-02 on January 4, 2010 to close this additional budget gap through a combination of fund transfers, additional budget cuts, and use of the State Fiscal Stabilization Fund.

Fiscal Year 2010 General Fund actual revenues total \$8,225.1 million through June 2010, a decrease of 2.4 percent over the same period in Fiscal Year 2009. General Fund receipts declined for the second straight fiscal year, and the state's tax collections hit their lowest point in five years. However, final fiscal year General Fund revenues were \$27.2 million, or 0.3 percent, more than the official revised revenue estimate for Fiscal Year 2010.

Fiscal Year 2011 (Unaudited)

On December 21, 2009, the CFG also released their official revenue forecast for the General Fund for Fiscal Years 2011 and 2012. The estimate for Fiscal Year 2011, as modified by the 2010

Extraordinary Session of the General Assembly, is \$8,570.9 million. The official estimate reflects a 4.2 percent increase in General Fund receipts for Fiscal Year 2011 when compared to Fiscal Year 2010 actual receipts. The estimate excludes Phase I Tobacco MSA payments, which are estimated by CFG to be \$111.3 million in Fiscal Year 2011.

Fiscal Year 2011 General Fund actual revenues total \$2,055.1 million through September 2010, an increase of 4.4 percent over the same period in Fiscal Year 2010. The official revenue estimate calls for a 4.1 percent increase for the remainder of Fiscal Year 2011.

General Fund revenues for September 2010 were \$763.7 million, an increase of 5.3 percent compared to September 2009. During September 2010, sales and use tax revenues were up only 0.2 percent when compared to September 2009 but are up 3.4 percent for the fiscal year. September individual income tax receipts rose by 3.3 percent due primarily to strength in withholding receipts and are up 3.8 percent for the fiscal year. Corporation income taxes receipts for September 2010 rose 62.2 percent compared to September 2009 and are up 42.5 percent for the fiscal year. Property tax revenues for September 2010 decreased by 12.0 percent when compared to September 2009 and are down 14.1 for the fiscal year. Cigarette tax receipts decreased 16.7 percent in September 2010 compared to September 2009 but have declined 7.0 percent for the year. Coal severance tax receipts rose by 5.3 percent in September 2010 compared to September 2009 and are up 9.0 percent for the year. The Kentucky Lottery Corporation dividend payment for September 2010 rose by 3.2 percent compared to last September and is up 2.3 percent for Fiscal Year 2011.

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, 2010, the Commonwealth's operating portfolio was approximately \$3.197 billion in cash and securities. The composition of investments was as follows: U.S. Treasury securities (20%); securities issued by agencies and instrumentalities of the United States Government (20%); mortgage-backed securities and collateralized mortgage obligations (7%); repurchase agreements collateralized by the aforementioned (27%); municipal securities (4%); and corporate and asset-backed securities, including money market securities (22%). The portfolio had a current yield of 0.51% and an effective duration of 0.70 years.

The Commonwealth's investments are currently categorized into two investment pools; the Short Term and Intermediate Term 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 the General Fund and related accounts and provides liquidity to the Intermediate Term Pool as necessary. The Intermediate Term Pool represents a combination of Agency Fund investments, state held component unit funds, fiduciary funds held for the benefit of others, and also bond proceeds for capital construction projects, held until spent for their intended purpose. Bond proceeds were previously invested separately until July 2010 when they were added into the Intermediate Term Pool to provide additional economies of scale.

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 has not had any options positions outstanding since April 2004.

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 has not had any asset-based interest rate swaps outstanding since June 2006.

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.

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, 2010, ALCo had interest rate swap transactions outstanding with a total notional amount outstanding of \$227,420,000. 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 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 Teachers' Retirement System of the State of Kentucky ("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 2009, Note 8 beginning on page 80. 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, 2009 actuarial valuation reports used in preparing the associated Pension Plans' 2009 CAFRs, the Kentucky Retirement Systems had a state supported pension Unfunded Actuarial Accrued Liability (the "UAAL") of \$6,308 million, while KTRS had a UAAL of \$8,514 million. The state supported portion of the Pension Plans for Fiscal Year ended June 30, 2009 had funding percentages of 47.1 percent for the Kentucky Retirement Systems and 63.6 percent for KTRS. The Kentucky Retirement Systems state supported Annual Required Contribution for Fiscal Year ended June 30, 2009 pension benefits was \$326.2 million versus the Actual Contribution of \$136.4 million. The KTRS state supported Annual Required Contribution for Fiscal Year ended June 30, 2009 was \$600.3 million; \$400.7 million was contributed.

Other Post Employment Benefits ("OPEB"). 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, 2009 has been estimated to not exceed \$4,403 million for the Kentucky Retirement Systems and \$6,231 million for KTRS. These estimates represent present value of the amount of healthcare benefits under the respective Health Plans, payable over future periods and allocated by the actuarial cost method, as of June 30, 2009. The actuarial estimates for the Kentucky Retirement Systems' OPEB liabilities substantially decreased from the \$5,403 million previously reported in the Kentucky Retirement Systems' 2008 CAFR due to lower than projected utilization rates over the last three years as well as implementing improvements to long term health management and improvements to benefit coverage through the Employer Group Waiver Program (EGWP). The actuarial estimates for KTRS slightly decreased from \$6,255 million.

The Kentucky Retirement Systems' state supported Annual Required Contribution for Fiscal Year ended June 30, 2009 healthcare benefits was \$426.7 million versus the Actual Contribution of \$111.4 million. The KTRS state supported Annual Required Contribution for Fiscal Year ended June 30, 2009 was \$468.8 million; \$183.5 million was contributed. Previously, the General Assembly directed transfers from the KTRS Pension Fund to the KTRS Medical Insurance Fund for stabilization funding in the amounts of \$125.0 million in Fiscal Year 2010, \$125.0 million in Fiscal Year 2009, \$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 were to be repaid from the State General Fund over a 10-year period corresponding with each transfer. However, in August 2010, ALCo issued \$467.555 million of Funding Notes to repay the outstanding balances on all of these transfers in full. Portions of the state-supported contributions owed during Fiscal Years 2011 and 2012 may be provided through the issue of additional ALCo Funding Notes. The state supported portion of the Health Plans for Fiscal Year ended June 30, 2009 had funding percentages of 17.9 percent for the Kentucky Retirement Systems and 4.8 percent for KTRS.

The Commonwealth's 2010-2012 biennial budget increased employer contribution rates by 71 percent for the Kentucky Retirement Systems' non-hazardous duty retirement system. The increase for the State Police Retirement System is 58 percent.

Changes to State Retirement Systems. During the 2008 Regular Session, the Governor 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, the Governor 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. The Governor'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, the Governor 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 retirement 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.

On April 12, 2010, House Bill 146 was signed by the Governor, amending KRS 61.650, KRS 16.642, and KRS 78.790 to establish a five-member investment committee for the Kentucky Retirement System, the State Police Retirement System, and the County Employees Retirement System, comprised of two gubernatorial appointees with investment experience and three trustees appointed by the board chair.

In addition, House Bill 540 was signed by the Governor on April 13, 2010, creating the Teachers' Retirement System of the State of Kentucky insurance trust fund to supplement the current medical insurance trust fund, specifically dedicated to health benefits. The purpose of this bill is to increase over a six-year period the active employee and employer contributions to the KTRS for retiree health benefits and to authorize the KTRS Board to require retirees not eligible for Medicare to pay the equivalent for the Medicare Part B program towards their cost of health coverage. Once the medical insurance fund achieves sufficient funding status, the Board may recommend to the General Assembly that the member contributions be decreased, suspended, or terminated.

Also, House Bill 545 was signed by the Governor on April 26, 2010, amending certain sections of KRS 161 regarding the administration of KTRS including federal tax compliance relating to establishing a medical insurance trust fund under Section 115 of the Internal Revenue Code to supplement the current Section 401(h) medical insurance trust fund as well as other technical amendments. The legislation will not increase or decrease benefits or the participation in benefits or change actuarial liability of KTRS.

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

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

(e) non-callable senior debt obligations of U.S. government sponsored agencies that are not backed by the full faith and credit of the U.S. government, including, but not limited to, Federal Home Loan Mortgage Corp. debt obligations, Farm Credit System consolidated systemwide bonds and notes, Federal Home Loan Banks consolidated debt obligations, Federal National Mortgage Association debt obligations, 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 at the time of purchase, "Aaa" by Moody's at the time of purchase and "AAA" by Fitch at the time of purchase (if rated by Fitch).

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, 2012 and the Subleases have a current term ending June 30, 2012. 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, 2032, the final maturity date for the Bonds to be issued by the Commission for the Project being November 1, 2030. 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 owners of the Bonds 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 Bonds the ratings of "Aa2", "A+" and "AA-", 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 Underwriters by their

counsel, Peck, Shaffer & Williams LLP, Covington, Kentucky. Certain legal matters will be passed upon for the Commission by their counsel.

LITIGATION

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

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

General

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

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.

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, the Member States of Austria, Belgium, and Luxembourg (the "Exempted Member States") are not required to comply with the reporting requirements until the end of the transitional period. The Exempted Member States are instead applying a special withholding tax in relation to such payments of interest, deducting tax at a rate of 20% until July 1, 2011, at which time the rate increases to 35% for the remainder of the transitional period. By agreement, the non-European Union countries of Switzerland, Andorra, Liechtenstein, Monaco and San Marino will apply the same withholding tax provisions as the Exempted Member States during the transitional period and will comply with the reporting requirements of the Directive thereafter.

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 would extend 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 2010 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 \$109,928,214.65, which is an amount equal to the principal amount of the Series A Bonds, plus a net original issue premium of \$12,324,317.65 and less underwriters' discount of \$461,103.00; (ii) the Series B Bonds for an aggregate purchase price of \$10,296,799.81, which is an amount equal to the principal amount of the Series B Bonds, less underwriters' discount of \$28,200.19; and (iii) the Series C Bonds for an aggregate purchase price of \$213,646,734.32, which is an amount equal to the principal amount of the Series C Bonds, less underwriters' discount of \$1,343,265.68. The Underwriters intend to make an initial public offering of all of the Bonds at not in excess of the public offering prices or yields set forth on the inside cover page hereof. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices or yields other than the public offering prices or yields stated on the inside cover page hereof.

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 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. The Commission is in compliance in all material respects with all previous undertakings with regard to Rule 15c2-12 to provide annual financial information or notices of material events pursuant to 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
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 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, Kentucky Infrastructure Authority Governmental Agencies Program bonds, and Kentucky Infrastructure Authority Wastewater and Drinking Water Revolving Fund Revenue 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	RATING ⁽¹⁾
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.	Aa2/A+/AA-
Kentucky Asset/Liability Commission	KRS 56.860 Provide interim financing of capital projects and cash flow borrowings to meet working capital needs of the state.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly, exclusive of cash flow borrowings within a fiscal year.	Varies
Turnpike Authority of Kentucky	KRS 175.410-175.990 Construct, maintain, repair, and operate Turnpike projects, resource recovery roads and economic development roads.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	Aa2/AA+/AA-
The State Universities (consisting of nine)	KRS 56.495 Construct educational buildings and housing and dining facilities.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	Varies
Kentucky Housing Corporation	KRS 198A Make low interest mortgage loans and construction loans to increase the supply of housing for low and moderate income residents in the State.	Limited to \$5.0 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.	Aa2/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 (Senior Series) NR/A/A (Subordinate 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.	Aa2
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 and service 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.	Baa1/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 than those identified above. The ratings displayed in Table I reflect the recalibrated ratings to date by Moody's and Fitch.

** 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 Infrastructure Authority's Wastewater and Drinking Water Revolving Fund Revenue Bonds Series 2010A are rated "Aaa/AAA/AAA" by Moody's, Standard & Poor's and Fitch, respectively.

*** The Kentucky Higher Education Student Loan Corporation, Series 2008A-1, A-2 and A-3 Bonds are rated A+ by Standard & Poor's due to the downgrade of the letter of credit 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 Amount⁽¹⁾
Projects Authorized by the 2005 General Assembly	
<u>Department for Local Government</u>	
Kentucky Infrastructure Authority-Infrastructure Economic Development Fund for Tobacco-Producing Counties	\$7,500,000
Projects Authorized by the 2006 General Assembly	
<u>Cabinet for Economic Development</u>	
New Economy High-Tech Construction/Investment Pool	7,475,000
Projects Authorized by the 2007 General Assembly (2nd Special Session)	
<u>Cabinet for Economic Development</u>	
Department of Financial Incentives – Energy Bonds	2,564,167
Projects Authorized by the 2008 General Assembly	
<u>General Government</u>	
Kentucky Infrastructure Authority-Infrastructure for Economic Development Fund for Non-Coal-Producing Counties	30,000,000
Projects Authorized by the 2010 General Assembly (Special Session)	
<u>Cabinet for Economic Development</u>	
Economic Development Bonds - Base Realignment and Closure (BRAC)	3,000,000
<u>Cabinet for Health and Family Services</u>	
Behavioral Health, Developmental and Intellectual Disabilities-Replacement of Glasgow State Nursing Facility	18,000,000
General Administration and Program Support-Maintenance Pool 2010-2012	1,750,000
<u>Energy and Environment Cabinet</u>	
Department for Environmental Protection-Petroleum Storage Tank Environmental Assurance Fund	25,000,000
<u>Finance and Administration Cabinet</u>	
Facilities and Support Services-Spindletop Renovation for Advanced Battery Research	1,000,000
Facilities and Support Services-Maintenance Pool 2010-2012	3,500,000

Justice and Public Safety Cabinet

Adult Correctional Institutions-Kentucky State Reformatory-Renovate, Upgrade, Replace Electrical System	4,200,000
Adult Correctional Institutions-Western Ky Correctional Complex-Renovate Two Minimum Security Dorms	370,000
Adult Correctional Institutions-Northpoint Training Center-Rebuild from Fire	18,800,000
Adult Correctional Institutions-Maintenance Pool 2010-2012	2,750,000

Tourism, Arts and Heritage Cabinet

Parks Department-Maintenance Pool 2010-2012	3,500,000
---	-----------

Transportation Cabinet

General Administration and Support-Wetland Restoration 2010-2012	<u>5,000,000</u>
--	------------------

TOTAL – Pre-Defined Allocations	<u>\$134,409,167</u>
---------------------------------	-----------------------------

Project Descriptions – Partially Financed Projects

Authorized
Project
Amount ⁽¹⁾

Projects Authorized by the 2005 General Assembly

Cabinet for Economic Development

Economic Development Bond Pool	\$2,271,000 ⁽²⁾
--------------------------------	----------------------------

Finance and Administration Cabinet

Revenue - Business Refund Off-Set System	1,750,000
--	-----------

Department for Local Government

Kentucky Infrastructure Authority-Infrastructure for Economic Development Fund for Coal-Producing Counties	13,000,000 ⁽²⁾
--	---------------------------

Cabinet for Health and Family Services

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

Justice and Public Safety Cabinet

State Police - Replace Records and Secure Evidence Facility	6,075,000
---	-----------

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	11,741,000 ⁽²⁾
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⁾

Education and Workforce Development Cabinet

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	1,295,607 ⁽²⁾
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 - 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	65,000,000 ⁽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 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 2008 General Assembly	Authorized Project Amount ⁽¹⁾
<u>Cabinet for Economic Development</u>	
Economic Development Bonds	\$50,000,000
<u>Education and Workforce Development Cabinet</u>	
Department of Education – Operations and Support Services- Student Data Management System - Phase 2	4,000,000 ⁽²⁾
<u>Energy and Environment Cabinet</u>	
Department for Natural Resources – Kentucky Heritage Land Conservation Fund - Additional	9,000,000 ⁽²⁾
<u>Finance and Administration Cabinet</u>	
Facilities and Support Services - Maintenance Pool 2008-2010	6,000,000
Commonwealth Office for Technology – Public Safety Communications Infrastructure - KEWS	18,000,000 ⁽²⁾
<u>General Government</u>	
Kentucky Department of Agriculture – Animal Shelters	2,600,000 ⁽²⁾
<u>Department for Local Government</u>	
Kentucky Infrastructure Authority-Infrastructure for Economic Development Fund for 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
<u>Cabinet for Health and Family Services</u>	
Department of Mental Health Mental Retardation – Construct Hazelwood Intermediate Care Facility	10,000,000
<u>Kentucky River Authority</u>	
Kentucky River Locks and Dams Maintenance & Renovation Pool	17,500,000
<u>Council on Postsecondary Education</u>	
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⁾
<u>Tourism, Arts and Heritage Cabinet</u>	
Parks Department - Maintenance Pool 2008-2010	4,000,000
State Fair Board - Upgrade HVAC Systems	<u>2,000,000</u>
 TOTAL – Partially Financed Projects	 <u>\$1,051,553,440</u>

⁽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 AND GLOBAL CLEARANCE PROCEDURES

General

The Bonds will be available only in book entry form. DTC will act as the initial securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One or more fully-registered bond certificates will be issued for the Bonds of each series and maturity, in the aggregate principal amount thereof, and will be deposited with the Trustee on behalf of DTC. Beneficial Owners (defined below) may own beneficial interests in the Bonds in the United States through DTCC and in Europe through Clearstream Banking, société anonyme ("Clearstream, Luxembourg") and Euroclear Bank S.A./N.V. ("Euroclear"), directly if they are participants of such systems, or indirectly through organizations that are participants in such systems. Clearstream, Luxembourg and Euroclear will hold omnibus positions on behalf of their participants through customers securities accounts in Clearstream, Luxembourg's and Euroclear's names on the books of their respective depositories, which in turn will hold such positions in customers securities accounts in the depositories names on the books of DTC.

THE COMMISSION, THE TRUSTEE AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, LUXEMBOURG, CLEARSTREAM, LUXEMBOURG PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS: (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, LUXEMBOURG, CLEARSTREAM, LUXEMBOURG PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NEITHER THE COMMISSION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, LUXEMBOURG, CLEARSTREAM, LUXEMBOURG PARTICIPANTS, EUROCLEAR, EUROCLEAR PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, LUXEMBOURG, CLEARSTREAM, LUXEMBOURG PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, LUXEMBOURG, CLEARSTREAM, LUXEMBOURG PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, LUXEMBOURG, CLEARSTREAM, LUXEMBOURG PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE INDENTURE; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE BONDS.

PORTIONS OF THE INFORMATION BELOW CONCERNING DTC, CLEARSTREAM, LUXEMBOURG AND EUROCLEAR AND THEIR BOOK ENTRY SYSTEMS ARE BASED ON

INFORMATION FURNISHED BY DTC, CLEARSTREAM, LUXEMBOURG AND EUROCLEAR TO THE COMMISSION. NO REPRESENTATION IS MADE HEREIN BY THE COMMISSION, THE TRUSTEE OR THE UNDERWRITERS AS TO THE ACCURACY, COMPLETENESS OR ADEQUACY OF SUCH INFORMATION, OR AS TO THE ABSENCE OF MATERIAL ADVERSE, CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE OF THIS OFFICIAL STATEMENT.

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 U.S. and non -U.S. equity issues, corporate and municipal debt issues, and money market instruments 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by users of its regulated subsidiaries. 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 system for the Bonds is discontinued.

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

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

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

Neither DTC nor Cede & Co. (nor 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).

Principal, interest or other 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.

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.

Clearstream, Luxembourg

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Transactions may be settled by Clearstream, Luxembourg in any of 36 currencies, including United States Dollars. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in over 30 countries through established depository and custodial relationships. Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier ("CSSF") and the Banque Centrale du Luxembourg ("BCL") which supervise and oversee the activities of Luxembourg banks. Clearstream, Luxembourg's customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations.

Clearstream, Luxembourg's U.S. customers are limited to securities brokers and dealers and banks. Currently, Clearstream, Luxembourg has approximately 2,000 customers located in over 80 countries, including all major European countries, Canada, and the United States. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg. Clearstream, Luxembourg, has established an electronic bridge with Euroclear as the Operator of the Euroclear system (the "Euroclear Operator") in Brussels to facilitate settlement of trades between Clearstream, Luxembourg and the Euroclear Operator.

Euroclear

Euroclear holds securities and book entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Euroclear participants, and between Euroclear participants and participants of certain other securities intermediaries through electronic book entry changes in accounts of such participants or other securities intermediaries. Euroclear provides Euroclear participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear participants are investment banks, securities brokers and dealers, banks, central banks, supnationals, custodians, investment managers, corporations, trust companies and certain other organizations. Certain of the managers or underwriters for this offering, or other financial entities involved in this offering, may be Euroclear participants. Non-participants in the Euroclear system may hold and transfer book entry interests in the Bonds through accounts with a participant in the Euroclear system or any other securities intermediary that holds a book entry interest in the Bonds through one or more securities intermediaries standing between such other securities intermediary and Euroclear.

Holding and Trading Bonds on Clearstream, Luxembourg or Euroclear

Although Euroclear has agreed to the procedures provided below in order to facilitate transfers of securities among participants in the Euroclear system, and between Euroclear participants and participants of other intermediaries, it is under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time.

Investors electing to acquire Bonds through an account with Euroclear or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of new issues of securities. Bonds to be acquired against payment through an account with Euroclear will be credited to the securities clearance accounts of the respective Euroclear participants in the securities processing cycle for the business day following the settlement date for value as of the settlement date, if against payment.

Investors electing to acquire, hold or transfer Bonds through an account with Euroclear or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of secondary market transactions in securities.

Investors who are participants in the Euroclear system may acquire, hold or transfer interests in the Bonds by book entry to accounts with Euroclear. Investors who are not participants in the Euroclear system may acquire, hold or transfer interests in the Bonds by book entry to accounts with a securities intermediary who holds a book entry interest in the Bonds through accounts with Euroclear.

Investors that acquire, hold and transfer interests in the Bonds by book entry through accounts with Euroclear or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the individual Bonds.

Euroclear has advised as follows:

Under Belgian law, investors that are credited with securities on the records of Euroclear have a coproperty right in the fungible pool of interests in securities on deposit with Euroclear in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of Euroclear, Euroclear participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with Euroclear. If Euroclear did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all participants credited with such interests in securities on Euroclear's records, all participants having an amount of interests in securities of such type credited to their accounts with Euroclear would have the right under Belgian law to the return of their pro-rata share of the amount of interests in securities actually on deposit.

Under Belgian law, Euroclear is required to pass on the benefits of ownership in any interests in securities on deposit with it (such as dividends, voting rights and other entitlements) to any person credited with such interests in securities on its records.

Initial Settlement; Distributions; Actions Upon Behalf of Owners

All of the Bonds will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream, Luxembourg and Euroclear may hold omnibus positions on behalf of their participants through customers securities accounts in Clearstream, Luxembourg's and/or Euroclear's names on the books of their respective U.S. Depository, which, in turn, holds such positions in customers securities accounts in its U.S. Depository's name on the books of DTC. Citibank, N.A. acts as depository for

Clearstream, Luxembourg and JPMorgan Chase Bank acts as depository for Euroclear (the "U.S. Depositories"). Holders of the Bonds may hold their Bonds through DTC (in the United States) or Clearstream, Luxembourg or Euroclear (in Europe) if they are participants of such systems, or directly through organizations that are participants in such systems. Investors electing to hold their Bonds through Euroclear or Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional Euro bonds in registered form. Bonds will be credited to the securities custody accounts of Euroclear and Clearstream, Luxembourg holders on the business day following the settlement date against payment for value on the settlement date.

Distributions with respect to the Bonds held beneficially through Clearstream, Luxembourg will be credited to the cash accounts of Clearstream, Luxembourg customers in accordance with its rules and procedures, to the extent received by its U.S. Depository. Distributions with respect to the Bonds held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the terms and conditions governing the relationship between Euroclear and Euroclear participants, to the extent received by its U.S. Depository. Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations. Clearstream, Luxembourg or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by an owner of the Bonds on behalf of a Clearstream, Luxembourg customer or Euroclear participant only in accordance with the relevant rules and procedures and subject to the U.S. Depository's ability to effect such actions on its behalf through DTC.

Secondary Market Trading

Secondary market trading between participants (other than U.S. Depositories) will be settled using the procedures applicable to U.S. corporate debt obligations in same-day funds. Secondary market trading between Euroclear participants and/or Clearstream, Luxembourg customers will be settled using the procedures applicable to conventional Euro bonds in same-day funds. When Bonds are to be transferred from the account of a participant (other than U.S. Depositories) to the account of a Euroclear participant or a Clearstream, Luxembourg customer, the purchaser must send instructions to the applicable U.S. Depository one business day before the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will instruct its U.S. Depository to receive the Bonds against payment. Its U.S. Depository will then make payment to the participants account against delivery of the Bonds. After settlement has been completed, the Bonds will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Euroclear participants or Clearstream, Luxembourg customers accounts. Credit for the Bonds will appear on the next day (European time) and cash debit will be backvalued to, and the interest on the Bonds will accrue from the value date (which would be the preceding day when settlement occurs in New York), if settlement is not completed on the intended value date (i.e., the trade fails), the Euroclear or Clearstream, Luxembourg cash debit will be valued instead as of the actual settlement date.

Euroclear participants and Clearstream, Luxembourg customers will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream, Luxembourg. Under this approach, they may take on credit exposure to Euroclear or Clearstream, Luxembourg until the Bonds are credited to their accounts one day later. As an alternative, if Euroclear or Clearstream, Luxembourg has extended a line of credit to them, participants/customers can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear participants or Clearstream, Luxembourg customers purchasing Bonds would incur overdraft charges for one day, assuming they cleared the overdraft when the Bonds were credited to their accounts. However, interest on the Bonds would accrue from the value date. Therefore, in many cases, the investment income on Bonds earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participants/customers particular cost of funds.

Because the settlement is taking place during New York business hours, participants can employ their usual procedures for sending securities to the applicable U.S. Depository for the benefit of Euroclear participants or Clearstream, Luxembourg customers. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the participant, a cross-market transaction will settle no differently from a trade between two participants.

Due to time zone differences in their favor, Euroclear participants and Clearstream, Luxembourg customers may employ their customary procedure for transactions in which securities are to be transferred by the respective clearing system, through the applicable U.S. Depository to another participants. In these cases, Euroclear will instruct its U.S. Depository to credit the Bonds to the participants account against payment. The payment will then be reflected in the account of the Euroclear participant or Clearstream, Luxembourg customer the following business day, and receipt of the cash proceeds in the Euroclear participants or Clearstream, Luxembourg customers accounts will be backvalued to the value date (which would be the preceding day, when settlement occurs in New York). If the Euroclear participant or Clearstream, Luxembourg customer has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over that one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear participants or Clearstream, Luxembourg customers accounts would instead be valued as of the actual settlement date.

Procedures May Change

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to these procedures in order to facilitate transfers of securities among DTC and its participants, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform these procedures and these procedures may be discontinued and may be changed at any time by any of them.

Discontinuation of the Book Entry Only System

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. In addition, if the Commission determines that (i) DTC is unable to discharge its responsibilities with respect to the Bonds, or (ii) continuation of the system of book entry only transfers through DTC is not in the best interests of the Beneficial Owners of the Bonds or of the Commission, the Commission may, upon satisfaction of the applicable procedures of DTC with respect thereto, terminate the services of DTC with respect to the Bonds. Upon the resignation of DTC or determination by the Commission that DTC is unable to discharge its responsibilities, the Commission may, within 90 days, appoint a successor depository. If no such successor is appointed or the Commission determines to discontinue the book entry only system, Bond certificates will be printed and delivered. Transfers and exchanges of Bonds shall thereafter be made as provided in the Indenture.

If the book entry only system is discontinued with respect to the Bonds, the persons to whom the Bonds are delivered will be treated as "Holders" for all purposes of the Indenture, including without limitation the payment of principal or redemption price of, and interest on, the Bonds, the redemption of the Bonds and the giving to the Commission or the Trustee of any notice, consent, request or demand pursuant to the Indenture for any purpose whatsoever. In such event, the principal or redemption price of, and interest on, the Bonds will be payable as described herein.

DTC Letter of Representations

Certain duties of DTC and procedures to be followed by DTC and the Trustee are set forth in DTC's operational arrangements (the "Operational Arrangements"). In the event of any conflict between the provisions of the Indenture and the provisions of the Operational Arrangements relating to delivery of

Bonds to the Trustee, the provisions of the Operational Arrangements shall control. The Commission has executed a blanket letter of representations (the "DTC Letter of Representations") enabling the Bonds to be eligible for DTC's book entry only system.

Revision of Book-Entry-Only System - Replacement Bonds

The Bond Resolution provides for issuance of fully registered Bonds (the "Replacement Bonds") directly to owners other than DTC or its nominee only if DTC determines not to continue to act as security depository of the Bonds. In such event, the Commission may in its discretion establish a securities depository/book entry relationship with another qualified securities depository. If the Commission does not or is unable to do so, and after appropriate notice to DTC, the Commission's Bond Registrar will authenticate and deliver fully registered Replacement Bonds, in the denominations of \$5,000 or any multiple thereof, to or at the direction of and, if the event is not the result of Commission action or inaction, at the expense (including printing costs) of, any persons requesting such issuance. The replacement Bonds may be transferred, registered and assigned only in the registration books of the Commission's Bond Registrar.

EXHIBIT D

FORM OF BOND COUNSEL OPINION FOR THE BONDS

[Date of Delivery]

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

\$323,380,000
Commonwealth of Kentucky State Property and Buildings Commission
Revenue Bonds, Project No. 99
Series A
Series B (Federally Taxable)
Series C (Federally Taxable – Build America Bonds – Direct Payment to the Commission)

Ladies and Gentleman:

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 \$323,380,000 aggregate principal amount of Revenue Bonds, Project No. 99 (the "Bonds") consisting of Series A (the "Series A Bonds"), Series B (Federally Taxable) (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, 2011. 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 are subject to redemption at the option of the Commission as set forth in the Bond Resolution. The 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 18, 2010 (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 B 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]

THIS PAGE INTENTIONALLY
LEFT BLANK

THIS PAGE INTENTIONALLY
LEFT BLANK

THIS PAGE INTENTIONALLY
LEFT BLANK



Printed by: ImageMaster, Inc.