PRELIMINARY OFFICIAL STATEMENT DATED JUNE 3, 2011

New Issue – Book Entry Only

Ratings: Moody's :"Aa3"
S&P: "A+"
Fitch: "AA-"

In the opinion of Bond Counsel for the Series 2011A Bonds, based upon an analysis of laws, regulations, rulings and judicial decisions, and assuming continuing compliance with certain covenants made by the Corporation, and subject to the conditions and limitations set forth herein under the caption "TAX TREATMENT," interest on the Series 2011A Bonds is excludible from gross income for Federal income tax purposes and is not a specific item of tax preference for purposes of the Federal individual or corporate alternative minimum taxes. Interest on the Series 2011A Bonds is exempt from Kentucky income tax and the Series 2011A Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

$145,780,000*
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT PUBLIC FACILITIES CORPORATION LEASE REVENUE BONDS, SERIES 2011A (EASTERN STATE HOSPITAL PROJECT)

Dated: Date of Delivery

Due: June 1, as shown on inside cover

Interest on the $145,780,000* Lexington-Fayette Urban County Government Public Facilities Corporation Lease Revenue Bonds, Series 2011A (Eastern State Hospital Project) (the "Series 2011A Bonds") will be payable from the Dated Date, on June 1 and December 1, commencing December 1, 2011, as further described on the inside cover. The Series 2011A Bonds mature on the dates and in the principal amounts, bear semiannual interest and have the prices and/or yields as shown on the inside cover. Certain of the Series 2011A Bonds are subject to redemption prior to maturity as described herein.

The Series 2011A Bonds will be initially issued as fully registered bonds in book entry form in the name of The Depository Trust Company ("DTC") or its nominee. There will be no distribution of Series 2011A Bonds to owners of book entry interests. DTC will receive all payments of principal and interest with respect to the Series 2011A Bonds from U.S. Bank National Association, Louisville, Kentucky, as Trustee, Bond Registrar and Paying Agent (the "Trustee"). DTC is required by its rules and procedures to remit such payments to participants in DTC for subsequent disbursement to the owners of book entry interests. So long as DTC or its nominee is the registered owner of the Series 2011A Bonds, references herein to the Bondholders or registered owners (other than under the captions "TAX TREATMENT" and "CONTINUING DISCLOSURE AGREEMENT") shall mean DTC or its nominee, and not the owners of book entry interests in the Series 2011A Bonds. The Series 2011A Bonds will be issued in denominations of $5,000 each or integral multiples thereof.

The Series 2011A Bonds are being issued by the Lexington-Fayette Urban County Government Public Facilities Corporation (the "Corporation"), a nonprofit, no-stock corporation created and organized for public, civic and governmental purposes to serve as an agency and instrumentality and as the constituted authority of the Lexington-Fayette Urban County Government in the acquisition, construction, installation and financing of public projects such as the construction, equipping, furnishing and installation of a new state mental health facility to replace Eastern State Hospital to be located at the University of Kentucky's Coldstream Campus on Newtown Pike in Fayette County, Kentucky (the "Project"). At the direction of the Lexington-Fayette Urban County Government, the Series 2011A Bonds are being issued pursuant to a Bond Resolution, adopted by the Board of Directors of the Corporation on May 19, 2011 (the "Bond Resolution"), for the purpose of (i) redeeming the Lexington-Fayette Urban County Government General Obligation Bond Anticipation Notes, Series 2010E (Eastern State Hospital Project), originally issued in the principal amount of $65,000,000, dated July 8, 2010 (the "Prior Notes"), which are scheduled to mature on August 1, 2011, which were issued for the purpose of providing interim financing, in cooperation with the Cabinet for Health and Family Services ("CHFS") of the Commonwealth of Kentucky (the "Commonwealth") and the Finance and Administration Cabinet of the Commonwealth ("FAC") for the Project; (ii) providing additional funds for the construction, equipping, furnishing and installation of the Project; (iii) paying capitalized interest on the Series 2011A Bonds during construction of the Project; and (iv) paying certain costs related to the issuance of the Series 2011A Bonds. The Series 2011A Bonds are payable from Rent to be paid by CHFS or FAC, subject to biennial appropriations as provided in the Lease. See "SUMMARY OF THE PRINCIPAL DOCUMENTS – The Lease" herein.

THE SERIES 2011A BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE CORPORATION. THE SERIES 2011A BONDS DO NOT CONSTITUTE A DEBT, LIABILITY, OR OBLIGATION OF THE CORPORATION, THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT, THE COMMONWEALTH, OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF, INCLUDING SPECIFICALLY CHFS AND FAC, OR A PLEDGE OF THE FULL FAITH AND CREDIT OR TAXING POWER THEREOF, BUT ARE PAYABLE SOLELY FROM AMOUNTS DEPOSITED IN CERTAIN FUNDS AND ACCOUNTS CREATED BY THE BOND RESOLUTION AND FROM RENTAL INCOME DERIVED FROM THE BIENNIALLY RENEWABLE LEASE (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 SERIES 2011A BONDS" herein.

The Corporation, CHFS and FAC deem this Preliminary Official Statement to be final for purposes of Security and Exchange Commission Rule 15c2-12(b)(1), except for certain information on the cover page hereof and certain pages herein which has been omitted in accordance with such Rule and will be provided with the Final Official Statement.

The Series 2011A Bonds are offered when, as and if issued, subject to the approval of legality and tax exemption by Peck, Shaffer & Williams LLP, Bond Counsel, Covington, Kentucky. The Series 2011A Bonds are expected to be available for delivery on or about June 28, 2011.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

MORGAN KEEGAN & COMPANY, INC.
FINANCIAL ADVISOR

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* Preliminary; subject to Permitted Adjustment.

$145,780,000*
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
PUBLIC FACILITIES CORPORATION
LEASE REVENUE BONDS, SERIES 2011A
(EASTERN STATE HOSPITAL PROJECT)

DATED JUNE __, 2011

Year	Principal Amount†	Interest Rate	Price/Yield	CUSIP††
June 1, 2014	$5,210,000			
June 1, 2015	5,295,000			
June 1, 2016	5,400,000			
June 1, 2017	5,520,000			
June 1, 2018	5,665,000			
June 1, 2019	5,835,000			
June 1, 2020	6,030,000			
June 1, 2021	6,250,000			
June 1, 2022	6,490,000			
June 1, 2023	6,755,000			
June 1, 2024	7,040,000			
June 1, 2025	7,345,000			
June 1, 2026	7,680,000			
June 1, 2027	8,040,000			
June 1, 2028	8,420,000			
June 1, 2029	8,830,000			
June 1, 2030	9,265,000			
June 1, 2031	9,730,000			
June 1, 2032	10,225,000			
June 1, 2033	10,755,000			

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* Preliminary; subject to Permitted Adjustment.
† Preliminary; subject to change.
†† 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 bondholders only at the time of issuance of the Series 2011A Bonds and the Corporation 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 Series 2011A 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 Series 2011A Bonds.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
PUBLIC FACILITIES CORPORATION

BOARD OF DIRECTORS

Jim Gray, President and Director
Linda Gorton, Vice President and Director
Jane Driskell, Secretary, Treasurer and Director
Richard Moloney, Director

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

Mayor
Jim Gray

Council Members at Large
Linda Gorton (Vice Mayor)
Chuck Ellinger II
Steve Kay

Council Members by District

1st District Chris Ford	5th District Bill Farmer	9th District Jay McChord
2nd District Tom Blues	6th District Kevin O. Stinnett	10th District R. Douglas Martin
3rd District Diane Lawless	7th District K.C. Crosbie	11th District Peggy Henson
4th District Julian Beard	8th District George Myers	12th District Ed Lane

Chief Administrative Officer
Richard Moloney

Commissioner of Finance
Jane Driskell

Clerk of the Lexington-Fayette Urban County Council
Susan Lamb

TRUSTEE, BOND REGISTRAR AND PAYING AGENT
U.S. Bank National Association
Louisville, Kentucky

FINANCIAL ADVISOR
Morgan Keegan & Company, Inc.
Lexington, Kentucky

BOND COUNSEL
Peck, Shaffer & Williams LLP
Covington, Kentucky

REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Series 2011A Bonds of the Lexington-Fayette Urban County Government Public Facilities Corporation (the "Corporation"). No dealer, broker, salesman or other person has been authorized by the Corporation to give any information or to make any representation, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Corporation. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2011A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation since the date hereof.

Upon issuance, the Series 2011A Bonds will not be registered by the Corporation under any federal or state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity or agency except the Corporation and the Commonwealth of Kentucky (the "Commonwealth") will have passed upon the accuracy or adequacy of this Official Statement or approved the Series 2011A Bonds for sale.

All financial and other information presented in this Official Statement has been provided by the Corporation from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the Corporation or the Commonwealth. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future.

Insofar as the statements contained in this Official Statement involve matters of opinion or estimates, even if not expressly stated as such, such statements are made as such and not as representations of fact or certainty, no representation is made that any of such statements have been or will be realized, and such statements should be regarded as suggesting independent investigation or consultation of other sources prior to the making of investment decisions. Certain information may not be current; however, attempts were made to date and document sources of information. Neither this Official Statement nor any oral or written representations by or on behalf of the Corporation or the Commonwealth preliminary to sale of the Series 2011A Bonds should be regarded as part of the Corporation's contract with the successful bidder or the holders from time to time of the Series 2011A Bonds.

References herein to provisions of Kentucky law, whether codified in the Kentucky Revised Statutes ("KRS") or uncodified, or to the provisions of the Kentucky Constitution or the Corporation's resolutions, are references to such provisions as they presently exist. Any of these provisions may from time to time be amended, repealed or supplemented.

The Official Statement is submitted in connection with the issuance of the Series 2011A Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

CIRCULAR 230

THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT IS NOT INTENDED TO BE USED, AND CANNOT BE USED, BY A PURCHASER OF THE SERIES 2011A BONDS FOR THE PURPOSE OF AVOIDING FEDERAL TAX PENALTIES. EACH PURCHASER OF THE SERIES 2011A BONDS IS URGED TO CONTACT AN INDEPENDENT TAX ADVISOR CONCERNING AN INVESTMENT IN THE SERIES 2011A BONDS.

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SUMMARY

The following information is furnished solely to provide limited introductory information regarding the Corporation and the Series 2011A 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 Series 2011A 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 Series 2011A Bonds unless the entire Official Statement is delivered in connection therewith.

The Corporation

Lexington-Fayette Urban County Government Public Facilities Corporation (the "Corporation"), a nonprofit, no-stock corporation created and organized for public, civic and governmental purposes to serve as an agency and instrumentality and as the constituted authority of the Lexington-Fayette Urban County Government in the acquisition, construction, installation and financing of public projects in furtherance of the proper public purpose of the Lexington-Fayette Urban County Government. See "THE CORPORATION" herein.

The Offering

The Corporation is offering its $145,780,000* Lease Revenue Bonds, Series 2011A (Eastern State Hospital Project) (the "Series 2011A Bonds").

Authority

The Series 2011A Bonds are authorized pursuant to Chapter 56, Sections 58.010 to 58.140, inclusive, and Section 58.180 and Sections 273.161 to 273.390, inclusive, of the Kentucky Revised Statutes. Such Series 2011A Bonds are being issued at the direction of the Lexington-Fayette Urban County Government pursuant to a resolution adopted by the Lexington-Fayette Urban County Council on May 26, 2011 and in accordance with a Bond Resolution adopted by the Board of Directors of the Corporation on May 19, 2011 (the "Bond Resolution") authorizing (i) the issuance of the Series 2011A Bonds; (ii) the Ground Lease, dated as of June 1, 2011, by and between FAC and the Corporation; and (iii) the Lease Agreement, dated as of June 1, 2011, by and among the Corporation, the Cabinet for Health and Family Services ("CHFS") of the Commonwealth of Kentucky (the "Commonwealth") and the Finance and Administration Cabinet of the Commonwealth ("FAC").

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* Preliminary; subject to Permitted Adjustment.

Use of Proceeds

The Series 2011A Bonds are being issued for the purpose of (i) redeeming the Lexington-Fayette Urban County Government General Obligation Bond Anticipation Notes, Series 2010E (Eastern State Hospital Project), originally issued in the principal amount of $65,000,000, dated July 8, 2010 (the "Prior Notes"), which are scheduled to mature on August 1, 2011, which were issued for the purpose of providing interim financing, in cooperation with CHFS and FAC, for the design and construction of a new state mental health facility to replace Eastern State Hospital to be located at the University of Kentucky's Coldstream Campus on Newtown Pike in Fayette County, Kentucky (the "Project"); (ii) providing additional funds for the construction, equipping, furnishing and installation of the Project; (iii) paying capitalized interest on the Series 2011A Bonds during construction of the Project; and (iv) paying certain costs related to the issuance of the Series 2011A Bonds.

Security

The Series 2011A Bonds and the interest thereon are payable solely from Rent (as defined in the Lease) payments by CHFS or FAC to the Corporation under the Lease. See "SECURITY FOR THE SERIES 2011A BONDS" and "SUMMARIES OF THE PRINCIPAL DOCUMENTS - The Lease." The Series 2011A Bonds are not secured by a lien on any of the properties constituting the Project (as defined herein) or any amounts derived therefrom.

THE SERIES 2011A BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE CORPORATION. THE SERIES 2011A BONDS DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OR A PLEDGE OF THE FULL FAITH AND CREDIT OR TAXING POWER OF THE CORPORATION, THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT, THE COMMONWEALTH, OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF, INCLUDING SPECIFICALLY CHFS AND FAC, BUT ARE PAYABLE SOLELY FROM AMOUNTS DEPOSITED IN CERTAIN FUNDS AND ACCOUNTS CREATED BY THE BOND RESOLUTION AND FROM RENTAL INCOME DERIVED FROM THE BIENNIALLY RENEWABLE LEASE, THE RENT PAYMENTS THEREUNDER BEING 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 2011A 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 2011A 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 Series 2011A Bonds. Purchasers will not receive certificates representing their ownership interest in the Series 2011A Bonds purchased. So long as DTC or its nominee is the registered owner of the Series 2011A Bonds, payments of the principal of, premium, if any, and interest due on the Series 2011A Bonds will be made directly to DTC.

The Series 2011A Bonds will bear interest payable on each June 1 and December 1, commencing on December 1, 2011. Principal of, premium, if any, and interest on the Series 2011A Bonds will be paid directly to DTC by U.S. Bank National Association, as Trustee, Bond Registrar and Paying Agent (the "Trustee"). It is expected that delivery of the Series 2011A Bonds will be made on or about June 28, 2011, in New York, New York or by Fast close in Louisville, Kentucky, against payment therefor.

Redemption

The Series 2011A Bonds maturing on or after June 1, 2022, are subject to optional redemption at par on June 1, 2021, and on any Business Day thereafter. See "THE SERIES 2011A BONDS - Redemption Provisions – *Optional Redemption of Bonds*."

Tax Status

Subject to compliance by the Corporation, CHFS, FAC and others with certain covenants, in the opinion of Peck, Shaffer & Williams LLP, Bond Counsel, under present law, interest on the Series 2011A Bonds (including original issue discount treated as interest) is excluded from gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations. 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 2011A Bonds is exempt from Kentucky income tax and the Series 2011A Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and all political subdivisions thereof. See "TAX TREATMENT" herein for a more complete discussion, and "EXHIBIT C – Form of Bond Counsel Opinion for the Series 2011A Bonds."

Continuing Disclosure

The Series 2011A Bonds are subject to Rule 15c2-12 under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"). In general, Rule 15c2-12 prohibits an underwriter from purchasing or selling municipal securities in an initial offering unless it has determined that the issuer of such securities has committed to provide annually, certain information, including audited financial information, and notice of various events described in Rule 15c2-12, if material. In order to enable the purchaser to comply with the provisions of Rule 15c2-12, the Corporation, CHFS and FAC will enter into a Continuing Disclosure Agreement with the Trustee. See "CONTINUING DISCLOSURE AGREEMENT" herein.

General

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

Information

Information regarding the Series 2011A Bonds is available by contacting the Financial Advisor with respect to such Series 2011A Bonds, Morgan Keegan & Company, Inc., 489 East Main Street, Lexington, Kentucky 40507, telephone (859) 232-8211, Attn: Bob Pennington.

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OFFICIAL STATEMENT
Relating to

$145,780,000[*]
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
PUBLIC FACILITIES CORPORATION
LEASE REVENUE BONDS, SERIES 2011A
(EASTERN STATE HOSPITAL PROJECT)

INTRODUCTION

This Official Statement, including the cover page and the exhibits attached hereto, provides information in connection with the issuance and sale by the Lexington-Fayette Urban County Government Public Facilities Corporation (the "Corporation"), a nonprofit, no-stock corporation created and organized for public, civic and governmental purposes to serve as an agency and instrumentality and as the constituted authority of the Lexington-Fayette Urban County Government in the acquisition, construction, installation and financing of public projects in furtherance of the proper public purpose of the Lexington-Fayette Urban County Government, of its $145,780,000[*†] Lexington-Fayette Urban County Government Public Facilities Corporation Lease Revenue Bonds, Series 2011A (Eastern State Hospital Project) (the "Series 2011A Bonds"), issued at the request and direction of the Lexington-Fayette Urban County Government, to provide funds for the purpose of (i) redeeming the Lexington-Fayette Urban County Government General Obligation Bond Anticipation Notes, Series 2010E (Eastern State Hospital Project), originally issued in the principal amount of $65,000,000, dated July 8, 2010 (the "Prior Notes"), which are scheduled to mature on August 1, 2011, which were issued for the purpose of providing interim financing, in cooperation with the Cabinet for Health and Family Services ("CHFS") of the Commonwealth of Kentucky (the "Commonwealth") and the Finance and Administration Cabinet of the Commonwealth ("FAC"), for the design and construction of a new state mental health facility to replace Eastern State Hospital to be located at the University of Kentucky's Coldstream Campus on Newtown Pike in Fayette County, Kentucky (the "Project"); (ii) providing additional funds for the construction, equipping, furnishing and installation of the Project; (iii) paying capitalized interest on the Series 2011A Bonds during the construction of the Project; and (iv) paying certain costs related to the issuance of the Series 2011A Bonds.

The Series 2011A Bonds have been authorized and issued pursuant to the Constitution and laws of the Commonwealth, including particularly Chapter 56, Sections 58.010 to 58.140, inclusive, and Section 58.180 and Sections 273.161 to 273.390, inclusive, of the Kentucky Revised Statutes. Such Series 2011A Bonds are being issued at the direction of the Lexington-Fayette Urban County Government and in accordance with a Bond Resolution adopted by the Board of Directors of the Corporation (the "Board") on May 19, 2011 (the "Bond Resolution") authorizing (i) the issuance of the Series 2011A Bonds; (ii) the Ground Lease, dated as of June 1, 2011 (the "Ground Lease") by and between FAC and the Corporation; and (iii) the Lease Agreement, dated as of June 1, 2011 (the "Lease"), by and among the Corporation, the CHFS and FAC.

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[*] Preliminary; subject to Permitted Adjustment.

Pursuant to House Bill 406, adopted by the General Assembly of the Commonwealth (the "General Assembly") on April 2, 2008, signed by the Governor on April 18, 2008; and House Bill 1 of the 2010 Extraordinary Session as adopted by the General Assembly on May 29, 2010, signed by the Governor on June 4, 2010 (together, the "Budget Act"), the Lexington-Fayette Urban County Government, CHFS and FAC entered into a Memorandum of Understanding and the First Amendment thereto (together, the "MOU"), whereby the Lexington-Fayette Urban County Government issued the Prior Notes to assist CHFS and FAC by providing funds for the interim financing of the Project. The Lexington-Fayette Urban County Government further agreed to issue obligations directly or through the Corporation to provide permanent financing for the completion of the Project.

In accordance with the MOU, CHFS and FAC, together as lessee, have agreed to enter into the Lease, with the Corporation as lessor, providing for the payment of Rent (as defined in the Lease) to be paid by CHFS to the Corporation with respect to the Project and pursuant to the Bond Resolution, such Rent payments will be assigned to U.S. Bank National Association, as the Trustee, Bond Registrar and Paying Agent (the "Trustee") for the Series 2011A Bonds, for deposit to the Bond Service Fund (established under the Bond Resolution), to be applied to the payment of principal and interest due on the Series 2011A Bonds. Under the terms of the Lease, the obligations of CHFS and FAC continue for a current term ending June 30, 2012. CHFS and FAC are granted exclusive options to renew the Lease for successive ensuing Renewal Terms (as defined in the Lease) of two (2) years each, until final payment of the Series 2011A Bonds. The Lease requires CHFS for each biennial period during which Series 2011A Bonds are outstanding, to seek legislative appropriations in amounts which are sufficient to permit CHFS to make rental payments to the Corporation in amounts sufficient to pay principal of and interest on the Series 2011A Bonds. It is anticipated that the General Assembly will appropriate to CHFS and/or FAC amounts sufficient to provide for the Rent payments under the Lease and therefore to permit the Corporation to meet the debt service requirements of the Series 2011A Bonds through maturity. See "SECURITY FOR THE SERIES 2011A BONDS" herein.

THE GENERAL ASSEMBLY OF THE COMMONWEALTH IS UNDER NO OBLIGATION TO MAKE APPROPRIATIONS FOR RENTAL PAYMENTS BY CHFS AND/OR FAC TO THE CORPORATION AND NEITHER CHFS NOR FAC ARE UNDER ANY OBLIGATION TO RENEW THE LEASE. THE SERIES 2011A BONDS ARE PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF THE PAYMENTS OF RENT UNDER THE LEASE 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 Corporation, CHFS, FAC, the Bond Resolution, the Series 2011A Bonds, the Lease and the Project are included in this Official Statement. Capitalized terms not otherwise defined herein have the meanings assigned to them in the Bond 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 offices of the financial advisor with respect to the Series 2011A Bonds, Morgan Keegan & Company, Inc., 489 East Main Street, Lexington, Kentucky 40507, telephone (859) 232-8211, Attn: Bob Pennington.

THE SERIES 2011A BONDS

General

The Series 2011A Bonds are issuable only as fully registered Bonds. The Series 2011A 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 2011A Bonds will bear interest payable on each June 1 and December 1, commencing December 1, 2011, at the interest rates set forth on the inside cover of this Official Statement. Interest will be calculated on the basis of 360-day year of 30-day months.

Book-Entry-Only System

The Series 2011A Bonds initially will be issued solely in book-entry form to be held in the book-entry-only system maintained by The Depository Trust Company ("DTC"), New York, New York. So long as such book-entry-only system is used, only DTC will receive or have the right to receive physical delivery of Bonds and Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Series 2011A Bonds under the Bond Resolution. For additional information about DTC and the book-entry-only system, see EXHIBIT B – "BOOK-ENTRY-ONLY SYSTEM."

Redemption Provisions

Optional Redemption of Bonds. The Series 2011A Bonds maturing on or after June 1, 2022, are subject to optional redemption at par on June 1, 2021, and on any Business Day thereafter, in whole or in part, and if in part in such order of maturity as may be determined by the Corporation (less than all of a single maturity to be selected by lot in such manner as the Trustee may determine), at a redemption price equal to the principal amount thereof, plus accrued interest thereon, without premium.

Selection of Bonds for Redemption; Notice of Redemption. The Corporation has directed the Trustee to notify DTC that in the event less than all of any Series 2011A Bonds are to be redeemed, any such redemption shall be on a pro rata basis in a principal amount equal to authorized denominations of $5,000 or any integral multiple thereof. The Corporation and the Trustee are not making any representation relating to, and do not have any responsibility or obligation with respect to, whether DTC will follow the direction to redeem Bonds of a series on a pro rata basis in the event of a partial redemption as described above.

At least 30 days but not more than 60 days before the date fixed for redemption of any Series 2011A 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 Series 2011A 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 Series 2011A Bond shall not affect the validity of the redemption of any other Series 2011A 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 Series 2011A 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 Series 2011A 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 Series 2011A Bonds of any one maturity then outstanding shall be called for redemption, the distinctive numbers and letters of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed, and the place or places of redemption, including the name, address and phone number of a contact person. The notice of redemption shall also state that on the date fixed for redemption the redemption price will become due and payable upon each Bond or portion thereof so called for redemption prior to maturity, and that interest thereon shall cease to accrue from and after said date.

The Trustee also shall send a copy of such notice by registered or certified mail, overnight delivery service or electronic means for receipt not less than 32 days before such redemption date to The Depository Trust Company, New York, New York, and at least two national information services that disseminate notices of redemption of obligations such as the Series 2011A 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 Series 2011A Bonds.

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

Any notice mailed as provided above, shall be conclusively presumed to have been duly given upon mailing, whether or not the owner of such Series 2011A Bonds receives the notice. Upon the giving of notice and the deposit of funds for redemption, interest on the Series 2011A Bonds so called for redemption shall cease to accrue after the date fixed for redemption.

SECURITY FOR THE SERIES 2011A BONDS

The Corporation will enter into a Ground Lease, dated June 1, 2011 (the "Ground Lease"), with FAC, whereby FAC will grant a leasehold interest in the real estate on which the Project is located (the "Project Site") to the Corporation. The Project shall then be leased by the Corporation to CHFS and FAC under the Lease. The Series 2011A Bonds are not secured by a lien on any properties constituting the Project or any amounts derived therefrom. The principal of and interest on and premium, if any, on the Series 2011A Bonds are payable solely from the payments of Rent by CHFS to the Corporation pursuant to the Lease, which Rent payments will be assigned to the Trustee, for deposit to the Bond Service Fund, to be applied to the payment of principal and interest due on the Series 2011A Bonds. See "SUMMARIES OF THE PRINCIPAL DOCUMENTS" herein.

It is anticipated that the General Assembly will appropriate to CHFS and/or FAC amounts sufficient to meet the rental payments under the Lease and therefore to permit the Corporation to meet the debt service requirements of the Series 2011A Bonds through maturity. THE GENERAL ASSEMBLY OF THE COMMONWEALTH IS UNDER NO OBLIGATION TO MAKE APPROPRIATIONS FOR RENTAL PAYMENTS BY CHFS AND/OR FAC TO THE CORPORATION AND NEITHER CHFS NOR FAC ARE UNDER ANY OBLIGATION TO RENEW THE LEASE.

Under the provisions of the Constitution of the Commonwealth, CHFS and FAC are prohibited from entering into financing obligations extending beyond the biennial budget of the Commonwealth. Appropriations for the Rent payments under the Lease are subject to the discretion and approval of each successive biennial or extraordinary session of the General Assembly. 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 CHFS OR FAC TO RECEIVE SUCH APPROPRIATIONS WILL HAVE A MATERIAL ADVERSE EFFECT ON THE CORPORATION'S ABILITY TO PAY THE PRINCIPAL OF AND INTEREST ON THE SERIES 2011A BONDS.

Pursuant to the Lease, CHFS and FAC may lease the Project from the Corporation prior to the date a Certificate of Occupancy has been issued by the Kentucky Department of Housing, Building and Construction (the "Occupancy Date"), provided, however, that CHFS is not authorized under the current Budget Act to pay Rent until the Occupancy Date. The Project is expected to be completed in March, 2013. In Fiscal Years 2012, 2013 and 2014, interest on the Series 2011A Bonds during the construction of the Project shall be paid from amounts deposited to the Bond Service Fund from the proceeds of the Series 2011A Bonds. Under the current Budget Act, the General Assembly has not appropriated debt service with respect to the Project, nor has FAC or CHFS requested such an appropriation.

Notwithstanding the above-referenced provisions of the Lease regarding the Occupancy Date, FAC and/or CHFS have agreed to ask the General Assembly to appropriate debt service with respect to the Project for as long as the Series 2011A Bonds are outstanding. If the General Assembly appropriates such debt service to CHFS and/or FAC, CHFS and/or FAC will make payment of debt service as Rent to the Trustee on behalf of the Corporation, irrespective of such provisions of the Lease. As long as the Series 2011A Bonds are outstanding, CHFS and FAC will continue to request appropriations from the General Assembly for each budget period during the term of the Lease, in order to obtain sufficient funds to pay the Rent when due thereunder.

On or before the end of Fiscal Year 2014, if CHFS and FAC have renewed the Lease, then upon such renewal, CHFS will be obligated to pay Rent for such Renewal Term. Such Rent shall be paid by CHFS directly to the Trustee on or prior to each Debt Servicing Date (as defined in the Lease) during each such term, in such minimum amounts as will enable the Corporation, solely from such source, to pay its Debt Servicing Obligation (as defined in the Lease) for the Project.

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PLAN OF FINANCE

The proceeds of the Series 2011A Bonds will be deposited and used by the Corporation as follows: (i) into the Note Payment Fund with respect to the Prior Notes held by U.S. Bank National Association, serving as Note Registrar and Paying Agent (the "Prior Paying Agent"), to be applied to the redemption of such Prior Notes, which are scheduled to mature on August 1, 2011, which were issued for the purpose of providing interim financing for the Project; (ii) into the Construction Fund established by the Commonwealth to be used to provide additional funds for the construction, equipping, furnishing and installation of the Project; (iii) into the Bond Service Fund to be used to pay capitalized interest on the Series 2011A Bonds during construction of the Project; and (iv) into the Cost of Issuance Fund to be used to pay certain costs related to the issuance of the Series 2011A Bonds. See "SOURCES AND USES OF FUNDS FOR THE SERIES 2011A BONDS" and "SUMMARIES OF THE PRINCIPAL DOCUMENTS" herein.

SOURCES AND USES OF FUNDS FOR THE SERIES 2011A BONDS

The following table sets forth the application of the proceeds of the Series 2011A Bonds.

<u>Sources</u>

Par Amount of Series 2011A Bonds
Net Original Issue Premium/Discount
TOTAL SOURCES

<u>Uses</u>

Redemption of Prior Notes
Deposit to Construction Fund
Capitalized Interest
Costs of Issuance*
TOTAL USES

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

THE PROJECT

Eastern State Hospital has been continually operated by the Commonwealth of Kentucky since the 1820's at its current location. The hospital is licensed for 323 beds and is considered a freestanding psychiatric hospital. Over the last 10 years, the average daily census has ranged between 130 and 178, while yearly admissions for the same time period have ranged between 1,595 and 2,735. Many of the admissions to Eastern State Hospital come to the facility as a result of court ordered actions. Since the mid 1990's, the day-to-day operations of Eastern State Hospital have been contracted to the Bluegrass Mental Health/Mental Retardation Board, Inc.

The replacement of the aging existing facility will provide an opportunity for CHFS to redesign and restructure Eastern State Hospital's operations and services. The new Eastern State Hospital will be a state-of-the art facility for the treatment of persons impacted by mental illness.

The building will be designed to meet LEED Silver Level Certification standards for high performance green buildings. CHFS expects that the increased design efficiency of the replacement hospital will have a substantial positive impact upon operating costs. Anticipated service expansions include nursing facility beds, traumatic brain injury beds, forensic beds and the potential for increased personal care home beds. FAC is managing the construction of the Project.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

The Series 2011A Bonds are being issued by the Corporation, as an agency and instrumentality of the Lexington-Fayette Urban County Government.

The Lexington-Fayette Urban County Government is an urban county government created from the merger of the City of Lexington and the County of Fayette in 1974 and operates pursuant to Chapter 67A of the Kentucky Revised Statues. The Lexington-Fayette Urban County Government operates under a Mayor-Council form of government where executive and administrative functions are vested with the Mayor and legislative authority is vested with the Lexington-Fayette Urban County Council.

The Mayor is the chief executive officer and is elected to serve a four-year term. The Lexington-Fayette Urban County Council has fifteen members, including twelve members elected from single-member districts in Fayette County who serve two-year terms and three members elected at-large who serve four-year terms. The Vice-Mayor is the at-large member who receives the most votes in the general election.

The Mayor is assisted in the administration of the government by a Chief Administrative Officer (the "CAO") and department commissioners who are appointed by the Mayor with approval of the Urban County Council. The Lexington-Fayette Urban County Government has seven departments, headed by the CAO or department commissioners, which are responsible for administering programs and implementing policies. Each department is divided into divisions that are managed by division directors.

The Lexington-Fayette Urban County Government has directed the Corporation to issue the Series 2011A Bonds pursuant to Chapter 58 of the Kentucky Revised Statutes.

THE CORPORATION

The Series 2011A Bonds are being issued by the Corporation, a nonprofit, no-stock corporation created and organized on July 12, 1982 and existing under the laws of the Commonwealth, including particularly Section 58.180 and Sections 273.161 to 273.090, inclusive, of the Kentucky Revised Statutes, for public, civic and governmental purposes to serve as an agency and instrumentality and as the constituted authority of the Lexington-Fayette Urban County Government in the acquisition, construction, installation and financing of public projects, such as the Project, which may properly be undertaken by the Lexington-Fayette Urban County Government pursuant to the general statutory laws of the Commonwealth, including the Act.

Any bonds or notes or other indebtedness or contracted by the Corporation shall, prior to the issuance or incurrence thereon, be specifically approved by the Lexington-Fayette Urban

County Government acting by and through its Urban County Council as its duly authorized and empowered governing body.

The Corporation is governed by a Board of Directors (the "Board") composed of not less than four nor more than seven directors, consisting of the individuals from time to time holding the offices of the Mayor, Vice-Mayor, Chief Administrative Officer and Commissioner of Finance of the Lexington-Fayette Urban County Government, and such additional individuals, not exceeding three, as may be appointed by the Mayor with the advice and consent of the Urban. County Council to serve as directors of the Corporation and who shall serve, and may be removed at the pleasure of the Mayor.

The current directors and officers of the Board, who are identified below, are the Mayor, who serves as President and a director of the Board, the Vice-Mayor, who serves as Vice President and a director of the Board, the Commissioner of Finance of the Lexington-Fayette Urban County Government, who serves as the Secretary, the Treasurer and a director of the Board and the Chief Administrative Officer of the Lexington-Fayette Urban County Government, who serves as a director of the Board.

Jim Gray, President and Director
Linda Gorton, Vice President and Director
Jane Driskell, Secretary, Treasurer and Director
Richard Moloney, Director

FINANCE AND ADMINISTRATION CABINET (FAC)

The Series 2011A Bonds are secured by Rent payments to be received by the Corporation, as assigned to the Trustee, pursuant to the Lease. Under existing guidelines and administrative procedures, the General Fund of the Commonwealth is the principal revenue source with respect to the payment of debt service on the Series 2011A Bonds. Brief descriptions of CHFS, FAC and the General Fund of the Commonwealth are provided below.

General

FAC, 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 FAC, who is appointed by the Governor of the Commonwealth. The Secretary of FAC 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. The Department of Facilities and Support Services is overseeing the construction of the Project.

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.

CABINET FOR HEALTH AND FAMILY SERVICES (CHFS)

General

CHFS 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.

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.

By most accounts, the losses endured by Kentucky from the national recession that ended in June 2009 were less severe than most states. The loss of household wealth was muted in Kentucky since the Commonwealth did not experience a pronounced run-up in home values. Additionally, Kentucky’s abundance of coal provided stable employment and wealth in the mining sector. Finally, Kentucky has a broad mix of manufacturing employment rather than an overreliance in a single industry. The automobile industry was one of the first sectors to rebound from the recession, and Kentucky is overrepresented in the automotive industries.

Personal income growth in Kentucky is expected to be 4.0 percent in the fourth quarter of Fiscal Year 2011 compared to the 4.7 percent national average. The rebound in employment for Kentucky will likely be slower, but the peak to trough declines were less severe in Kentucky. U.S. growth will tend to be higher during the adjustment period since the U.S. economy experienced larger peak-to-trough declines.

Financial Information Regarding the Commonwealth

Information regarding debt issuing authorities of the Commonwealth is included in ***Exhibit A*** hereto.

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

Certain Financial Information Incorporated by Reference

The Kentucky Comprehensive Annual Financial Report for Fiscal Year 2010 is incorporated herein by reference. The Commonwealth has filed The Kentucky Comprehensive Annual Financial Report for Fiscal Year 2010 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 2010 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 2010 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 Corporation, CHFS, FAC and the Trustee will enter into a Continuing Disclosure Agreement (as hereinafter defined) in order to enable the purchaser of the Series 2011A 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 Series 2011A Bonds are obligations that are subject to appropriation.

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'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

The Commonwealth's combined net assets (governmental and business type activities) totaled $12 billion at the end of 2010, as compared to $13.5 billion at the end of the previous year.

The largest portion of the Commonwealth's net assets, $18.8 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 $1.2 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 $7.9 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 $13.4 billion and general revenues (including transfers) of $9.8 billion for total revenues of $23.2 billion during Fiscal Year 2010. Expenses for the Commonwealth during Fiscal Year 2010 were $24.7 billion, which resulted in a total decrease of the Commonwealth's net assets in the amount of ($1.46) 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 $1.2 billion or 8.46 percent. Approximately 49 percent of the governmental activities' total revenue came from taxes, while 44 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 2010, the Commonwealth's governmental funds reported combined ending fund balances of $2.15 billion, an increase of $139 million in comparison with the prior year. $972.8 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 $1.18 billion.

The General Fund is the primary operating fund of the Commonwealth. The fund balance at the end of Fiscal Year 2010 was $79.6 million. The balance reported reflects an increase of $50.9 million from the previously reported amount, which represents an increase of

167 percent. The major factor for the increase is the enhanced federal participation for Medicaid; thus, reducing the Commonwealth's share of these expenditures.

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 2010 had $77 million as a reserved fund balance and $2.5 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 Federal Fund which experienced a significant increase in grant revenue as a result of the American Recovery and Reinvestment Act ("ARRA"), resulting in a significant increase in federal fund expenditures. The Transportation Fund experienced a slight increase in revenues due to increased tax receipts and a reduction in expenditures, again due to increased federal funds under ARRA, resulting in an increase in fund balance of $89 million.

The Commonwealth of Kentucky's bonded debt increased by $707.8 million to $6.0 billion, a 13.5 percent increase during Fiscal Year 2010. The major factors in this increase were the issuance of bonds to fund new capital projects and to advance refund debt outstanding. No general obligation bonds were authorized or outstanding at June 30, 2010.

Fiscal Year 2011 (Unaudited)

On December 21, 2009, the Consensus Forecasting Group ("CFG") 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 and the 2011 Regular Session of the General Assembly, is $8,593.34 million. The official estimate reflects a 4.5 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. Actual MSA collections were only $99.8 million in FY11 due in large part to Phillip Morris' deposit to the disputed payment account

Fiscal Year 2011 General Fund actual revenues total $7,170.8 million through April 2011, an increase of 5.6 percent over the same period in Fiscal Year 2010. To meet the official revenue estimate, as amended, would require a 1.0 percent decrease in General Fund receipts for the remainder of Fiscal Year 2011.

General Fund revenues for April 2011 were $844.2 million, an increase of 7.9 percent compared to April 2010. During April 2011, sales and use tax revenues were up 3.6 percent when compared to April 2010 and up 4.3 percent fiscal year to date over last fiscal year. April individual income tax receipts rose by 8.7 percent versus last April and are up 6.5 percent fiscal year to date. Corporation income tax receipts for April rose by 56.0 percent as compared to April 2010 and are up 21.6 percent on a fiscal year basis. Property tax revenues for April 2011 were off by 7.5 percent compared to April 2010 and are down .8 percent fiscal year to date. Cigarette tax receipts continued their decline, down 6.5 percent versus a year ago and 6.0 percent for the fiscal year. Coal severance tax receipts declined 11.3 percent in April compared to April

2010. The Kentucky Lottery Corporation dividend payment for April 2011 was up 1.0 percent from last April.

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 April 30, 2011, the Commonwealth's operating portfolio was approximately $3.9 billion in cash and securities. The composition of investments was as follows: U.S. Treasury securities (15%); securities issued by agencies and instrumentalities of the United States Government (22%); mortgage-backed securities and collateralized mortgage obligations (9%); repurchase agreements collateralized by the aforementioned (27%); municipal securities (3%); and corporate and asset-backed securities, including money market securities (24%). The portfolio had a current yield of 0.63% and an effective duration of 1.04 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. As of June 1, 2011, the Kentucky Asset/Liability Commission (the "Commission") had interest rate swap transactions outstanding with a total notional amount outstanding of $222,055,000. This swap transaction consists of a series of four amortizing "cost of funds" interest rate swaps that totaled $243.08 million at the time of execution and having maturity dates beginning November 1, 2017 through November 1, 2027. This transaction is integrated as part of the issuance of the Commission'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. 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 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 2010*, 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://kyret.ky.gov 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, 2010 actuarial valuation reports used in preparing the associated Pension Plans' 2010 CAFRs, the Kentucky Retirement Systems had a state supported pension Unfunded Actuarial Accrued Liability (the "UAAL") of $7,288 million, while KTRS had a UAAL of $9,493 million. The state supported portion of the Pension Plans for Fiscal Year ended June 30, 2010 had funding percentages of 40.8 percent for the Kentucky Retirement Systems and 61.0 percent for KTRS. The Kentucky Retirement Systems state supported Annual Required Contribution for Fiscal Year ended June 30, 2010 pension benefits was $385.1 million versus the Actual Contribution of $171.2 million. The KTRS state supported Annual Required Contribution for Fiscal Year ended June 30, 2010 was $633.9 million; $418.6 million was contributed.

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

The Commonwealth 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 three year experience study was completed for the period ending June 30, 2008 for the Kentucky Retirement Systems and the next planned experience study period will be a five year experience study for the period ending June 30, 2013. 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 and will be presented to the KTRS board in September 2011. Pursuant to their respective actuarial studies, the OPEB UAAL as of June 30, 2010 has been estimated to not exceed $4,487 million for the Kentucky Retirement Systems and $2,970 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, 2010. The actuarial estimates for the Kentucky Retirement Systems' OPEB liabilities increased slightly from the $4,403 million previously reported in the Kentucky Retirement Systems' 2009 CAFR. The actuarial estimates for KTRS decreased substantially from the $6,231 million previously reported in their 2009 CAFR due to the changes adopted in House Bill 540 (see "Changes to State Retirement Systems" below).

The Kentucky Retirement Systems' state supported Annual Required Contribution for Fiscal Year ended June 30, 2010 healthcare benefits was $441.9 million versus the Actual Contribution of $133.7 million. The KTRS state supported Annual Required Contribution for Fiscal Year ended June 30, 2010 was $459.0 million; $175.3 million was contributed. The state supported portion of the Health Plans for Fiscal Year ended June 30, 2010 had funding percentages of 16.8 percent for the Kentucky Retirement Systems and 10.0 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, there was significant discussion and debate between both the House and the Senate regarding pension reform. However 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. 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 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.

Financing and Refinancing of Certain KTRS Obligations. On April 26, 2010, the Governor signed House Bill 531, which amended certain sections of the Act by modifying the definition of "funding notes" and authorizing funding notes to be issued by the Commission for the purpose of financing or refinancing obligations owed under KRS 161.550(2) or 161.553(2) to KTRS (which obligation has been defined herein as the Funding Obligation). This authorization, together with certain authorizations in the Budget Act, permits the Commission to issue funding notes in an amount not to exceed $875 million to finance obligations owed to KTRS or refinance loans previously made from the KTRS Pension Fund to the KTRS Medical Insurance Fund for stabilization funding in prior Fiscal Years. In August 2010, the Commission issued its $467.555 million Funding Notes, 2010 General Fund First Series to repay in full all loans previously made from the KTRS Pension Fund to the KTRS Medical Insurance Fund. In February 2011, the Commonwealth issued its $269.815 million Funding Notes, 2011 General Fund First Series to provide the state-supported portion of healthcare benefit contributions to KTRS for Fiscal Years 2011 and 2012.

Future Financings of the Commonwealth

The 2010 Extraordinary (Special) Session of the General Assembly delivered House Bill 1 (Executive Branch Budget other than Transportation Cabinet) 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 in addition to the authorization to enter into a lease with the Lexington-Fayette Urban County Government for the replacement of Eastern State Hospital. 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. A portion of the General Fund, Agency Restricted Fund and Road Fund authorizations have been permanently financed. 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). To date $737.37 million has been issued. ALCo may issue additional Funding Notes based on this authorization in the future.

The balance of prior bond authorizations of the General Assembly dating back to 2005 totals $603.8 million. Of these prior authorizations, $232.6 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 General Assembly may authorize debt financing to support various capital initiatives of the Commonwealth in future sessions.

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SUMMARIES OF THE PRINCIPAL DOCUMENTS

The following statements are brief summaries of certain provisions of the Bond Resolution and the Lease. The statements regarding the Bond Resolution and the Lease do not purport to be complete and reference is made to the Bond Resolution and the Lease, copies of which are available for examination at the offices of the Financial Advisor with respect to the Series 2011A Bonds, Morgan Keegan & Company, Inc., 489 East Main Street, Lexington, Kentucky 40507, telephone (859) 232-8211, Attn: Bob Pennington.

Bond Resolution

Funds and Accounts. The following Funds and Accounts have been established under the Bond Resolution. In addition to the deposit to the Bond Service Funds described under "PLAN OF FINANCE" above, deposits of the proceeds of the Series 2011A Bonds and Revenues (as defined in the Bond Resolution) will be made as described below.

1. *Bond Service Fund*. The Bond Resolution creates a Bond Service Fund with respect to the Series 2011A Bonds (the "Bond Service Fund"), to be held and maintained by the Trustee. There will be deposited into the Bond Service Fund all or such portion of the Revenues as will be sufficient to pay when due the principal of, premium, if any, and interest on all Bonds Outstanding under the Bond Resolution at or before their maturity. Accrued interest on the Series 2011A Bonds, if any, and capitalized interest will be deposited in the Bond Service Fund. The Bond Resolution requires the Corporation to deposit or cause to be deposited on or before any June 1 or December 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 Series 2011A Bonds due on such Payment Date.

   No further payments are required to be made to the Bond Service Fund when, and so long as, the aggregate amount therein is sufficient to retire all of the Series 2011A Bonds that are then Outstanding and payable plus interest due or to become due, together with redemption premium, if any.

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

2. *Cost of Issuance Fund*. The Bond Resolution creates a Cost of Issuance Fund for the Series 2011A Bonds to be held and maintained by the Trustee. From the proceeds of the Series 2011A Bonds and other available moneys, if any, deposited by the Corporation at the time of delivery of the Series 2011A Bonds, there will be deposited therein an amount sufficient to pay certain expenses in connection with the issuance of the Series 2011A Bonds. On payment of all duly authorized expenses incident to the

issuance of the Series 2011A Bonds, any remaining balance in the Cost of Issuance Fund will be transferred to the Bond Service Fund.

3. *Construction Fund.* The Bond Resolution creates a Construction Fund, to be held by the Treasurer of the Commonwealth. Until disbursed as authorized by the Bond Resolution, the Construction Fund constitutes a trust fund for the benefit of the owners of the Series 2011A Bonds. The Construction Fund will be used for the purposes of funding that portion of the Project financed with proceeds of the Series 2011A Bonds consisting of the construction, equipping, furnishing and installation of the Project 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 and the Budget Act. 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 Service Fund.

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

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

(a) Default in the due and punctual payment of the interest on any Series 2011A Bond;

(b) Default in the due and punctual payment of the principal of or premium, if any, on any Series 2011A 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 Corporation in the Bond Resolution or in the Series 2011A Bonds contained, and the continuance thereof for a period of 30 days after written notice given by the Trustee to the Corporation or by the Holders of not less than 25% in aggregate principal amount of Bonds Outstanding, to the Corporation 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 Corporation 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 Series 2011A Bonds has already become due and payable, either the Trustee (by notice in writing to the Corporation) or the Holders of not less than 25% of the principal amount of Bonds Outstanding (by notice in writing to the Corporation and the Trustee) may declare the principal of all the Series 2011A 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 Bond Resolution or in any of the Series 2011A Bonds contained to the contrary notwithstanding. The right of the

Trustee or of the Holders of not less than 25% of the principal amount of Bonds then Outstanding to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, all overdue installments of interest on such Bonds and the principal of all Bonds which will have matured by their terms, together with the reasonable and proper charges, expenses and liabilities of the Trustee, are either paid by or for the account of the Corporation 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 Bond Resolution provides that upon the happening and continuance of any event of default thereunder, the Trustee may proceed, and upon the written request of the Holders of not less than 25% in aggregate principal amount of Series 2011A Bonds then Outstanding must proceed, to protect and enforce its rights and the rights of the Holders under the pertinent Kentucky's Revised Statutes and under the Bond 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 Bond 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 Bond Resolution.

In the enforcement of any right or remedy under the Bond Resolution or under the law, the Trustee is entitled to sue for, enforce payment on, and receive any or all amounts then or during the continuance of any event of default becoming, and at any time remaining, due from the Corporation, for principal, interest or otherwise under any of the provisions of the Bond Resolution or of the Series 2011A Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest borne by the Series 2011A 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 Bond Resolution and under the Series 2011A Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders, and to recover and enforce judgment or decree against the Corporation, but solely as provided in the Bond Resolution and in the Series 2011A 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 Bond Resolution other than the Rebate Fund) in any manner provided by law, the moneys adjudged or decreed to be payable.

Regardless of the happening of an event of default, the Trustee, if requested in writing to take any action under the Bond Resolution or the Series 2011A Bonds by the Holders of not less than 25% of the principal amount of Bonds Outstanding, has no duty to act until it is furnished with indemnification 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 Bond Resolution or the Series 2011A Bonds and such suits and proceedings as the Trustee may be advised are necessary or expedient to preserve or protect its interest and the interest of the Holders of the Series 2011A Bonds, provided that such request will not be otherwise than in accordance with the provisions of law and of the Bond Resolution and will not be unduly prejudicial to the interest of the Holders of the Series 2011A Bonds not making such request.

Individual Holder Action Restricted. No Holder of Series 2011A Bonds has any right to institute any suit, action, or proceeding in equity or at law for the enforcement of the Bond Resolution or for the execution of any trust thereof or for the appointment of a receiver or the enforcement of any other right under the Kentucky Revised Statutes, unless such Holder has given to the Trustee written notice of the event of default or breach of trust or duty on account of which such suit. action, or proceeding is to be taken and unless the Holders of not less than 25% in aggregate principal amount of Bonds Outstanding have made written request accompanied by indemnity and security satisfactory to the Trustee and have offered it reasonable opportunity either to proceed to exercise the powers granted by the Bond 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 Bond Resolution or to institute such action, suit or proceeding in its, his or their own name or names. It is understood and intended that no one or more Holders of Bonds have any right in any manner whatsoever to affect, disturb or prejudice the security of the Bond Resolution by its, his or their action or to enforce any right thereunder except in the manner therein provided, and that all proceedings at law or in equity will be instituted and maintained in the manner therein provided and for the equal benefit of the Holders of all of such Bonds then Outstanding. Nothing contained in the Bond Resolution or in the Series 2011A Bonds affects or impairs the right of any Holder of any Bond to payment of the principal of or interest on such Bond at and after the maturity thereof or the obligation of the Corporation to pay the principal of, premium, if any, and interest on the Series 2011A Bonds to the respective Holders thereof at the time and place. from the source, and in the manner therein provided and in the Series 2011A Bonds expressed.

Amendments to the Bond Resolution. The Corporation and the Trustee may make any amendment or change to the Bond Resolution (i) to cure any formal defect or ambiguity, if in the opinion of the Trustee such amendment or change is not adverse to the interest of the Holders of the Series 2011A Bonds, (ii) to grant to or confer on the Trustee for the benefit of the Holders of the Series 2011A 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 Bond 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 Bond Resolution with any federal tax law, (v) to maintain or improve any rating on the Series 2011A Bonds, or (vi) which in the opinion of nationally recognized bond counsel will not materially adversely affect the rights of Holders of the Series 2011A Bonds. and the Corporation may adopt such supplemental resolution to accomplish the foregoing.

The Trustee. The Bond 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 Corporation 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 Corporation or a majority of Holders under the Bond Resolution.

Discharge of the Bond Resolution. If the Corporation pays or causes to be paid, or there is otherwise paid, to the Holders of the Series 2011A Bonds the total principal and interest due or to become due thereon, including premium, if applicable at the times and in the manner stipulated therein and in the Bond Resolution then the pledge of Revenues under the Bond Resolution, and all covenants, agreements and other obligations of the Corporation to the Holders of the Series 2011A Bonds shall cease, terminate and become void and shall be discharged and satisfied.

Whenever there shall be held by the Trustee in the Bond Service Fund or an escrow fund established for such purpose, either (a) moneys in an amount which shall be sufficient, or (b) Defeasance Obligations (as defined below) the principal of and interest on which when due (without consideration of reinvestment income) will provide moneys which, together with other moneys, if any, then on deposit in the Bond Service Fund or such escrow fund, shall be sufficient, to pay when due the principal of, interest and redemption premium, if applicable, on the Series 2011A Bonds or any part thereof to and including the date upon which the Series 2011A 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 Bond Resolution, and the Trustee will and is irrevocably instructed by the Bond Resolution to give notice thereof to the Holders of the Series 2011A 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 Corporation obtains a confirmation that the Series 2011A 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; and

(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).

The Ground Lease

FAC and the Corporation have entered into the Ground Lease, whereby FAC has granted a leasehold interest in the Project Site to the Corporation. The Corporation will then lease the Project to CHFS and FAC under the Lease.

The Lease

The Corporation, CHFS & FAC have entered into the Lease whereby CHFS and FAC will lease the Project from the Corporation and CHFS will pay Rent to the Corporation during biennial renewal terms which will provide funds, sufficient to pay the amounts due on the Series 2011A Bonds net of the amounts payable with capitalized interest.

The Lease has a current term ending June 30, 2012. The Corporation 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. The last renewal term for the Lease relating to the Series 2011A Bonds ends June 30, 2034, the final maturity date for the Series 2011A Bonds to be issued by the Corporation for the Project being June 1, 2033. Under the provisions of the Constitution of the Commonwealth, the Corporation, CHFS and FAC are each prohibited from entering into lease obligations extending beyond their biennial budget period. Notwithstanding the foregoing, the Lease provides that each succeeding renewal term will be deemed to be automatically renewed unless written notice of the election by the CHFS and FAC, to not so renew is given to the Corporation by the last business day of May prior to the beginning of the next succeeding biennial renewal term. Upon the first day of the biennial renewal term, the CHFS and FAC are bound for the entire amount of the Rent becoming due during such term as a special obligation of CHFS and FAC, limited to amounts appropriated for such purpose payable from any and all funds of the CHFS and FAC, 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.

CHFS and FAC have covenanted and agreed in the Lease that when appropriations bills are prepared for introduction at the various successive sessions of the General Assembly, they will cause to be included in the appropriations proposed for that biennial period to be made for

CHFS and FAC sufficient amounts (over and above all other requirements of CHFS and FAC) to enable CHFS and FAC to make payments of Rent under the Lease and thereby produce income and revenues to the Corporation to permit timely payment of the Series 2011A Bonds as the same become due during such period.

In the Bond Resolution, the Corporation has covenanted that it will receive and apply the Rent payments from CHFS and FAC to pay the principal of and interest on the Series 2011A Bonds when due, and will carry out each and every duty imposed on it by the Kentucky Revised Statutes with respect thereto. Such Rent shall be paid by CHFS directly to the Trustee on or prior to each Debt Servicing Date (as defined in the Lease) during each such term, in such minimum amounts as will enable the Corporation, solely from such source, to pay its Debt Servicing Obligation (as defined in the Lease) for the Project.

CHFS and FAC may lease the Project from the Corporation prior to the Occupancy Date, however, CHFS is not authorized under the current Budget Act to pay Rent until the Occupancy Date. Payment of interest on the Series 2011A Bonds issued by the Corporation shall be from the Capitalized Interest Fund (as described in the Bond Resolution) in Fiscal Years 2012, 2013 and 2014. Under the current Budget Act, the General Assembly has not appropriated debt service with respect to the Project, nor has FAC or CHFS requested such an appropriation.

The Corporation shall have no direct responsibility with respect to the payment of debt service on the Series 2011A Bonds. The Corporation's obligation to pay debt service on the Series 2011A Bonds and other amounts due hereunder constitutes a special, limited revenue obligation of the Corporation, payable solely from amounts received as Rent from CHFS and FAC, derived from appropriations received from the General Assembly, as covenanted and assigned hereunder, and is not a general obligation, debt or bonded indebtedness of the Corporation, the Lexington-Fayette Urban County Government, the Commonwealth or any agency or political subdivision thereof, including specifically CHFS and FAC. The holders of the Series 2011A Bonds have no right to have taxes levied by the Corporation, the Lexington-Fayette Urban County Government, the Commonwealth or any political subdivision of the Commonwealth, for payment of any obligation under this Lease.

The Project is expected to be completed in March, 2013. After the Occupancy Date, CHFS shall pay or cause to be paid as Rent, the amounts set forth in the Lease, provided however that such amounts shall be payable only from appropriations received from the General Assembly for each biennial budget period during the term of the Lease.

Notwithstanding the above-referenced provisions of the Lease regarding the Occupancy Date, FAC and/or CHFS have agreed to ask the General Assembly to appropriate debt service with respect to the Project for as long as the Series 2011A Bonds are outstanding. If the General Assembly appropriates such debt service to CHFS and/or FAC, CHFS and/or FAC will make payment of debt service as Rent to the Trustee on behalf of the Corporation, irrespective of such provisions of the Lease. As long as the Series 2011A Bonds are outstanding, CHFS and FAC will continue to request appropriations from the General Assembly for each budget period during the term of the Lease, in order to obtain sufficient funds to pay the Rent when due thereunder.

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

If an event of default occurs under the Lease, the Corporation, in addition to all other remedies given to the Corporation at law or in equity, may by written notice to CHFS and FAC terminate the Lease or, without terminating the Lease, take possession (actually or constructively) of the Project. In such event, the Corporation 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 Corporation's expenses incurred by reason of the default by CHFS and/or FAC, 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 CHFS and/or FAC 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 Series 2011A Bonds to be includable in gross income for federal income tax purposes. The Bondholders have no security interest in any properties constituting the Project or any amounts derived therefrom.

Federal Tax Covenants. The Corporation, CHFS and FAC have each 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 2011A Bonds by the Corporation shall be excludable from the gross income of the Holders for the purposes of federal income taxation and not permit the Series 2011A Bonds to be or become "arbitrage bonds," as defined in the Code.

LEGAL MATTERS

General Information

Legal matters incident to the issuance of the Series 2011A Bonds and with regard to the tax-exempt status thereof are subject to the approving legal opinion of Peck, Shaffer & Williams LLP, Bond Counsel, Covington, Kentucky. Upon delivery of the Series 2011A Bonds of the Corporation to the successful bidder therefor, the Series 2011A Bonds will be accompanied by approving opinions dated the date of such delivery, rendered by Peck, Shaffer & Williams LLP. The form of such legal opinion for the Series 2011A Bonds is attached hereto as ***Appendix C***.

Bond Counsel has performed certain functions to assist the Corporation, CHFS and FAC in the preparation of this Official Statement. However, said firm assumes no responsibility for, and will express no opinion regarding the accuracy or completeness of this Official Statement or any other information relating to the Corporation, CHFS and FAC or the Series 2011A Bonds that may be made available by the Corporation or others to the bidders or holders of the Series 2011A Bonds or others.

The engagement of said firm as Bond Counsel is limited to the preparation of certain of the documents contained in the transcript of proceedings with regard to the Series 2011A Bonds, and an examination of such transcript proceedings incident to rendering its legal opinion. In its capacity as Bond Counsel, said firm has reviewed the information in this Official Statement under Sections entitled "THE SERIES 2011A BONDS," "SECURITY FOR THE SERIES

2011A BONDS," "SUMMARIES OF PRINCIPAL DOCUMENTS," "LEGAL MATTERS—General Information" and "TAX TREATMENT" and in "APPENDIX C – FORM OF BOND COUNSEL OPINION WITH RESPECT TO THE SERIES 2011A BONDS," which review did not include any independent verification of financial statements and statistical data included therein, if any.

Certain legal matters concerning CHFS will be passed upon by its counsel, Office of General Counsel, Cabinet for Health and Family Services; certain legal matters concerning FAC will be passed upon by its counsel, Office of General Counsel, Finance and Administration Cabinet.

Transcript and Closing Certificates

A complete transcript of proceedings, a certificate with respect to litigation and other appropriate closing documents will be delivered by the Corporation when the Series 2011A Bonds are delivered to the original purchaser. The Corporation, CHFS and FAC will also provide to the original purchaser, at the time of such delivery, a certificate executed by the President of the Corporation and authorized officers of CHFS and FAC addressed to such purchaser relating to the accuracy and completeness of this Official Statement.

Litigation

Except as described herein, to the knowledge of the Corporation, CHFS and FAC, no litigation or administrative action or proceeding is pending or threatened directly affecting the Series 2011A Bonds, the security for the Series 2011A Bonds or the improvements being financed from the proceeds of the Series 2011A Bonds. However, note that *Cleveland Construction, Inc. v. D.W. Wilburn, Inc., et al.*, 11-CI-850 (Franklin Circuit Court) is a challenge by Cleveland Construction, Inc. ("Cleveland Construction") with respect to the award of a portion of a construction contract by D.W. Wilburn, Inc. to OK Interiors Corp. Cleveland Construction is contesting the process by which OK Interiors Corp. was awarded the contract. This litigation will not affect the security for the Series 2011A Bonds or the ability of CHFS and FAC to complete the Project. A certificate with respect to litigation will be delivered to the purchaser at the time of the delivery of the Series 2011A Bonds.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("S&P") and Fitch Ratings ("Fitch") have assigned the ratings of "Aa3," "A+" and "AA-" to the Series 2011A Bonds, respectively. The ratings of each respective rating agency only reflect the views of such rating agency. 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 Series 2011A Bonds.

TAX TREATMENT

General

In the opinion of Bond Counsel for the Series 2011A Bonds, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Series 2011A Bonds will be excludible from gross income for Federal income tax purposes. Bond Counsel for the Series 2011A Bonds is also of the opinion that interest on the Series 2011A Bonds will not be a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986 (the "Code") for purposes of the Federal individual or corporate alternative minimum taxes. Furthermore, Bond Counsel for the Series 2011A Bonds is of the opinion that interest on the Series 2011A Bonds is exempt from income taxation and the Series 2011A Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

A copy of the opinion of Bond Counsel for the Series 2011A Bonds is set forth in ***Appendix C***, attached hereto.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the Series 2011A Bonds. The Corporation, CHFS and FAC have covenanted to comply with certain restrictions designed to ensure that interest on the Series 2011A Bonds will not be includable in gross income for Federal income tax purposes. Failure to comply with these covenants could result in interest on the Series 2011A Bonds being includable in income for Federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Series 2011A Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2011A Bonds may adversely affect the tax status of the interest on the Series 2011A Bonds.

Certain requirements and procedures contained or referred to in the Bond documents and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2011A Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Peck, Shaffer & Williams LLP.

Although Bond Counsel for the Series 2011A Bonds is of the opinion that interest on the Series 2011A Bonds will be excludible from gross income for Federal and Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011A Bonds may otherwise affect a Bondholder's Federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion and each Bondholder or potential Bondholder is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing the Series 2011A Bonds on the tax liabilities of the individual or entity.

For example, although Bond Counsel for the Series 2011A Bonds is of the opinion that interest on the Series 2011A Bonds will not be a specific item of tax preference for the alternative minimum tax, corporations are required to include all tax-exempt interest in determining "adjusted current earnings" under Section 56(c) of the Code, which may increase the amount of any alternative minimum tax owed. Receipt of tax-exempt interest, ownership or disposition of the Series 2011A Bonds may result in other collateral Federal, state or local tax consequence for certain taxpayers, including, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability of certain individual recipients of Social Security or Railroad Retirement benefits under Section 86 of the Code and limiting the use of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any Series 2011A Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of Series 2011A Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky, may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Series 2011A Bonds.

Original Issue Premium

"Acquisition Premium" is the excess of the cost of a bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next earliest call date. The Series 2011A Bonds that bear an interest rate that is higher than the yield (as shown on the inside cover page hereof), are being initially offered and sold to the public at an Acquisition Premium (the "Premium Bonds"). For federal income tax purposes, the amount of Acquisition Premium on each bond the interest on which is excludable from gross income for federal income tax purposes ("tax-exempt bonds") must be amortized and will reduce the bondholder's adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining bondholder's taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Bonds, or on any of the Series 2011A Bonds, that must be amortized during any period will be based on the "constant yield" method, using the original bondholder's basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holders of any Series 2011A Bonds, including any Premium Bonds, purchased at an Acquisition Premium should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

Original Issue Discount

The Series 2011A Bonds having a yield that is higher than the interest rate (as shown on the inside cover page hereof) are being offered and sold to the public at an original issue discount ("OID") from the amounts payable at maturity thereon (the "Discount Bonds"). OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the "issue price" of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of the bond, and for the Discount Bonds, the amount of accretion will be based on a single rate of interest, compounded semiannually (the "yield to maturity"). The amount of OID that accrues during each semi-annual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of a Discount Bond at its issue price, the portion of OID that accrues during the period that such purchaser owns the Discount Bond is added to such purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Bond and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes.

Holders of Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

UNDERWRITING

The Series 2011A Bonds are being purchased for reoffering by __________________ (the "Underwriter") at an aggregate purchase price of $________ (reflecting the par amount of the Series 2011A Bonds, plus premium of $__________, less discount of $__________, less underwriter's discount of $_______. The initial public offering prices which produce the yields set forth on the inside cover page of this Official Statement may be changed by the Underwriter and the Underwriter may offer and sell the Series 2011A Bonds to certain dealers (including dealers depositing Series 2011A Bonds into investment trusts) and others at prices lower than the offering prices which produce the yields set forth on the inside cover page.

FINANCIAL ADVISOR

Morgan Keegan & Company, Inc., Lexington, Kentucky (the "Financial Advisor") has been employed as Financial Advisor in connection with the issuance of the Series 2011A Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2011A Bonds is contingent upon the issuance and delivery thereof.

CONTINUING DISCLOSURE AGREEMENT

In accordance with the Securities and Exchange Commission Rule 15c2-12 (the "Rule") and so long as the Series 2011A Bonds are outstanding the Corporation, CHFS, FAC and the Trustee (the "Obligated Persons") will agree pursuant to a Continuing Disclosure Agreement to be dated as of the first day of the month in which the Series 2011A Bonds are issued (the

"Continuing Disclosure Agreement") and to be delivered on the date of delivery of the Series 2011A Bonds, to cause the following information to be provided:

(i) to the Municipal Securities Rulemaking Board ("MSRB"), an annual filing of the Commonwealth's annual financial information, including its audited financial statements;

(ii) to the MSRB, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Series 2011A Bonds:

(a) Principal and interest payment delinquencies;

(b) Non-payment related defaults, if material;

(c) Unscheduled draws on debt service reserves reflecting financial difficulties;

(d) Unscheduled draws on credit enhancements reflecting financial difficulties;

(e) Substitution of credit or liquidity providers, or their failure to perform;

(f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;

(g) Modifications to rights of security holders, if material;

(h) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);

(i) Defeasances;

(j) Release, substitution or sale of property securing repayment of the securities, if material;

(k) Rating changes;

(l) Bankruptcy, insolvency, receivership or similar event of the obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person);

(m) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(n) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(iii) to the MSRB, notice of a failure (of which the Obligated Person has knowledge) of an Obligated Person to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking.

As required by the Rule, the Continuing Disclosure Agreement provides that the information to be filed with the MSRB described in the preceding paragraph is to be filed in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB. An MSRB rule change approved by the Securities and Exchange Commission establishes a continuing disclosure service of the MSRB's Electronic Municipal Market Access system ("EMMA") for the receipt of, and for making available to the public, continuing disclosure documents and related information to be submitted pursuant to continuing disclosure undertakings (such as the Continuing Disclosure Agreement) entered into on or after July 1, 2009, consistent with the Rule. In general, all continuing disclosure documents and related information are to be submitted to the MSRB's continuing disclosure service through an Internet-based electronic submitter interface (EMMA Dataport) or electronic computer-to-computer data connection, accompanied by certain identification information, in portable document format (PDF) files configured to permit document to be saved, viewed, printed and retransmitted by electronic means and must be word-searchable.

The Continuing Disclosure Agreement provides bondholders with certain enforcement rights in the event of a failure by the Obligated Person to comply with the terms thereof; however, a default under the Continuing Disclosure Agreement does not constitute a default under the Authorizing Legislation. The Continuing Disclosure Agreement may be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein. Holders of the Series 2011A Bonds are advised that the Continuing Disclosure Agreement, copies of which are available at the office of the Lexington-Fayette Urban County Government, should be read in its entirety for more complete information regarding its contents.

For purposes of this transaction with respect to events as set forth in the Rule:

(a) there are no debt service reserve funds applicable to the Series 2011A Bonds;

(b) there are no credit enhancements applicable to the Series 2011A Bonds;

(c) there are no liquidity providers applicable to the Series 2011A Bonds; and

(d) there is no property securing the repayment of the Series 2011A Bonds.

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 Corporation and the Commonwealth are both 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.

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MISCELLANEOUS

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the Corporation from official and other sources and is believed by the Corporation to be reliable, but such information other than that obtained from official records of the Corporation has not been independently confirmed or verified by the Corporation and its accuracy is not guaranteed. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of the Series 2011A Bonds.

This Official Statement has been duly executed and delivered for and on behalf of the Corporation by its President.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT PUBLIC FACILITIES CORPORATION

By: ______________________________________
President

Dated: June __, 2011

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 Series 2011A Bonds.

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

Project revenue notes and bonds are issued by various debt issuing authorities of the Commonwealth. The revenues produced by the projects funded by the debt are pledged as security for repayment of the debt. Project revenue debt is not a direct obligation of the Commonwealth. Project revenues are, in some cases, derived partially or solely from biennial appropriations of the General Assembly. In other cases the direct revenues generated from the project funded constitute the entire source of payment.

The payment of debt service by the state universities is enhanced by a state intercept provision that provides that in the event of a default, the Secretary of the Finance Cabinet is required to intercept any funds appropriated to the University but not yet disbursed and to remit those funds to the Trustee to remedy the default.

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

Default Record

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

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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.	Aa3[2]/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.	Aa3[3]/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)[4]
School Facilities Construction Commission	KRS 157.611-157.665 Assist local school districts with the financing and construction of school buildings. Finance the construction of vocational education facilities.	Cannot incur debt without appropriation of debt service by General Assembly.	Aa3[2]
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/BBB/NR (National Insured)

[1] Ratings, where applicable, include Moody's, Standard & Poor's and Fitch. Certain State Property and Buildings Commission Agency Fund Revenue Bonds and Road Fund Revenue Bonds may have ratings different than those identified above.

[2] On March 30, 2011 Moody’s downgraded the Commonwealth’s General Obligation Issuer rating to "Aa2" from "Aa1", General Fund and related lease obligation debt to "Aa3" from "Aa2", and moral obligation debt to "A1" from "Aa3."

[3] 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.

[4] 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

BOOK-ENTRY-ONLY SYSTEM

The following information concerning DTC and DTC's book-entry system has been obtained from DTC and contains statements that are believed to describe accurately DTC, the method of effecting book-entry transfers of securities distributed through DTC and certain related matters, but neither the Corporation nor the Trustee takes any responsibility for the accuracy of such statements.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2011A Bonds. The Series 2011A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2011A Bond certificate will be issued for each maturity of the Series 2011A Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities 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 17 A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC 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 the 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 Series 2011A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2011A 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 Series 2011A 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 Series 2011A Bonds, except in the event that use of the book-entry system for the Series 2011A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2011A 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 Series 2011A 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 Series 2011A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2011A 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 Series 2011A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2011A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2011A Bonds may wish to ascertain that the nominee holding the Series 2011A 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 registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2011A 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 such other DTC nominee) will consent or vote with respect to the Series 2011A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2011A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2011A 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 Corporation or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or Agent, 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.

A Beneficial Owner shall give notice to elect to have its Series 2011A Bonds purchased or tendered, through its Participant, to the Remarketing Agent, and shall effect delivery of such Series 2011A Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2011A Bonds, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of Series 2011A Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2011A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2011A Bonds to the Remarketing Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Series 2011A Bonds at any time by giving reasonable notice to the Corporation or the Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2011A Bond certificates are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2011A Bond certificates will be printed and delivered to DTC.

EXHIBIT C

FORM OF BOND COUNSEL OPINION FOR THE SERIES 2011A BONDS

The form of the legal approving opinion of Peck, Shaffer & Williams LLP, bond counsel, is set forth as follows. The actual opinion will be delivered on the date of delivery of the Series 2011A Bonds referred to therein and may vary from the form set forth to reflect circumstances both factual and legal at the time of such delivery. Recirculation of the Final Official Statement shall create no implication that Peck, Shaffer & Williams LLP has reviewed any of the matters set forth in such opinion subsequent to the date of such opinion.

[DATE OF DELIVERY]

Lexington-Fayette Urban County Government Public Facilities Corporation
Lexington, Kentucky

Lexington-Fayette Urban County Government
Lexington, Kentucky

Re: $145,780,000* Lexington-Fayette Urban County Government Public Facilities Corporation Lease Revenue Bonds, Series 2011A (Eastern State Hospital Project) (the "Series 2011A Bonds")

Ladies and Gentlemen:

We have examined the transcript of proceedings relating to the issue of the above-referenced Series 2011A Bonds, dated their date of delivery of the Lexington-Fayette Urban County Government Public Facilities Corporation (the "Corporation"), acting as an agency and instrumentality and as the constituted authority of the Lexington-Fayette Urban County Government, bearing interest and maturing as set forth in the Bond Resolution adopted by the Corporation on May 19, 2011 (the "Bond Resolution") and the Certificate of Award executed by the President of the Corporation, dated June 14, 2011. The Series 2011A Bonds are being issued for the purpose of providing financing for the design and construction of a new state mental health facility to replace Eastern State Hospital to be located at the University of Kentucky's Coldstream Campus on Newtown Pike in Fayette County, Kentucky (the "Project").

The Series 2011A Bonds are authorized pursuant to the Constitution and Statutes of the Commonwealth of Kentucky (the "Commonwealth"), particularly Chapter 56, Sections 58.010 to 58.140, inclusive, and Section 58.180 and Sections 273.161 to 273.390, inclusive, of the Kentucky Revised Statutes, a resolution of the Lexington-Fayette Urban County Government and the Bond Resolution.

The Project has been leased by the Corporation to the Cabinet for Health and Family Services of the Commonwealth ("CHFS") and the Finance and Administration Cabinet of the Commonwealth ("FAC"), pursuant to a Lease, dated as of June 1, 2011 (the "Lease"), which

* Preliminary; subject to Permitted Adjustment.

provides for the payment of Rent (as defined in the Lease) in amounts sufficient to pay the principal of and interest on the Series 2011A Bonds.

Neither the Corporation nor the Lexington-Fayette Urban County Government are under any obligation to make payments on the Series 2011A Bonds, except from the proceeds of the Series 2011A Bonds and from Revenues (as defined in the Bond Resolution).

We have examined a specimen Series 2011A Bond of this issue and approve its form.

We have examined such portions of the Constitution and statutes of the United States, the Constitution and statutes of the Commonwealth, and such applicable court decisions, regulations, rulings and opinions as we have deemed necessary or relevant for the purposes of the opinions set forth below.

We have also examined records relating to the authorization and original issuance of the Series 2011A Bonds, including a specimen Series 2011A Bond and other relevant matters. We have also made such investigation as we have deemed necessary for the purposes of such opinions, and relied on certificates of officials of the Corporation, Lexington-Fayette Urban County Government and the Commonwealth, including specifically CHFS and FAC, as to certain factual matters.

We have assumed the authenticity of all documents submitted to us as originals, the legal capacity of natural persons and the conformity to the originals of all documents submitted to us as copies. We have assumed that parties other than the Corporation and the Lexington-Fayette Urban County Government had the requisite power and authority to enter into and perform all obligations of all documents to which they are parties. We have assumed the due authorization by all requisite action, and the execution and delivery by such other parties of such documents, and the validity and binding effect thereof on such other parties. We have relied for purposes of the opinions set forth below on the representations and warranties made in such documents by all parties thereto.

Based on the foregoing, and in reliance thereon, and on the basis of our examination of such other matters of fact and questions of law as we have deemed relevant in the circumstances, it is our opinion, under the law existing on the date of this opinion, that:

1. The Corporation is a duly organized and existing nonprofit, no stock corporation, organized and existing under the provisions of Chapter 58 and Chapter 273 of the Kentucky Revised Statutes to act as the agency and instrumentality of the Lexington-Fayette Urban County Government.

2. The Bond Resolution has been duly adopted by the Corporation and is the valid and binding obligation of the Corporation enforceable in accordance with its terms.

3. The Series 2011A Bonds have been duly authorized and issued by the Corporation at the direction of the Lexington-Fayette Urban County Government and are the valid and binding limited and special obligations of the Corporation enforceable in accordance with their terms. The Series 2011A Bonds are payable as to principal and

interest from and are secured by a pledge of the Revenues to be derived by the Corporation from the Lease.

4. The Lease has been duly authorized, executed and delivered by the Corporation. The Lease is the legal, valid and binding obligation of the Corporation. The Lease is enforceable in accordance with its terms.

5. The Series 2011A Bonds are special and limited obligations of the Corporation, payable solely and only from the Revenues as provided in the Bond Resolution. The Series 2011A Bonds do not pledge the general credit or taxing power, if any, of the Corporation, the Lexington-Fayette Urban County Government or Commonwealth, including specifically CHFS and FAC, or any other agency or political subdivision of the Commonwealth.

6. The Series 2011A Bonds are not secured by a pledge of, or lien on, any properties constituting the Project or by a pledge of or lien on the income derived from the Project, if any, but are payable as to principal and interest solely and only from and are secured by a pledge of the Revenues to be derived from the Lease. The ability of the CHFS and/or FAC to make payments under the Lease is dependent on legislative appropriations to CHFS and/or FAC. The Lease currently has an initial term ending June 30, 2012, with the right to renew the Lease for additional successive terms of two years each until the Series 2011A Bonds and the interest thereon have been paid and discharged.

7. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the Series 2011A Bonds is excludable from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Series 2011A Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax for individuals and corporations. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Series 2011A Bonds.

8. The interest on the 2011 Series A Bonds is exempt from income taxation by the Commonwealth and the 2011 Series A Bonds are exempt from ad valorem taxation by the Commonwealth and any of its political subdivisions.

Our opinion set forth above is subject to the qualification that the enforceability of the Bond Resolution, the Lease, the Series 2011A Bonds and agreements relating thereto may be limited by bankruptcy, reorganization, moratorium, insolvency, or other similar laws relating to or affecting the enforcement of creditors' rights, and to the exercise of judicial discretion in accordance with general equitable principles.

In rendering our opinion as to the due authorization, execution and delivery of the Lease, we have relied on opinions of counsel to CHFS and FAC.

Very truly yours,