

Minutes of the Special Called Meeting of the Board of Trustees,
University of Kentucky, Tuesday, June 20, 1978.

The Board of Trustees of the University of Kentucky convened in the Board Room on the eighteenth floor of the Patterson Office Tower on the Lexington campus at 2:00 p. m. (EDT), on Tuesday, June 20, 1978, pursuant to a Notice which was sent by first class mail, postage prepaid, to all members of the Board by the Secretary on June 6, 1978, with distribution of copies to all parties required to be given notice pursuant to KRS 61.825. The following members answered the call of the roll: Mr. William B. Sturgill, Chairman, Mr. William R. Black, Mrs. Betty Carol Clark, Mr. Albert G. Clay, former Governor Albert B. Chandler, Mr. George W. Griffin, Mr. Homer W. Ramsey, Mrs. Sally Hermansdorfer, Mr. L. D. Gorman, Mr. Thomas B. Kessinger, Dr. David A. Hull, Mr. Frank Ramsey, Professor Michael Adelstein, Professor Paul G. Sears, and Mr. Eugene Tichenor. Absent were Mr. Richard E. Cooper (who is officially a member of the Board until his replacement is sworn in), Mr. John R. Gaines, Mr. Zirl A. Palmer, and Dr. John R. Woodyard. The University Administration was represented by President Otis A. Singletary; Vice Presidents Lewis W. Cochran, Peter P. Bosomworth, Raymond R. Hornback, Jack C. Blanton, John T. Smith, and Donald B. Clapp; Dr. David Stockham representing Vice President Robert Zumwinkle; Dr. Wimberly C. Royster, Dean of the Graduate School and Coordinator of Research; and Mr. John C. Darsie, Legal Counsel.

A. Meeting Opened

The Chairman called the meeting to order at 2:00 p. m., and the Invocation was pronounced by Mrs. Betty Carol Clark. Following call of the roll, to which 15 answered with only 4 being absent, the Chairman announced that a quorum was present for the conduct of business, and called the meeting to order at 2:03 o'clock.

B. Oath of Office Administered

Mr. Sturgill welcomed the newest member of the Board, Mr. Eugene Tichenor, student member. At the Chairman's request, the oath of office was administered to Mr. Tichenor by Mr. John Darsie, Legal Counsel.

C. Comments by President Singletary

President Singletary made several clarifying comments relative to the controversial athletic dormitory situation which recently had received an unusually high level of coverage in the news media. He reviewed that Governor Carroll's offer of assistance was declined in a joint statement

issued last Friday by Dr. J. David Grissom, Chairman of the Council on Higher Education, and himself. President Singletary then requested and received authorization from the Board to express to Governor Carroll the University's thanks and appreciation for the intended helpfulness and fairness of treatment inherent in the Governor's offer to assist the University of Kentucky and its athletic program. Mr. Sturgill, as Chairman of the Board, indicated that he also would convey a similar expression to Governor Carroll on behalf of the Board.

D. Authorization of \$6,325,000 "University of Kentucky Housing and Dining System Revenue Bonds, Series J," and the Requisite Series J Supplemental Trust Indenture; Delegation to the Executive Committee of Full Power to Act in the Sale Thereof; Authorization of "University of Kentucky Housing and Dining System Revenue Bonds, Series K," in an Amount Estimated to Be \$284,000 and Delegation of Power to the Executive Committee To Make Final Determinations With Regard to the Details Thereof and Proceed in the Public Sale Thereof; Requesting that the State Property and Buildings Commission Approve and Authorize the Issuance of Said Series J and Series K Revenue Bond Issues.

Board Member Albert Clay introduced, caused to be read and moved immediate adoption of a proposed Resolution, copies of which had been sent out to all Board Members with the Notice of the meeting, as follows:

A RESOLUTION OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF KENTUCKY (A) DETERMINING THAT THERE IS A PRESENT NEED FOR THE IMMEDIATE AUTHORIZATION, PUBLIC SALE AND ISSUANCE OF "UNIVERSITY OF KENTUCKY HOUSING AND DINING SYSTEM REVENUE BONDS, SERIES J," IN THE PRINCIPAL AMOUNT OF \$6,325,000; (B) DETERMINING THAT COMPLIANCE HAS BEEN SHOWN WITH PARITY BOND CONDITIONS SET FORTH IN THE CONTROLLING TRUST INDENTURE; (C) AUTHORIZING SUCH SERIES J BONDS; (D) APPROVING THE FORM OF SERIES J SUPPLEMENTAL TRUST INDENTURE PREPARED AND TENDERED BY THE FISCAL AGENT AND BOND COUNSEL; (E) DETERMINING THAT THERE WILL SHORTLY BE A NEED FOR THE AUTHORIZATION AND ISSUANCE OF "UNIVERSITY OF KENTUCKY HOUSING AND DINING SYSTEM REVENUE BONDS, SERIES K," IN AN AMOUNT PRESENTLY ESTIMATED TO BE \$284,000, AND THAT THE POWER TO AUTHORIZE THE SAME, DETERMINE THE DETAILS THEREOF AND PROCEED IN THE PUBLIC SALE THEREOF IS DELEGATED TO THE BOARD'S EXECUTIVE COMMITTEE, TOGETHER WITH THE POWER TO RECEIVE, CONSIDER AND ACT UPON BIDS RECEIVED AT PUBLIC SALE FOR THE SERIES J BONDS IN ORDER THAT THEY MAY BE ISSUED WITHOUT DELAY;

(F) REQUESTING THAT THE STATE PROPERTY AND BUILDINGS COMMISSION APPROVE AND AUTHORIZE THE ISSUANCE OF THE SERIES J AND SERIES K BOND ISSUES; AND (G) REQUESTING THAT THE STATE PROPERTY AND BUILDINGS COMMISSION TAKE SPECIFIC ACTION, AS IN THE PAST, AUTHORIZING THE INCLUSION IN EACH OF SAID BOND ISSUES OF A COVENANT OF THE COMMONWEALTH TO PAY THE INCREASED COST OF OPERATING AND MAINTAINING THE UNIVERSITY'S HOUSING AND DINING SYSTEM, AS SO ENLARGED, TO THE EXTENT THAT REVENUES OF THE SYSTEM MAY BE INSUFFICIENT FOR THAT PURPOSE AFTER PROVISION IS MADE FROM TIME TO TIME FOR THE PAYMENT OF ALL PRINCIPAL AND INTEREST REQUIREMENTS AND THE ACCUMULATION OF PRESCRIBED RESERVES.

and a true copy of which is attached to these minutes. The motion for the adoption of said Resolution was seconded by Board Member George Griffin. After full discussion the Chairman put the question and upon call of the roll the vote thereon was recorded as follows: Voting "Aye": Chairman William B. Sturgill, Vice Chairman Albert G. Clay, Mr. William R. Black, Governor Albert Benjamin Chandler, Mrs. Betty Carol Clark, Mr. L. D. Gorman, Mr. George W. Griffin, Jr., Mrs. Sally Hermansdorfer, Dr. David A. Hull, Mr. Thomas B. Kessinger, Mr. Frank Ramsey, Jr., Mr. Homer W. Ramsey, Mr. Eugene Tichenor, Professor Paul Sears and Professor Michael Adelstein. Voting "Nay": None.

The Chairman thereupon announced that said Resolution had been duly adopted and that the same was in full force and effect. (See FCR 1 at the end of the Minutes.)

E. Board of Trustees Resolution Regarding Medical Practice Plan (MCCR1)

Mr. Black, Chairman of the Board's Medical Center Committee, expressed the thanks of the committee to President Singletary and his staff; Vice President Bosomworth and his staff; and Dean Clawson and his staff for their assistance in the preparation of this document. Mr. Black then called on the President to make some introductory overview comments about the new geographic full-time medical service plan for the University of Kentucky College of Medicine (hereinafter referred to as the "new plan"). The President in turn called on Vice President Bosomworth, Dean Clawson, and Vice President Clapp for consecutive presentations relative to the new plan.

Vice President Bosomworth's discussion related to the contents of, and difference between, the existing Physicians' Service Plan and the new plan.

Dean Clawson discussed, both qualitatively and quantitatively, the responses of the faculties in the departments of the College of Medicine to the new plan. He also expressed his appreciation to the Medical Center Committee, the concerned University administrators and their staff, and the faculty of the College of Medicine for their combined efforts in the development of this new plan.

Vice President Clapp next discussed the concerns and remaining essential steps to be taken during the transition period associated with the implementation of the new plan.

Mr. Black moved that the policy statement contained in MCCR 1 be approved. His motion was seconded by Governor Chandler and passed without dissent. (See MCCR 1 at the end of the Minutes.)

F. Meeting Adjourned

Since there were no other matters to come before the meeting, on motion duly made, seconded, and carried the chairman declared the meeting officially adjourned at 3:05 o'clock.

Respectfully submitted,

Paul G. Sears, Secretary
Board of Trustees

(FCR 1 and MCCR 1 which follow are official parts of the Minutes of the Meeting.)

Office of the President
June 20, 1978

FCR I

Members, Board of Trustees:

RESOLUTION AUTHORIZING ISSUANCE
OF HOUSING & DINING SYSTEM
REVENUE BONDS

Recommendation: That the Board of Trustees approve the following: A Resolution Authorizing the Issuance of University Housing and Dining System Revenue Bonds, Series J, in the principal amount of \$6,325,000, and Series K, in an amount presently estimated to be \$284,000, a copy of which is attached and made a part of this resolution. Further, that the Board authorize the publication of a Notice of Sale of Bonds and the dissemination of an Official Statement and Official Bid Form, copies of which are attached and made a part of this resolution.

Background: Series J, University of Kentucky Housing and Dining System Revenue Bonds, will be issued to provide funds for construction of 200 apartment type units of housing for 650 students on a 23 acre tract on the University's south campus, and to provide funds for the acquisition of three existing apartment buildings located adjacent to the campus and containing 34 apartments, the purchase of which having been previously authorized by the Board.

Series K, University of Kentucky Housing and Dining System Revenue Bonds, will be issued to provide funds to replace windows and install thermostat control valves in Boyd, Patterson and Jewell Resident Halls, which would save approximately 35% of the heating energy presently required. Housing and Urban Development (HUD) has reserved funds to make a loan at 3% interest for this project.

Action: Approved Disapproved Other

Date: June 20, 1978.

A RESOLUTION OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF KENTUCKY (A) DETERMINING THAT THERE IS A PRESENT NEED FOR THE IMMEDIATE AUTHORIZATION, PUBLIC SALE AND ISSUANCE OF "UNIVERSITY OF KENTUCKY HOUSING AND DINING SYSTEM REVENUE BONDS, SERIES J," IN THE PRINCIPAL AMOUNT OF \$6,325,000; (B) DETERMINING THAT COMPLIANCE HAS BEEN SHOWN WITH PARITY BOND CONDITIONS SET FORTH IN THE CONTROLLING TRUST INDENTURE; (C) AUTHORIZING SUCH SERIES J BONDS; (D) APPROVING THE FORM OF SERIES J SUPPLEMENTAL TRUST INDENTURE PREPARED AND TENDERED BY THE FISCAL AGENT AND BOND COUNSEL; (E) DETERMINING THAT THERE WILL SHORTLY BE A NEED FOR THE AUTHORIZATION AND ISSUANCE OF "UNIVERSITY OF KENTUCKY HOUSING AND DINING SYSTEM REVENUE BONDS, SERIES K," IN AN AMOUNT PRESENTLY ESTIMATED TO BE \$284,000, AND THAT THE POWER TO AUTHORIZE THE SAME, DETERMINE THE DETAILS THEREOF AND PROCEED IN THE PUBLIC SALE THEREOF IS DELEGATED TO THE BOARD'S EXECUTIVE COMMITTEE, TOGETHER WITH THE POWER TO RECEIVE, CONSIDER AND ACT UPON BIDS RECEIVED AT PUBLIC SALE FOR THE SERIES J BONDS IN ORDER THAT THEY MAY BE ISSUED WITHOUT DELAY; (F) REQUESTING THAT THE STATE PROPERTY AND BUILDINGS COMMISSION APPROVE AND AUTHORIZE THE ISSUANCE OF THE SERIES J AND SERIES K BOND ISSUES; AND (G) REQUESTING THAT THE STATE PROPERTY AND BUILDINGS COMMISSION TAKE SPECIFIC ACTION, AS IN THE PAST, AUTHORIZING THE INCLUSION IN EACH OF SAID BOND ISSUES OF A COVENANT OF THE COMMONWEALTH TO PAY THE INCREASED COST OF OPERATING AND MAINTAINING THE UNIVERSITY'S HOUSING AND DINING SYSTEM, AS SO ENLARGED, TO THE EXTENT THAT REVENUES OF THE SYSTEM MAY BE INSUFFICIENT FOR THAT PURPOSE AFTER PROVISION IS MADE FROM TIME TO TIME FOR THE PAYMENT OF ALL PRINCIPAL AND INTEREST REQUIREMENTS AND THE ACCUMULATION OF PRESCRIBED RESERVES.

THE BOARD OF TRUSTEES OF THE UNIVERSITY OF KENTUCKY DOES
HEREBY RESOLVE, AS FOLLOWS:

Section 1. History, Background and Recommendations.

Certain past actions of this Board and of other public bodies and public officers, together with recent developments and recommendations concerning them, are necessary to an understanding

of the purposes intended to be accomplished by this Resolution and they are herein recited:

(A) In 1966 this Board issued its \$35,075,000 "University of Kentucky Housing and Dining System Revenue Bonds," Series A to Series I, Inclusive, pursuant to a Trust Indenture dated as of June 1, 1965, made by this Board with Farmers Bank & Capital Trust Company, Frankfort, Kentucky, as Trustee (hereinafter the "1965 Trust Indenture" or "Indenture"). Since that time this Board has not authorized or issued any additional Series of such Bonds.

(B) In 1977 increased student enrollment gave rise to an urgent need and demand for additional student housing facilities at the Main Campus of the University. With authority from the State Property and Buildings Commission, and on an emergency basis, this Board advanced \$381,000 from its reserves in the purchase and acquisition of 34 apartment units in Lexington, Kentucky, generally known as the "Linden Walk-Rose Lane Apartments," consisting of three buildings: (i) at 404 Linden Walk, comprising 16 efficiency units, (ii) at 411 Linden Walk, comprising 8 1-bedroom units, and (iii) at 468 Rose Lane, comprising 10 efficiency units; and made a determination that the issuance of another Series of its Housing and Dining System Revenue Bonds pursuant to the 1965 Trust Indenture would be necessary, and that this advance would be reimbursed to this Board from the proceeds of the new Series of such Bonds when the same are issued. It was ascertained upon advice of legal counsel

that this Board's statutory authority to finance educational buildings extends to the purchase and acquisition of existing buildings as well as to the erection of new buildings, according to the decision of the Highest Court of the Commonwealth in Morgan v. Fayette County Board of Education (1943), 172 SW 2d 64, construing statutes which are incorporated by reference into this Board's statutory powers as set forth in KRS 162.350.

(C) The increased demand for additional student housing facilities was not satisfied by the acquisition of the Linden Walk-Rose Lane Apartments. With authority from the Council on Public Higher Education in Kentucky and with the approval of the State Property and Buildings Commission and of the Secretary of the Executive Department for Finance and Administration (hereinafter, the "Secretary"), this Board authorized the undertaking of a project for the construction of a building on the Main Campus of the University at Lexington to contain 200 apartment-type units of housing designed to accommodate students or married student families. The Commonwealth's Division of Purchases publicly solicited the submission of proposals for the design and construction thereof, including mechanical systems and site improvement, but excluding movable furnishings and fixtures, through a Design-Build Concept commonly referred to as "Turnkey Contracting" under authority of KRS 45.360(11), whereby the Division of Purchases is directed to attempt in every practicable way to insure the supplying of the real needs of the

Commonwealth at the lowest possible cost. Responsive to such solicitation the Division of Purchases has received a joint proposal of C. E. Pennington, individually, and C. E. Pennington Company, Inc., a responsible contracting corporation of Lexington, Kentucky, to design and construct such housing building and requisite appurtenant facilities (excluding equipment and furnishings) for the fixed sum of \$4,850,000 and it has been estimated by the Division of Purchases that the cost of equipment and furnishings will be \$575,000. It is urgently required that this Board go forward immediately with the financing of this housing project in order that it may be completed and ready for occupancy at the beginning of the 1979/80 Academic Year in September 1979. Execution of said contract is authorized.

(D) Consistent with a new federal program for the conservation of energy, the University has applied to the United States Department of Housing and Urban Development ("HUD") for a 3% loan to finance the cost of substantial reconstruction of three buildings which constitute parts of the University's Housing and Dining System, in that all windows will be taken out and new thermal windows, together with thermostat control valves, installed at a cost, including administrative expense and the expense of issuing bonds, estimated to be \$284,000. The University has been notified that funds for this project have been reserved by HUD and has submitted a formal application for the issuance of a HUD Loan Agreement. This financing could have been included in

the proposed Series J Housing and Dining System Revenue Bond issue except for the fact that it will probably require upwards of sixty days for the Application to be processed so that the detailed HUD Loan Agreement will be available, and the issuance of the Series J Bonds cannot be delayed. It is the recommendation of the Vice President for Business Affairs, in which the President concurs, that this financing be deferred and represented by a small subsequent Series K Housing and Dining System Revenue Bond issue. It is recommended that authority be delegated to the Board's Executive Committee to proceed in the adoption of a resolution authorizing this Series K issue, including determination of the principal amount and all details thereof, conforming to the details of the HUD Loan Agreement, when it is received, and in the authorization of a Series K Supplemental Trust Indenture and the public sale of the Series K Bonds if it is found to be appropriate and desirable that these actions be taken by the Executive Committee rather than by the full Board.

(E) It has been determined by the University's Vice President for Business Affairs, in conjunction with the Secretary and the Fiscal Agent designated by the Secretary, that in order to finance the construction, equipping and furnishing of such new student apartment housing project, to reimburse this Board for the cost of acquiring the Linden Walk-Rose Lane Apartments, to make reasonable and proper provision for unforeseen contingencies, to

allow for a discount not to exceed 1-1/2% in the sale of bonds and to cover the cost of issuance of bonds and administrative costs, it is necessary that this Board authorize at this time the issuance of "University of Kentucky Housing and Dining System Revenue Bonds, Series J," to be dated as of June 1, 1978, in the principal amount of \$6,325,000, details of the amount of the bond issue and the sources of funds being shown, as follows:

Construction/Development Contract for the new building containing 200 residential units	\$ 4,850,000
Equipment and furnishings thereof	575,000
Reimbursement to the University for the cost of acquiring the 34 apartment units	381,000
Interest during construction (1 year) at an estimated interest rate of 6-1/2%	411,125
Bond Discount (1-1/2% Maximum)	94,875
Costs of Issuance of Bonds	35,975
Administrative Costs	20,000
Allowance for Contingencies	<u>123,375</u>
Total Project Costs	\$ 6,491,350

Sources of Funds:

Housing and Dining System Revenue Bonds, Series J	\$ 6,325,000
Earnings on Investment of Construction Fund and Capitalized Interest (\$5,545,000) for 6 months at 6%	<u>166,350</u>
Total Available Funds	\$ <u>6,491,350</u>

Section 2. Determination of Financing Needs.

This Board hereby determines that the financing needs of this Board and of the University of Kentucky require:

(A) Authorization at this time of the issuance by this Board of its "Housing and Dining System Revenue Bonds, Series J" (hereinafter the "Series J Bonds"), in the principal amount of \$6,325,000, according to the maturity schedule, redemption provisions and other details set forth in Section 4 of this Resolution; and the advertising of the Series J Bonds at public sale;

(B) Securing the Series J Bonds by the execution of a "Series J Supplemental Trust Indenture" (hereinafter the "Series J Indenture"), supplemental to the 1965 Trust Indenture, according to the text prepared by Bond Counsel and submitted by the Fiscal Agent, which text is incorporated in full in Section 5 of this Resolution;

(C) Delegating to this Board's statutory Executive Committee full power and authority to receive, consider and act in the matter of accepting the best bid which may be received for the Series J Bonds, or in rejecting all bids and re-advertising; and if a bid is accepted, to award the Series J Bonds and make determination of the interest coupon rates in conformity therewith, and to proceed in the delivery of the

Series J Bonds to the purchasers thereof; all as set forth in Section 6 of this Resolution;

(D) Authorization at this time of the issuance by this Board of its "Housing and Dining System Revenue Bonds, Series K" (hereinafter the "Series K Bonds"), to conform as to principal amount, maturity schedule, redemption provisions, form, and conditions with the HUD Loan Agreement, when received; acceptance of the HUD Loan Agreement, when received; and securing the Series K Bonds by the execution of a "Series K Supplemental Trust Indenture" (hereinafter the "Series K Indenture"), supplemental to the 1965 Trust Indenture, in such form as may be required when the details of the HUD Loan Agreement are known; and delegation by this Board to its statutory Executive Committee of full power to act in the matters of: (i) accepting the HUD Loan Agreement, if it is found to be consistent with the 1965 Trust Indenture, (ii) determining the principal amount, maturity schedule, form, conditions of sale and all other details of the Series K Bonds, (iii) advertising a public sale of the Series K Bonds, (iv) receiving, considering and acting upon such bids as may be received for the Series K Bonds; accepting the best bid, and awarding the Series K Bonds to the best bidder, and (v) proceeding with delivery of the Series K Bonds to the purchaser or purchasers thereof; all as set forth in Section 7 of this Resolution;

(E) Requesting adoption of a Resolution of the State Property and Buildings Commission approving and authorizing all of the actions herein found to be necessary, and hereinafter authorized; and, specifically, consistent with a certain Resolution which was adopted by the State Property and Buildings Commission on the 21st day of August, 1964, ratifying, approving and consenting to this Board's inclusion in the Series J Indenture, incorporated in full in Section 5 of this Resolution, and in the Series K Indenture, when the form and execution thereof are authorized at a later date by this Board's statutory Executive Committee, and also in the text of the Series J Bonds and of the Series K Bonds, of a binding and continuing covenant of the Commonwealth that it will pay the cost of operating and maintaining the University's Housing and Dining System, as to be enlarged through the application of the Series J and Series K Bonds, to the extent, if necessary, to supply any deficiency if the Revenues of said System shall at any time prove inadequate to pay the costs of operation and maintenance after the Revenues have first been applied to the transfers and deposits required by the 1965 Trust Indenture to be made from the Revenue Fund into the "University of Kentucky Housing and Dining System Revenue Bond and Interest Sinking Fund Account" (hereinafter the "Sinking Fund"), including transfers and deposits to accumulate and maintain the Debt Service Reserve

therein, and transfers and deposits required by the provisions of the 1965 Trust Indenture to be made from the Revenue Fund into the "University of Kentucky Housing and Dining System Repair and Maintenance Reserve" (hereinafter the "Repair and Maintenance Reserve"); and to ratify, approve and consent to evidencing of such binding and continuing contract of the Commonwealth by causing a facsimile signature of the Secretary to appear upon the face of each Bond; provided, however, it is understood, as set forth in the aforesaid August 21, 1964 Resolution of the State Property and Buildings Commission, that the ratification, approval and consent of the State Property and Buildings Commission to such covenant shall not be construed to be a representation that the State Property and Buildings Commission has any power or authority to enter into a contractual covenant or commitment for the Commonwealth that any part of the principal of or interest on any revenue bond (as distinguished from the costs and expenses of operation and maintenance of public properties) will be paid except from the revenues provided and pledged therefor or from such revenues as may feasibly be increased or adjusted from time to time without impairing the ability of the University to perform its educational functions in the public interest.

Section 3. Determination That Compliance Has Been Shown With Conditions Precedent to the Issuance of the Series J and Series K Bonds.

This Board hereby finds and determines:

(A) The Linden Walk-Rose Lane Apartments and the new 200-unit apartment-type student housing building, both of which are to be financed from the proceeds of the Series J Bonds, are hereby made parts of the University's Housing and Dining System, and the revenues to be derived therefrom shall constitute Revenues of the System for deposit and disposition as in the case of existing Revenues. The housing buildings to be substantially reconstructed through application of the proceeds of the Series K Bonds are recognized to be parts of the existing Housing and Dining System and the Revenues thereof are already pledged as provided in the 1965 Trust Indenture. This Board is not in default under the 1965 Trust Indenture.

(B) That the Housing Director of the University, being the officer or employee of the Board who is at this time principally charged with responsibility for the maintenance and repair of the housing and dining buildings and appurtenant facilities comprising the present facilities of the University's Housing and Dining System, has tendered his Certificate that a physical inspection of the said housing and dining buildings and appurtenant facilities of the System has been made and that the same are found and are represented to be in a good and current state of tenantability and repair, subject to no exceptions other than for current routine matters which are scheduled for attention in the ordinary course of business and for which budget provision has been made; that said Certificate of the

Housing Director has been approved by the President of the University as evidenced by his signature appearing thereon; and that said Certificate is hereby approved by this Board as constituting compliance with the requirements of Section 1101(c) of the 1965 Trust Indenture as one of the conditions incident to the issuance of the Series J and Series K Bonds. Said Certificate bearing the endorsement of the President of the University, together with a certified copy of this Resolution, shall be delivered to the Trustee under the 1965 Trust Indenture, and the Trustee is requested to accept the same as constituting compliance with the identified condition of the 1965 Trust Indenture with respect to the issuance of both the Series J Bonds, hereinafter authorized, and the Series K Bonds when the same are hereafter authorized in detail and offered at public sale by this Board's statutory Executive Committee; and

(C) That the Treasurer of the University and of this Board has tendered a statement, approved by the Secretary of the Executive Department for Finance and Administration; showing that the average of the audited annual Revenues of the Housing and Dining System for the two fiscal years immediately preceding the issuance of the Series J Bonds and the Series K Bonds, with such adjustments as are permitted by the provisions of the 1965 Trust Indenture, is equal to not less than one and thirty hundredths (1.30) times the maximum amount which will be required in any future fiscal year for payment of the principal of and interest on the Housing and Dining System

Revenue Bonds previously issued and now outstanding, together with the Series J and Series K Bonds; it being noted that the Treasurer has attached to such statement the schedules of Revenues and estimated Revenues upon which his conclusion was reached, including a showing that the Treasurer has not taken into account occupancy rates exceeding those which are permitted by the provisions of the 1965 Trust Indenture. This Board hereby approves said statement of the Treasurer, as so approved by the Secretary, and a copy thereof, together with a certified copy of this Resolution, shall be tendered to the Trustee with a request that it be accepted as constituting compliance with the provisions of Section 1101(d) of the 1965 Trust Indenture as an incident to the issuance of both the Series J Bonds and the Series K Bonds. In this connection it is recognized that the maturity schedule of the Series K Bonds has not nor can be fixed until the HUD Loan Agreement is received; but this is deemed to be immaterial inasmuch as the statement of the Treasurer shows a "coverage" in excess of five (5) times future maximum principal and interest requirements of the outstanding Bonds of Series A to Series I, inclusive, and Series J, -- with the result that no schedule for the principal maturities of the small Series K Bond issue could possibly reduce the indicated coverage to any figure approaching the minimum requirement of 1.30 times.

Section 4. Authorization of the Series J Bonds.

In order to accomplish the purposes set forth in paragraph

(E) of Section 1 of this Resolution and to implement the determination of need set forth in paragraph (A) of Section 2 of this Resolution, there are hereby authorized to be issued and there shall be issued by this Board as a body corporate and as an educational institution and agency and a political subdivision of the Commonwealth, its "University of Kentucky Housing and Dining System Revenue Bonds, Series J," to be dated as of June 1, 1978, in the principal amount of Six Million Three Hundred Twenty-five Thousand Dollars (\$6,325,000), comprising 1,265 negotiable coupon Bonds, registrable as to principal only, in the denomination of \$5,000, numbered, (bearing interest, which interest to maturity shall be evidenced by appurtenant coupons becoming due on December 1, 1978, and on June 1 and December 1 in each year thereafter), and maturing as to principal as shown in the following schedule:

<u>BONDS NUMBERED</u> (Inclusive)	<u>PRINCIPAL AMOUNT</u>	<u>DATE OF MATURITY</u>
1-14	\$ 70,000	June 1, 1980
15-30	80,000	June 1, 1981
31-48	90,000	June 1, 1982
49-66	90,000	June 1, 1983
67-88	110,000	June 1, 1984
89-110	110,000	June 1, 1985
111-135	125,000	June 1, 1986
136-162	135,000	June 1, 1987
163-189	135,000	June 1, 1988
190-218	145,000	June 1, 1989
219-248	150,000	June 1, 1990
249-278	150,000	June 1, 1991
279-309	155,000	June 1, 1992
310-340	155,000	June 1, 1993
341-372	160,000	June 1, 1994

<u>BONDS NUMBERED</u> (Inclusive)	<u>PRINCIPAL AMOUNT</u>	<u>DATE OF MATURITY</u>
373-404	\$ 160,000	June 1, 1995
405-438	170,000	June 1, 1996
439-475	185,000	June 1, 1997
476-512	185,000	June 1, 1998
513-552	200,000	June 1, 1999
553-596	220,000	June 1, 2000
597-641	225,000	June 1, 2001
642-697	280,000	June 1, 2002
698-767	350,000	June 1, 2003
768-840	365,000	June 1, 2004
841-913	365,000	June 1, 2005
914-1023	550,000	June 1, 2006
1024-1140	585,000	June 1, 2007
1141-1265	625,000	June 1, 2008

The Series J Bonds shall be subject to redemption through application of the proceeds of insurance, in the event of damage or destruction of properties constituting parts of the Housing and Dining System, as provided in the 1965 Trust Indenture.

Otherwise the Series J Bonds maturing on and after June 1, 1989, shall be subject to redemption at the option of this Board on June 1, 1988, or on any interest payment date thereafter, as a whole or from time to time in part in the inverse order of their maturities (less than all of a single maturity to be selected by lot) upon payment of the principal amount so redeemed and all accrued interest represented by interest coupons maturing on and prior to the redemption date at the following redemption prices which are expressed as a percentage of the principal amount of each Bond so redeemed:

<u>Period</u> (both dates inclusive)	<u>Redemption</u> <u>Price</u>
June 1, 1988 through December 1, 1992	103%
June 1, 1993 through December 1, 1997	102%
June 1, 1998 through December 1, 2002	101%
June 1, 2003 and thereafter	100%

Notice of any such intended redemption shall be given at the time and in the manner set forth in Section 804 of the 1965 Trust Indenture.

Both principal of and interest on the Series J Bonds shall be payable, without deduction for exchange or collection charges, in any coin or currency which on the respective dates of payment of principal and interest is legal tender for the payment of debts due the United States of America, but only out of the Sinking Fund and out of the Revenues of the Housing and Dining System pledged to be set aside and deposited therein as provided in the 1965 Trust Indenture. The principal of the Series J Bonds which are registered with the Bond Registrar shall, so long as they are registered, be payable only at the office of the Trustee under the 1965 Trust Indenture. All interest coupons appurtenant to the Series J Bonds and the principal of all Bonds not registered shall be payable, at the option of the holder, at the principal office of the Trustee or of Chemical Bank, in the Borough of Manhattan, City of New York, New York, or of The Northern Trust Company in the City of Chicago, Illinois.

As an incident to the issuance of said Bonds the transfers and deposits from the Revenue Fund into the Sinking Fund (including the Debt Service Reserve therein) and into the Repair and Maintenance

Reserve shall be increased in the manner and to the extent required by the provisions of the 1965 Trust Indenture, as hereinafter provided.

The Series J Bonds shall be offered at public sale pursuant to a "Notice of Sale of Bonds" which shall be published one time not less than seven (7) days nor more than twenty-one (21) days before the date therein stated for the opening and consideration of purchase bids (i) in a newspaper or newspapers intended to give state-wide notice, to be designated by the Secretary of the Executive Department for Finance and Administration according to KRS 424.180, and (ii) in The Daily Bond Buyer, a financial newspaper or journal published in New York, New York, and having general circulation among bond buyers. The Chairman of this Board's statutory Executive Committee is hereby authorized to designate the date for the opening and consideration of purchase bids for the Series J Bonds, the same to conform to a date upon which said Executive Committee is scheduled to meet.

A suggested form of "Notice of Sale of Bonds" having been prepared in advance by Bond Counsel upon instructions of the Fiscal Agent, and the same having been considered by this Board, said form is hereby approved and authorized and shall be executed on behalf of this Board by the Secretary of this Board, with the date for the opening and consideration of bids left blank and to be filled upon instructions of the Chairman of the Executive Committee at the proper time.

The Series J Bonds, when issued, shall be executed in the name and on behalf of this Board in the manner set forth in Section

413 of the 1965 Trust Indenture and shall be authenticated by the Trustee as provided in Section 414 of the 1965 Trust Indenture.

When the Series J Bonds are delivered to the purchaser or purchasers thereof and the proceeds are received by this Board, the Treasurer of this Board is authorized to make disposition of such proceeds including accrued interest paid by the purchaser or purchasers from June 1, 1978, to the date of delivery and payment, as follows:

- (1) Payment to the Fiscal Agent of its contractual fiscal agency fee;
- (2) Deposit of the accrued interest from June 1, 1978, to the date of delivery and payment with the Trustee for credit to the Sinking Fund and for application to the Series J interest coupons maturing on December 1, 1978;
- (3) Deposit with the Trustee, as capitalized interest during the anticipated construction period of one year, of such amount as will pay interest on the Series J Bonds for one year computed at the interest coupon rates which are established and made applicable to the Series J Bonds;
- (4) Pay over to the Treasurer of this Board in reimbursement of the cost of acquiring the Linden Walk-Rose Lane Apartments, and for reimbursement to the reserves from which such purchase price was advanced, the sum of \$381,000;

(5) Deposit the entire remaining balance of the Series J Bond proceeds with the Depository (as defined in the 1965 Trust Indenture), to be maintained by the Depository in a separate account designated "University of Kentucky Housing and Dining System Series J Construction Account" and for disbursement for (a) the costs of the new 200-unit apartment-type building to be constructed under contract with C. E. Pennington, individually, and C. E. Pennington Construction Company, Inc., a contracting corporation of Lexington, Kentucky, according to a contract to be approved, awarded and executed as may be directed by the Secretary of the Executive Department for Finance and Administration, all subject to investment and disbursement according to such procedures and practices with reference to audit and control as may from time to time be prescribed by the laws of the Commonwealth of Kentucky; each such disbursement to be made upon the basis of vouchers approved as provided by law, and thereafter (b) for the costs of equipment and furnishings for said new building according to such contract or contracts therefor as may hereafter be solicited by the Commonwealth's Division of Purchases and approved by this Board or by its statutory Executive Committee.

In the event all costs of constructing the said new student housing apartment building, appurtenant facilities and site improvement

and all costs of the equipment and furnishings purchased therefor shall be fully paid and there shall remain any unexpended balance in the aforesaid "University of Kentucky Housing and Dining System Series J Construction Account," such excess may be applied, if so directed by this Board, to the costs of any additional housing and dining facilities constituting parts of the Housing and Dining System and to be financed through an additional series of parity bonds, if any be then contemplated; otherwise such excess shall be transferred to the Repair and Maintenance Reserve and shall contribute to the accumulation of the new minimum amount to be maintained in such Reserve as contemplated by the 1965 Trust Indenture and as authorized in the Series J Supplemental Trust Indenture approved in Section 5 of this Resolution.

Section 5. Authorization of the Series J Supplemental Trust Indenture.

The Fiscal Agent has caused Bond Counsel to prepare and there has been submitted to this Board for examination the proposed form of "Series J Supplemental Trust Indenture," supplemental to the Trust Indenture of June 1, 1965, and as contemplated therein, evidencing and securing the Series J Bonds on a basis of parity and equality as to security and source of payment in all respects with the outstanding and unpaid Bonds of \$35,075,000 "University of Kentucky Housing and Dining System Revenue Bonds," Series A to Series I, inclusive, dated June 1, 1965; and it is shown that such form has been approved by the Vice President for Business Affairs. Such form is hereby approved and is incorporated herein, in full, as follows:

Section 6. Delegation to This Board's Statutory Executive Committee of Full Power and Authority in the Sale and Issuance of the Series J Bonds.

This Board hereby specifically delegates to its statutory Executive Committee full power and authority to open, consider and compare such bids as may be received at the designated time and place for the purchase of the Series J Bonds; to accept the best bid then received or to reject all bids, and to waive any possible informality or irregularity in any bid if the Executive Committee shall deem the same to be immaterial to a fair consideration and award, and if all bids shall be rejected to set a new date for the receiving of purchase bids and to re-advertise accordingly, substantially upon the terms set forth in the suggested form of "Notice of Sale of Bonds" hereinabove approved by this Board; and if a purchase bid is accepted, to make an award of the Series J Bonds to such purchase bidder, to establish and make applicable the interest coupon rates stipulated in such purchase bid, to cause the Bonds to be printed accordingly, and to take such actions as are customary, necessary or desirable in the issuance of the Bonds and the delivery thereof to the purchaser or purchasers thereof.

Section 7. Authorization of the Series K Bonds.

This Board hereby determines that there shall be issued, and hereby authorizes to be issued, a Series of its Housing and Dining

System Revenue Bonds which shall be designated Series K in an amount presently estimated to be \$284,000 but which may be more than that amount or less than that amount to conform to the anticipated HUD Loan Agreement, for which application has been made, for a project generally described as substantial reconstruction of Boyd, Patterson and Jewell Halls, which are housing buildings constituting parts of the Housing and Dining System and which will involve, inter alia, the removal of all windows therefrom and installing new thermal windows, thermostat control valves and related mechanical installations and facilities consistent with conservation of energy under prevailing policies of the United States Government. When the anticipated HUD Loan Agreement for said project is received, this Board hereby delegates to its statutory Executive Committee full power and authority to examine the same, and if it is found to be consistent with the provisions of the Trust Indenture of June 1, 1965, the Executive Committee is authorized to accept the same and to take action to implement the authorization herein given by adopting a resolution setting forth the amount, date, loan repayment schedule or bond maturity schedule, redemption provisions, bond forms, both for negotiable coupon bonds in any denominations which are integral multiples of \$1,000, registrable as to principal only, and for one or more bonds in fully registered form without coupons (in any text prescribed by HUD and not inconsistent with the Trust Indenture of June 1, 1965), to set forth in connection therewith the conditions required by the 1965 Trust Indenture applic-

able to the issuance of parity bonds, and any special provisions required by the HUD Loan Agreement and not inconsistent with such Trust Indenture, and, in the event the Series K Bonds or any part thereof shall be issued in fully registered form, to enter into a covenant with the owner and holder that upon the request of such holder and upon ninety (90) days' notice, this Board will issue in substitution for a fully registered bond an equivalent amount of negotiable coupon bonds registrable as to principal only, maturing and bearing interest in like manner as in the case of the fully registered bond, and upon surrender of the fully registered bond in exchange therefor. The Executive Committee is further authorized to approve the form of "Notice of Sale of Bonds" which may be prepared and submitted by Bond Counsel and any "Official Statement" or similar document prepared for the purpose of informing bidders, as may be prepared or approved by the University's Vice President for Business Affairs; to choose a date for public sale of the Series K Bonds, to publish the "Notice of Sale of Bonds" in conformity with legal requirements; to receive, consider and act upon such bids as may be received; to award the Series K Bonds to the purchaser thereof, or to reject all bids and re-advertise; and otherwise to take all action customary, necessary or desirable in the authorization, public sale and issuance of the Series K Bonds; all of which shall be deemed and considered to be the action of this Board.

Section 8. Approval of the Official Statement Prepared
For Use in the Public Offering of the Series J Bonds.

The Fiscal Agent has prepared and submitted for examination by this Board an "Official Statement" setting forth the details of the Series J Bonds, the "Notice of Sale of Bonds," Official Bid Forms, and such financial and other information concerning the University, the Housing and Dining System, and the Series J Bonds as are customarily required by prospective bidders in evaluating the Bonds and determining whether and upon what terms to bid therefor; and it is shown that the form and substance thereof has been examined and approved by the University's Vice President for Business Affairs. It is specifically noted that the submitted "Official Statement" contains a representation of the Fiscal Agent that, with the permission of this Board, it proposes to submit a bid for the purchase of the Series J Bonds, either alone or in conjunction with others. Such participation by the Fiscal Agent is customary under Kentucky practice, is expected by this Board, and is hereby approved. The submitted form of the Official Statement is hereby approved and the same may be disseminated by the Fiscal Agent and by the University's Vice President for Business Affairs to interested bidders with or without solicitation. The Chairman of this Board is hereby authorized to sign the "Official Statement" when the final form thereof is printed, and a copy thereof shall be preserved by the Secretary of this Board as a permanent record of this Board, but without any necessity that the same be

incorporated in or copied into the Minute Book.

Section 9. This Resolution shall be in full force and effect from and after its adoption.

ADOPTED BY THE BOARD OF TRUSTEES OF UNIVERSITY OF KENTUCKY

at a properly convened meeting held on the ____ day of _____, 1978.

(SEAL)

Chairman
Board of Trustees
University of Kentucky

ATTEST:

Secretary

CERTIFICATION

The undersigned, Secretary of the Board of Trustees of the University of Kentucky, hereby certifies that the foregoing is a true copy of a Resolution adopted by said Board of Trustees at a properly convened special meeting held on the ____ day of _____, 1978; that notice of the call of said meeting was duly given to each member of the Board of Trustees and to such newspapers, news services, radio stations and television stations as have registered their request that they be given notice of meetings of this Board, all in strict conformity with KRS 61.825; and that said Resolution is now in full force and effect.

WITNESS my hand and the seal of the University of Kentucky,
this ____ day of _____, 1978.

(SEAL)

Secretary
Board of Trustees
University of Kentucky

SERIES J SUPPLEMENTAL TRUST INDENTURE

(Third Supplemental Trust Indenture)

MADE BY

BOARD OF TRUSTEES OF UNIVERSITY OF KENTUCKY
Lexington, Kentucky

TO

FARMERS BANK & CAPITAL TRUST COMPANY
Frankfort, Kentucky,
As Trustee

EVIDENCING THE ISSUANCE AND PROVIDING FOR THE
SECURITY OF \$6,325,000 "UNIVERSITY OF KENTUCKY HOUSING
AND DINING SYSTEM REVENUE BONDS, SERIES J," DATED
JUNE 1, 1978, ON A BASIS OF PARITY AND EQUALITY AS TO
SECURITY AND SOURCE OF PAYMENT WITH PREVIOUSLY ISSUED
"UNIVERSITY OF KENTUCKY HOUSING AND DINING SYSTEM
REVENUE BONDS," SERIES A TO SERIES I, INCLUSIVE

SERIES J SUPPLEMENTAL TRUST INDENTURE

UNIVERSITY OF KENTUCKY HOUSING AND DINING
SYSTEM REVENUE BONDS, SERIES J
Dated June 1, 1978

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SERIES J SUPPLEMENTAL TRUST INDENTURE
(Third Supplemental Trust Indenture)

PROVIDING FOR THE SECURITY OF

\$6,325,000

"UNIVERSITY OF KENTUCKY HOUSING AND DINING SYSTEM
REVENUE BONDS, SERIES J"
Dated June 1, 1978

ISSUED BY BOARD OF TRUSTEES OF UNIVERSITY OF KENTUCKY,
LEXINGTON, KENTUCKY

This SERIES J SUPPLEMENTAL TRUST INDENTURE, which is also the Third Supplemental Trust Indenture, dated as of the first day of June, 1978, made by and between BOARD OF TRUSTEES OF UNIVERSITY OF KENTUCKY, a public body corporate and an educational institution and agency and a political subdivision of the Commonwealth of Kentucky, at Lexington, Kentucky (hereinafter called the "Board"), and FARMERS BANK & CAPITAL TRUST COMPANY, a combined bank and trust corporation duly organized and existing according to the laws of the Commonwealth of Kentucky, having full powers to act as a corporate trustee, and having its principal office and place of business in the City of Frankfort, County of Franklin, Commonwealth of Kentucky, as Trustee (hereinafter called the "Trustee");

W I T N E S S E T H :

THAT WHEREAS, the Board and the Trustee have heretofore, under date of June 1, 1965, made and entered into a certain Trust Indenture, a certain Supplemental Trust Indenture and a certain

Second Supplemental Trust Indenture (hereinafter collectively sometimes referred to as the "Indenture") for the purpose of providing for the security and source of payment of the Board's "University of Kentucky Housing and Dining System Revenue Bonds" (the "Bonds"), and the Board has heretofore issued pursuant to the Indenture Bonds in the principal amount of \$35,075,000 in various Series designated Series A to Series I, inclusive, all dated as of June 1, 1965; and

WHEREAS, it is provided in Article XII of the Indenture that the Board and the Trustee, from time to time and at any time, may enter into Supplemental Trust Indentures for enumerated purposes specifically including in subsection (1) of Section 1201 of said Article: "to evidence the issuance of each future Series of Bonds, to provide for the maturities, redemption provisions and other details thereof, and to provide for such adjustments thereafter to be made in the various special funds or accounts herein created, in order to conform to the conditions relating to the issuance of such Series of Bonds;" and

WHEREAS, the Board has delivered to the Trustee a certified copy of a Resolution duly adopted by the Board at a properly convened meeting held on June __, 1978, wherein and whereby the Board has authorized the issuance of \$6,325,000 principal amount of its "University of Kentucky Housing and Dining System Revenue Bonds, Series J," to be dated June 1, 1978 (the "Series J Bonds"), and has delivered to the Trustee evidence satisfactory to the Trustee

demonstrating that the Board is in compliance with all of the conditions set forth in the Indenture precedent to the issuance of such Series J Bonds, and has authorized increased transfers and deposits from the "University of Kentucky Housing and Dining System Revenue Bonds Revenue Fund Account" (the "Revenue Fund") into the "University of Kentucky Housing and Dining System Revenue Bond and Interest Sinking Fund Account" (the "Sinking Fund"), and into the "University of Kentucky Housing and Dining System Repair and Maintenance Reserve" (the "Repair and Maintenance Reserve"), all in strict conformity with the requirements of the Indenture; and

WHEREAS, the said Series J Bonds are about to be publicly sold and issued and it is the purpose of the Board and the Trustee that this Series J Supplemental Trust Indenture evidence the issuance thereof and provide for the security and source of payment thereof upon a basis of parity and equality as to security and payment and otherwise in all respects with the aforesaid previously issued and outstanding Bonds of Series A to Series I, inclusive, and on a basis of parity and equality as to security and source of payment with any future Series of such Bonds as may be authorized and issued in compliance with the conditions and restrictions set forth in that connection in the Indenture,

NOW, THEREFORE, in consideration of the foregoing and of the sum of \$1.00 cash in hand paid by the Trustee to the Board, the receipt of which is hereby acknowledged, and to evidence the issuance

and security of the Series J Bonds on a basis of parity and equality with the previously issued Bonds of Series A to Series I, inclusive, as aforesaid, the Board and the Trustee hereby agree, as follows:

ARTICLE I

Definitions

As used in this Series J Supplemental Trust Indenture, the words and phrases defined in Article I, Section 101 of the Indenture, shall have the same meanings therein defined except in that (i) certain of the words and phrases so defined in the Indenture have been overtaken by events which now require a substitution and clarification and (ii) certain new definitions are necessarily to be added to accommodate to the issuance of the Series J Bonds, as follows:

(a) "Indenture" -- means the original Trust Indenture made by the Board and the Trustee as of June 1, 1965, and includes the Supplemental Trust Indenture and the Second Supplemental Trust Indenture made by the Board and the Trustee as of June 1, 1965, in amendment or completion of details of the original Trust Indenture prior to the issuance of any Bonds thereunder.

(b) "HHFA" -- was defined in the Indenture as meaning the Housing and Home Finance Agency of the United States, and it is now recognized and acknowledged that said agency has been succeeded as a matter of law by the United States Department of Housing and Urban Development, with the result that all references in the Indenture to "HHFA" should now be understood to mean and refer to said United States Department of Housing and Urban Development, which will hereinafter be referred to as "HUD."

(c) "HUD" -- means the United States Department of Housing and Urban Development, including all references to its predecessor, the Housing and Home Finance Agency of the United States.

(d) "Commissioner of Finance" or "Commissioner" -- was defined in the Indenture as meaning the Commissioner of Finance of the Commonwealth of Kentucky and each and every officer of the Commonwealth who might thereafter be authorized to exercise powers and authority similar to those vested at that time in said Commissioner, and each and every Deputy Commissioner or other similar officer authorized by law to exercise the power and authority then vested by law in said Commissioner. It is hereby recognized and acknowledged that by a reorganization of the government of the Commonwealth, the present officer succeeding to the powers of the Commissioner is the Secretary of the Executive Department for Finance and Administration.

(e) "Secretary of the Executive Department for Finance and Administration" -- refers to the officer holding that title in the government of the Commonwealth of Kentucky as presently organized; and where clearly so indicated by the context the title "Secretary" shall mean and refer to said officer.

(f) "Secretary" may herein be used, as the context may indicate, to mean either (i) the Secretary of the Executive Department for Finance and Administration of the Commonwealth, or (ii) the Secretary of the Board.

(g) "Series J Bonds" -- means and refers to the Series J Bonds evidenced and secured by this Series J Supplemental Trust Indenture on a basis of parity and equality as to security and source of payment with the Bonds, and with any future Series of Bonds as may be issued pursuant to the restrictions and conditions set forth in that connection in the Indenture.

ARTICLE II

Recitals

Section 201. The Trustee acknowledges that it has received from the Board the following documentation conforming to the conditions prescribed in the Indenture in connection with the issuance of the Series J Bonds:

(1) A copy, certified by the Secretary of the Board, of a Resolution shown to have been adopted by the Board at a properly convened meeting held on June __, 1978, authorizing issuance of the Series J Bonds in the principal amount of

\$6,325,000, prescribing the principal maturities thereof, redemption provisions applicable thereto, the places where principal and interest will be payable, all as hereinafter set forth, and authorizing increased transfers and deposits from the Revenue Fund into the Sinking Fund and into the Repair and Maintenance Reserve, all in conformity with the applicable provisions of the Indenture incident to the issuance of the Series J Bonds as parity bonds;

(2) Evidence, authenticated in a manner satisfactory to the Trustee, that the construction and financing of the new 200-unit apartment-type student housing building and appurtenant facilities, designated to be financed through application of a part of the proceeds of the Series J Bonds, has been approved by the Council for Public Higher Education in Kentucky as presently required by law;

(3) Evidence that the construction project identified in paragraph (2) above has been made the subject of a valid contract, either executed or ready for execution when the Series J Bonds are issued, accompanied by a payment and completion bond with good corporate surety;

(4) A copy, duly certified, of a Resolution shown to have been adopted by the State Property and Buildings Commission approving and authorizing the issuance of the Series J Bonds and the execution of this Series J Supplemental Trust Indenture and, specifically, ratifying, approving and consenting to a binding and continuing contractual commitment of the Commonwealth that it will pay the cost of operating and maintaining the Housing and Dining System, if necessary, but only to the extent that the Revenues of the System shall at any time be insufficient for that purpose after first providing for payment of the outstanding Bonds and interest thereon, accumulation and maintenance of the Debt Service Reserve and accumulation and maintenance of the Repair and Maintenance Reserve in the prescribed amounts; including ratifying, approving and consenting to reproduction of the facsimile signature of the Secretary of the Executive Department for Finance and Administration upon each Bond in evidence thereof;

(5) Evidence satisfactory to the Trustee, as set forth in the Board's Resolution referred to in paragraph (1) hereof, that (i) the Linden Walk-Rose Lane Apartments and the aforesaid new 200-unit apartment-type student housing building and appurtenant facilities, to be paid for through application of the

proceeds of the Series J Bonds, have been duly made parts of the Housing and Dining System and the revenues thereof have been pledged as Revenues of the said System for the security and source of payment of the Bonds, and (ii) that the Board is not in default under the covenants and conditions on its part to be performed under the Indenture;

(6) A certificate of the Housing Director of the Board and of the University, being the officer or employee of the Board principally charged with responsibility for the maintenance and repair of the facilities of the System, showing that a physical inspection of the facilities of the System has been made and that the same are found and represented to be in a good and current state of tenantability and repair subject to no exceptions other than for routine matters regularly scheduled to be corrected and for which budget provisions are adequate; said statement of the Housing Director being approved by the President of the University and by Resolution of the Board in conformity with Section 1101(c) of the Indenture; and

(7) A statement made by the Vice President for Business Affairs and Treasurer of the Board, approved by the Secretary of the Executive Department for Finance and Administration, showing that the average of the audited annual Revenues of the System for the two fiscal years immediately preceding the issuance of the Series J Bonds, with the adjustments authorized and permitted by the Indenture, and based upon assumed occupancy not in excess of that permitted by the Indenture, is equal to not less than one and thirty hundredths (1.30) times the maximum amount which will be required in any future fiscal year for payment of the principal of and interest on the outstanding Bonds of Series A to Series I previously issued under the Indenture and of the Series J Bonds; to which statement are attached certain schedules upon which said conclusion was based. The statement shows the Board is not in default under the Indenture.

Section 202. The Trustee finds the evidence so submitted to it by the Board, as listed in Section 201 hereof, to be proper evidence that the Board is in compliance with all conditions set forth in the Indenture incident to the issuance of the Series J Bonds on a basis of parity and equality as to security and source of payment with the previously issued and outstanding Bonds of Series A to

Series I, inclusive; and agrees that the Series J Bonds when publicly sold, executed on behalf of the Board, authenticated by the Trustee, and delivered upon payment of the purchase price therefor, will be so secured.

ARTICLE III

Authorization of the Series J Bonds Pursuant to the Indenture; Numbers; Denomination; Maturity Schedule; Redemption Provisions; Places of Payment; Forms

Section 301. It is recognized and acknowledged that the Board has authorized the issuance of Series J Bonds in the principal amount of \$6,325,000, to be dated June 1, 1978, consisting of 1,265 coupon Bonds, registrable as to principal only, in the denomination of \$5,000, numbered and to mature as to principal in accordance with the following schedule:

<u>BONDS NUMBERED</u> (Inclusive)	<u>PRINCIPAL AMOUNT</u>	<u>DATE OF MATURITY</u>
1-14	\$ 70,000	June 1, 1980
15-30	80,000	June 1, 1981
31-48	90,000	June 1, 1982
49-66	90,000	June 1, 1983
67-88	110,000	June 1, 1984
89-110	110,000	June 1, 1985
111-135	125,000	June 1, 1986
136-162	135,000	June 1, 1987
163-189	135,000	June 1, 1988
190-218	145,000	June 1, 1989
219-248	150,000	June 1, 1990
249-278	150,000	June 1, 1991
279-309	155,000	June 1, 1992
310-340	155,000	June 1, 1993
341-372	160,000	June 1, 1994
373-404	160,000	June 1, 1995
405-438	170,000	June 1, 1996
439-475	185,000	June 1, 1997

<u>BONDS NUMBERED</u> (Inclusive)	<u>PRINCIPAL AMOUNT</u>	<u>DATE OF MATURITY</u>
476-512	\$185,000	June 1, 1998
513-552	200,000	June 1, 1999
553-596	220,000	June 1, 2000
597-641	225,000	June 1, 2001
642-697	280,000	June 1, 2002
698-767	350,000	June 1, 2003
768-840	365,000	June 1, 2004
841-913	365,000	June 1, 2005
914-1023	550,000	June 1, 2006
1024-1140	585,000	June 1, 2007
1141-1265	625,000	June 1, 2008

Section 302. The Series J Bonds shall bear interest from June 1, 1978, at a coupon rate or coupon rates to be established by the Board or by its duly authorized statutory Executive Committee upon the occasion of the public sale thereof, which coupon rates will hereafter be certified by the Board to the Trustee; and such interest to the respective maturity dates of principal shall be evidenced by appurtenant coupons payable on December 1, 1978, and thereafter on June 1 and December 1 of each year.

Section 303. The Series J Bonds shall be subject to redemption through application of the proceeds of insurance, in the event of damage or destruction of properties constituting parts of the System, as provided in the Indenture.

Otherwise the Series J Bonds maturing on and after June 1, 1989, shall be subject to redemption at the option of the Board on June 1, 1988, or on any interest payment date thereafter, as a whole or from time to time in part in the inverse order of their maturities

(less than all of a single maturity to be selected by lot) upon payment of the principal amount so redeemed and all accrued interest represented by interest coupons maturing on and prior to the redemption date at the following redemption prices which are expressed as a percentage of the principal amount of each Bond so redeemed:

<u>Period</u> <u>(both dates inclusive)</u>	<u>Redemption</u> <u>Price</u>
June 1, 1988 through December 1, 1992	103%
June 1, 1993 through December 1, 1997	102%
June 1, 1998 through December 1, 2002	101%
June 1, 2003 and thereafter	100%

Notice of any such intended redemption shall be given at the time and in the manner set forth in Section 804 of the 1965 Trust Indenture.

Section 304. Both principal of and interest on the Series J Bonds shall be payable, without deduction for exchange or collection charges, in any coin or currency which on the respective payment dates of principal and interest is legal tender for the payment of debts due the United States of America at the principal office of the Trustee, or at the option of the holders, at the principal offices of Chemical Bank, in the Borough of Manhattan, City of New York, New York, or of The Northern Trust Company in the City of Chicago, Illinois hereby designated as Paying Agents for the Series J Bonds.

The principal of Series J Bonds, if registered, shall be payable only at the office of the Trustee, hereby designated the Bond Registrar. The principal of the Series J Bonds not registered, and

coupons appurtenant to the Series J Bonds, whether the Bonds be registered or not, shall be payable at the office of the Trustee or of any of the Paying Agents.

Section 305. The Series J Bonds, appurtenant coupons, the Certificate of the Secretary of the Executive Department for Finance and Administration to appear thereon, the Trustee's Authentication Certificate, and provisions for registration shall be in substantially the following forms:

(FORM OF SERIES J BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
UNIVERSITY OF KENTUCKY
HOUSING AND DINING SYSTEM REVENUE BOND
SERIES J

Number _____

\$5,000

The Board of Trustees of the University of Kentucky (the "Board"), a public body corporate, and an Educational Institution and Agency and Political Subdivision of the Commonwealth of Kentucky, at Lexington, Fayette County, Kentucky, for value received, hereby promises to pay, solely from the special fund provided therefor as hereinafter set forth, to the bearer, or if this Bond be registered to the registered owner hereof as hereinafter provided, the principal sum of Five Thousand Dollars (\$5,000) on the first day of June, _____, and to pay, solely from said special fund, interest thereon from the date hereof until payment of principal at the rate of _____ per centum (____%) per annum, such interest being payable December 1, 1978, and

thereafter on June 1 and December 1 of each year, except as the provisions hereinafter set forth with respect to prior redemption may be and become applicable hereto, such interest as may accrue on and prior to the maturity date of this Bond to be paid only upon presentation and surrender of the annexed coupons as they severally mature, both principal and interest being payable without deduction for exchange or collection charges in any coin or currency which on the respective dates of payment of such principal and interest is legal tender for the payment of debts due the United States of America, at the principal office of the Trustee, Farmers Bank & Capital Trust Company, in the City of Frankfort, County of Franklin, Commonwealth of Kentucky, or, at the option of the holder hereof or of the interest coupons hereunto appertaining, at the principal offices of Chemical Bank, in the Borough of Manhattan, City of New York, New York, or of The Northern Trust Company, in the City of Chicago, Illinois.

This Bond is one of a duly authorized Series of Bonds in the initial aggregate principal amount of \$6,325,000, consisting of 1,265 Bonds of the denomination of \$5,000, numbered consecutively 1 to 1,265, both numbers inclusive (the "Series J Bonds"), all of said Series J Bonds being of the same form, tenor and effect (except for numbers, maturity dates, and permissible variation in interest rates), issued for financing the costs, not otherwise provided, of buildings and appurtenant facilities for educational purposes on the Main Campus

of said University (as defined in the Trust Indenture, hereinafter referred to), comprising parts of the Housing and Dining System (the "System") of said University of Kentucky, which System consists of (a) initially, certain identified student housing and dining facilities and related auxiliary enterprises existing on the Main Campus of said University, in Lexington, Fayette County, Kentucky, as of June 1, 1965, (b) the University's First Housing Complex Project, heretofore constructed and completed, (c) the Linden Walk-Rose Lane Apartments and a new 200-unit apartment-type building to house students and married student families as to be paid for through application of the proceeds of the Series J Bonds, (d) any other housing and dining facilities or related auxiliary enterprises such as may be added to the said System at future dates in accordance with the conditions and restrictions provided in connection with the permissive issuance of parity Bonds, and (e) any such facilities as may be added to the System as additional security for the Bonds, under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including, among others, Sections 162.350 to 162.380, inclusive, of the Kentucky Revised Statutes now in full force and effect; and these Series J Bonds are issued on a parity as to security and source of payment with the Board's outstanding and unpaid "Housing and Dining System Revenue Bonds" (the "Bonds"), Series A to Series I, inclusive, heretofore issued in the aggregate principal amount of \$35,075,000, dated as of June 1, 1965.

All of said Bonds of Series A to Series J, inclusive, were and are issued under and pursuant to a Trust Indenture (said Indenture, together with all indentures supplemental thereto as therein permitted, being herein called the "Indenture"), dated as of June 1, 1965, executed by and between said Board of Trustees and said Farmers Bank & Capital Trust Company, as Trustee (said Trustee and any successor Trustee under said Indenture being herein called the "Trustee"), an executed counterpart of which is on file at the office of said Trustee in the City of Frankfort, Kentucky. Reference is hereby made to the Indenture for a more specific identification of the System and the described additions thereto and for the provisions, among others, with respect to the custody and the application of the proceeds of the Bonds, the collection and disposition of the Revenues of the System, the fund charged with and pledged to the payment of the interest on and the principal of said Bonds, the nature and extent of the security, the reserved right of the Board to issue in the future certain additional Bonds which will rank on a basis of parity with the Bonds of Series A to Series J, inclusive, subject to conditions and restrictions which are specifically set forth in the Indenture, the rights, duties and obligations of said Board of Trustees and of the Trustee, and the rights of the holders of the Bonds; and, by the acceptance of this Bond, the holder hereof assents to all of the provisions of said Indenture. Under authority of the Statutes pursuant to which this Bond is issued, this Bond shall have all the

qualities and incidents of a negotiable instrument, and, subject to the provisions for registration endorsed hereon and contained in the Indenture, nothing contained in this Bond or in said Indenture shall affect or impair the negotiability of this Bond.

The holder of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture. The Indenture provides for fixing, charging and collecting rentals and other charges for the use of said System, which rents and charges will be sufficient to pay the principal of and the interest on said Bonds as the same become due and to provide reserves for such purposes and also to pay the cost of maintenance, operation and repair of the System, to the extent not otherwise provided. The Indenture provides for the creation of a special fund designated "University of Kentucky Housing and Dining System Revenue Bond and Interest Sinking Fund Account" (herein called the "Bond and Interest Sinking Fund"), and for the deposit to the credit of said Bond and Interest Sinking Fund of a fixed amount of the defined Revenues of said Housing and Dining System sufficient to pay the principal of and the interest on the Bonds as the same become due, and to provide a reserve for such purpose, which Bond and Interest Sinking Fund is pledged to and charged with the payment of said principal and interest.

This Series J Bond and the issue of which it is one and Bonds which have heretofore been issued and may hereafter be issued and outstanding under the conditions and restrictions set forth in the Indenture are secured equally and are payable on a parity only from and as the first charge upon a fixed amount of the defined Revenues of said Housing and Dining System, which will be set aside in said Bond and Interest Sinking Fund, and this Bond does not constitute an indebtedness of the University of Kentucky or of its Board of Trustees or of the Commonwealth of Kentucky within the meaning of any provisions or limitations of the Constitution of the Commonwealth of Kentucky.

The Series J Bonds shall be subject to redemption through application of the proceeds of insurance, in the event of damage or destruction of properties constituting parts of the Housing and Dining System, as provided in the Indenture.

Otherwise the Series J Bonds maturing on and after June 1, 1989, shall be subject to redemption at the option of the Board on June 1, 1988, or on any interest payment date thereafter, as a whole or from time to time in part in the inverse order of their maturities (less than all of a single maturity to be selected by lot) upon payment of the principal amount so redeemed and all accrued interest represented by interest coupons maturing on and prior to the redemption date at the following redemption prices which are expressed as a percentage of the principal amount of each Bond so redeemed:

Period (both dates inclusive)	Redemption Price
June 1, 1988 through December 1, 1992	103%
June 1, 1993 through December 1, 1997	102%
June 1, 1998 through December 1, 2002	101%
June 1, 2003 and thereafter	100%

If the Board at its option undertakes to redeem outstanding Bonds in advance of scheduled maturity, it is agreed and understood that (1) calls of Bonds from surplus Revenues accumulated in the Bond and Interest Sinking Fund and available for such purpose shall be on a pro rata basis reflecting the relationship between the Bonds of each Series at such time outstanding, and (2) calls of Bonds of each Series shall be in accordance with the redemption provisions of each Series; provided, however, that the Board shall have the right to call, in accordance with the redemption provisions of the respective Series, any or all outstanding Bonds which are subject to redemption at par prior to calling any Bonds which are callable at a premium.

Notice of such intended redemption, identifying the Bonds to be redeemed, will be on file at the office of the Trustee at least thirty (30) days prior to the specified redemption date, and such notice shall be published at least once not less than thirty (30) days prior to said redemption date in a financial newspaper or journal of general circulation published in the English language in the City of New York, New York, and a copy of such notice shall be sent by registered mail to the registered holder of each then registered Bond to be redeemed, provided, however, (a) failure to send such notice

by registered mail, or any defect therein, shall not affect the validity of the call for redemption if notice by such publication shall properly and timely be made, and (b) if all Bonds to be redeemed are then registered and notice by registered mail is duly given, such publication shall not be required. Any Bonds called for redemption and for the payment of which funds are on deposit with said Trustee on the specified redemption date shall cease to bear interest on said redemption date.

This Bond shall pass by delivery unless registered as to principal on the books of said Board of Trustees at the office of the Trustee under the Indenture, and such registration noted hereon, after which no valid transfer hereof shall be effective unless made on said books and similarly endorsed hereon at the written request of the registered holder or his duly authorized representative, but this Bond may be discharged from registration by being in like manner registered to bearer, whereupon full negotiability and transferability by delivery shall be restored, but this Bond may again from time to time be registered as aforesaid. Such registration shall not affect the negotiability of the interest coupons which shall always remain payable to bearer and transferable merely by delivery. The Board of Trustees and the Trustee may deem and treat the bearer of this Bond, if not registered as to principal, and the bearer of any coupon hereto appertaining, whether or not this Bond be so registered, or if this Bond be registered as herein authorized

the person in whose name the same is registered, as the absolute owner for the purpose of receiving payment and for all other purposes.

A statutory mortgage lien, which is hereby recognized as valid and binding on the buildings and appurtenant facilities of said Housing and Dining System, including the buildings and appurtenant facilities which are added to said System through application of the proceeds of the Series J Bonds, of which this Bond is one, those portions of the sites physically occupied thereby, and all necessary appurtenances, including adequate provision for ingress, egress, and the rendering of necessary services, is created and granted to and in favor of the holder or holders of this Bond and the issue of which it is a part, and in favor of the holder or holders of the coupons attached thereto, and said System, including such housing and dining buildings, appurtenant facilities, and related auxiliary enterprises as may hereafter be added to and made parts of said System according to the provisions of the Indenture, shall remain subject to such statutory mortgage lien until the payment in full of the principal of and interest on this Bond and the issue of which it is a part; provided, however, that with respect to certain apartment buildings known in the aggregate as "Cooperstown" which were financed in whole or in part by certain "Dormitory Revenue Bonds of 1955," previously issued and outstanding pursuant to a certain resolution adopted by the Board of Trustees on April 5, 1955, said statutory mortgage lien

and all other liens, pledges and security rights created in and by the Indenture for the benefit and protection of the owners and holders of the aforesaid Housing and Dining System Revenue Bonds are subordinate and inferior to the similar liens, pledges and other security rights created and existing for the benefit and protection of the owners and holders of outstanding bonds of said identified issue, until such time as all of said identified bonds shall have been fully paid, both principal and interest; but pursuant to the Indenture there have been set aside from the proceeds of the aforesaid "Housing and Dining System Revenue Bonds, Series H," and deposited and secured for the account of the special fund created and established as the source of payment of said identified bonds, in strict conformity with the provisions of the aforesaid resolution authorizing the issuance thereof, amounts sufficient to assure payment in full thereof, both principal and interest, as and when the respective bonds and appurtenant interest coupons are scheduled to become due and payable.

This Bond shall not be valid or become obligatory for any purpose, or be entitled to any security or benefit under the Indenture, until it shall have been authenticated by the execution by the Trustee of the certificate hereon endorsed.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, to happen, and to be performed precedent to and in the issuance of this Bond do exist, have happened, and have been performed in due time, form and manner as required by

law, and that the amount of this Bond, together with all other obligations of said Board of Trustees and of said University of Kentucky, does not violate any provision or exceed any limit prescribed by the Constitution or Statutes of Kentucky; that said Housing and Dining System will be continuously operated, and that a sufficient portion of the defined Revenues therefrom has been pledged to and will be set aside into said Bond and Interest Sinking Fund, as the first charge upon such Revenues, for the payment of the principal of and interest on this Bond and the issue of which it is a part and any other Bonds which may hereafter be issued and outstanding, which by their terms are payable from said identified special fund, at or prior to maturity.

It is further certified, recited and declared that as permitted by the Constitution, applicable statutory laws, and controlling decisions of the Highest Court of the Commonwealth, the said Board of Trustees of the University of Kentucky has irrevocably covenanted and agreed, and hereby irrevocably covenants and agrees, with the owner and holder of this Bond, with the sanction, approval and authorization of the State Property and Buildings Commission of Kentucky, and the Secretary of the Executive Department for Finance and Administration of the Commonwealth, as evidenced by proper authorizations and proceedings duly filed with the Trustee, and as further evidenced by the authorized reproduced facsimile of the signature of said Secretary hereon appearing, that if and to the

extent that the defined Revenues of said Housing and Dining System shall at any time be or become insufficient (after first meeting all requirements of the special fund hereinabove identified), to pay all costs of operating and maintaining said System, and of keeping the same in a good and tenantable state of repair, said Board of Trustees and the Commonwealth of Kentucky will supply from other sources any deficiencies in such respects as a binding and continuing contractual commitment of the Commonwealth, so long as any Bonds are outstanding and unpaid under the terms and provisions of the Indenture.

IN TESTIMONY WHEREOF, the Board of Trustees of University of Kentucky, at Lexington, Kentucky, has caused this Bond to be executed in its name and behalf by the authorized facsimile of the signature of its Chairman, and has caused the authorized facsimile of its corporate seal to be imprinted hereon, attested by the manual signature of its Secretary; and has caused the coupons hereto attached to be executed with the authorized facsimile signatures of said Chairman and Secretary; all being done as of the first day of June, 1978.

BOARD OF TRUSTEES OF
UNIVERSITY OF KENTUCKY

It is certified that

issuance of this Bond, in

form as above set forth, has

been duly approved and authorized

By (Facsimile Signature)
Chairman

Attest: (Facsimile of
Seal)

(Manual Signature)
Secretary

by the State Property and Buildings
Commission, and by the undersigned.

(Facsimile Signature)
Secretary of the Executive Department
for Finance and Administration

TRUSTEE'S AUTHENTICATION CERTIFICATE

This Bond is one of the Bonds described or provided for in
the within-mentioned Indenture.

FARMERS BANK & CAPITAL TRUST COMPANY,
Frankfort, Kentucky, TRUSTEE

By (Manual Signature)
Authorized Officer

(FORM OF COUPON)

*(Unless the Bond to which this coupon is
appurtenant shall have been called for
redemption and funds for the payment
thereof are duly provided)

\$ _____
ON _____ 1,
_____;

the Board of Trustees of University of Kentucky,
at Lexington, Kentucky, will pay to bearer the
amount shown hereon, in any coin or currency which
at said date of payment is legal tender for the
payment of debts due the United States of America,
out of its "University of Kentucky Housing and Dining
System Revenue Bond and Interest Sinking Fund Account,"
at the principal office of Farmers Bank & Capital Trust
Company, in the City of Frankfort, Kentucky, or at the

option of the holder hereof, at the principal offices of Chemical Bank, in the Borough of Manhattan, in the City of New York, New York, or of The Northern Trust Company, in the City of Chicago, Illinois, as provided in and for interest then due on its Housing and Dining System Revenue Bond, Series J, dated as of June 1, 1978, Number ____.

No. ____

BOARD OF TRUSTEES OF
UNIVERSITY OF KENTUCKY

*(This redemption legend to appear only on such interest coupons as are affected thereby.)

By (Facsimile Signature)
Chairman

ATTEST:

(Facsimile Signature)
Secretary

(FORM OF REGISTRATION TO BE PRINTED ON BACK OF EACH BOND)

Date of Registration	Name of Registered Holder	Signature of Authorized Officer of Trustee
:	:	:
:	:	:
:	:	:
:	:	:
:	:	:
:	:	:

Section 306. As provided in Section 414 of the Indenture, only such Series J Bonds as shall bear thereon endorsed a certification

of authentication substantially in the above prescribed form, executed on behalf of the Trustee by an authorized officer thereof, shall be secured by the Indenture or be entitled to any right or benefit thereunder. The authentication by the Trustee upon any Bond shall be conclusive evidence that the Bond so authenticated has been duly issued hereunder and that the holder thereof is entitled to the benefit and security of the Indenture.

Section 307. The Series J Bonds shall be executed on behalf of the Board by the officers and in the manner set forth in Section 416 of the Indenture.

Section 308. The Series J Bonds shall be registrable as to principal at the office of the Trustee, may be discharged from registration and may thereafter be again registered in the manner and with the effect set forth in Section 417 of the Indenture.

Section 309. Upon receipt by the Board and the Trustee of evidence satisfactory to them of the loss, theft, destruction or mutilation of any outstanding Series J Bond or Bonds, and of indemnity satisfactory to them, and upon surrender and cancellation of such Bond or Bonds if mutilated, the Board may execute and the Trustee may authenticate and there may be delivered, a new Bond or Bonds of like tenor, maturity and numbering in lieu of such lost, stolen, destroyed or mutilated Bond or Bonds in the manner and subject to the conditions set forth in Section 419 of the Indenture.

ARTICLE IV

Certain Deposits To Be Made Into the System Sinking Fund from Series J Bond Proceeds; Increased Payments To Be Made Into the System Sinking Fund and the System Repair and Maintenance Reserve

Section 401. It is provided in the Board's Resolution authorizing the Series J Bonds that upon delivery of the Series J Bonds and receipt of the proceeds thereof, there shall be set aside and deposited into the Sinking Fund (a) the amount received from the purchaser as representing accrued interest on the Series J Bonds from June 1, 1978, to the date of delivery and payment, the same to be applied to the payment of the Series J interest coupons maturing on December 1, 1978, and (b) an amount equal to interest on the Series J Bonds for a period of one year, which is the anticipated construction and completion period, which sum shall be applied to the payment of the Series J interest coupons maturing on December 1, 1978, and thereafter.

Section 402. Conforming to the requirements of the Indenture as conditions precedent to the issuance of the Series J Bonds, the transfers and deposits from the System Revenue Fund to the System Sinking Fund, the System Debt Service Reserve and the System Repair and Maintenance Reserve shall be increased, as follows:

(A) Commencing November 1, 1978, and continuing with the semiannual transfers and deposits from the Revenue Fund to the System Sinking Fund, the amount so transferred and deposited for payment of interest on the Bonds shall be increased by the amount required to pay interest on the Series J Bonds

becoming due on the next ensuing December 1 and June 1 following each such transfer and deposit; but subject, however, to credit for the amounts deposited into the System Sinking Fund from the proceeds of the Series J Bonds as set forth in Section 401 hereof until such moneys have been duly applied to the payment of interest on the Series J Bonds and are exhausted.

(B) Commencing with the semiannual transfer and deposit from the System Revenue Fund into the System Sinking Fund to be made on November 1, 1978, and continuing on each May 1 and November 1 thereafter, the amounts transferred and deposited from the System Revenue Fund into the System Sinking Fund for the payment of maturing principal of the outstanding Bonds shall be increased by an amount equal to one-half (1/2) of the principal of the Series J Bonds maturing on the next ensuing June 1.

(C) In order that the Debt Service Reserve may be increased within four (4) years so that the amount thereof will be equal to the maximum amount which will thereafter become due in any fiscal year for the payment of principal of and interest on all of the outstanding Bonds of Series A to Series J, inclusive, the transfers and deposits to be made semi-annually from the System Revenue Fund into the System Sinking Fund shall, commencing November 1, 1978, be increased by an amount equal to twenty-five per cent (25%) of the aggregate additional deposits required by paragraphs (A) and (B) above, and such transfers and deposits shall continue until such new level has been established in the Debt Service Reserve; whereupon such transfers and deposits may be suspended, but the same shall be resumed and continued whenever and so long as it may be necessary to restore and maintain said new minimum level in the event that any part of the Debt Service Reserve shall be required to be used in order to prevent a default in the payment of principal and interest of the Bonds.

(D) It is presently required by Section 907 of the Indenture that as of the close of each fiscal year there shall be transferred from the System Revenue Fund and deposited in the System Repair and Maintenance Reserve the sum of \$60,000; with provision that in the event of the issuance of parity bonds such annual payment shall be increased by an amount equal to one-fourth of one per cent (1/4 of 1%) of the original principal amount of such parity bonds and that such increased transfers and deposits shall be continued so long as may be required to increase the minimum amount presently provided to be accumulated therein by a sum equal to five per cent (5%) of

the original principal amount of the parity bonds. Accordingly the annual transfers and deposits from the System Revenue Fund into the System Repair and Maintenance Reserve, commencing with the annual deposit to be made at the end of the fiscal year which will close on June 30, 1979, shall be increased from \$60,000 to \$75,820 and such increased deposits shall be continued annually thereafter until the amount accumulated in the System Repair and Maintenance Reserve shall equal \$1,116,250, which sum shall thereafter constitute the minimum balance to be maintained therein; provided, however, that all sums accumulated in said Reserve shall continue to be available for the proper purposes thereof as defined in the Indenture, and in the event authorized and proper withdrawals shall reduce the balance in said fund below the new minimum balance therein, the increased annual deposits shall be resumed and continued so long as may be necessary, and from time to time, in order to restore and thereafter maintain such new minimum balance.

ARTICLE V

Disposition of the Proceeds of the Series J Bonds

Section 501. Conforming to the Resolution of the Board of Trustees of the University of Kentucky authorizing issuance of the Series J Bonds, disposition of the proceeds thereof when the Series J Bonds are delivered and the proceeds are received from the purchaser shall be made, as follows:

(A) The contractual fee of the Fiscal Agent shall be paid.

(B) The amount received from the purchaser or purchasers as representing accrued interest on the Series J Bonds from June 1, 1978, to the date of delivery and payment shall be deposited in the System Sinking Fund and thereafter applied to the payment of the Series J interest coupons maturing on December 1, 1978.

(C) There shall be set aside from Bond proceeds and deposited in the System Sinking Fund a sum equal to interest which will accrue on the Series J Bonds for a period of one

year, computed at the applicable coupon rates, and such sum shall be applied toward the payment of the Series J interest coupons maturing on December 1, 1978, and thereafter.

(D) There shall be paid over to the Treasurer of the Board the sum of \$381,000 to reimburse the Board for that amount which it advanced from its reserves in payment of the cost of acquiring the Linden Walk-Rose Lane Apartments which have been made parts of the Housing and Dining System.

(E) The entire remaining balance of the Series J Bond proceeds shall be deposited with the Depository (as defined in the 1965 Trust Indenture) to be maintained by the Depository in a separate account which shall be designated "University of Kentucky Housing and Dining System Series J Construction Account" and until disbursement thereof for the purposes hereinafter set forth the amount so deposited shall be invested by the State Investment Commission of the Commonwealth as provided by law, but any such investment shall be converted into cash when and as necessary for the purposes hereinafter set forth. The amount so deposited in the said Construction Account shall be disbursed according to such procedures and practices with reference to audit and control as may from time to time be prescribed by the laws of the Commonwealth solely for the purposes of (a) defraying the costs of construction of the new 200-unit apartment-type student housing building to be constructed under contract with C. E. Pennington, individually, and C. E. Pennington Company, Inc., a contracting corporation of Lexington, Kentucky, and thereafter (b) for the costs of equipment and furnishings for said new building according to such contract or contracts therefor as may hereafter be solicited by the Commonwealth's Division of Purchases and approved by the Secretary of the Executive Department for Finance and Administration and by such officer or agent as may be designated for that purpose by the Board of the University or by its duly authorized statutory Executive Committee. In the event all costs of construction of said new student housing apartment building, appurtenant facilities and site improvement and all costs of furnishings and equipment therefor shall be fully paid and there shall yet remain any unexpended balance in such Construction Account, the excess so remaining may be applied, if so directed by the Board of the University, to the costs of any additional housing and dining facilities constituting parts of the Housing and Dining System and to be financed through an additional Series of parity bonds if any are then contemplated, or shall be transferred to the System Repair and Maintenance Reserve and shall contribute to the accumulation of the new

minimum amount to be maintained in such Reserve as provided in Article IV of this Series J Supplemental Trust Indenture.

ARTICLE VI

Arbitrage Covenants

Section 601. The Board covenants that sums derived from the proceeds of the Series J Bonds shall not be invested in any manner which will cause any of the Series J Bonds to be treated as arbitrage bonds within the meaning of Section 103(c)(2) of the Internal Revenue Code of 1954, as amended (the "Code"), and the applicable Income Tax Regulations thereunder (the "Regulations").

On the basis of information furnished to the Board, on known facts, circumstances, and reasonable expectations on the date of this Series J Supplemental Trust Indenture, the Board certifies as follows:

(A) That it is not expected or contemplated that the proceeds of the Series J Bonds will be used or invested in any manner which will cause any of the Bonds to be treated as "arbitrage bonds" within the meaning of Section 103(c)(2) of the Code and the Regulations.

(B) That it is not expected or contemplated that the Board will make any use of the proceeds of the Series J Bonds, which, if such use had been reasonably anticipated on the date of issuance of the Series J Bonds, would have caused the Series J Bonds to be arbitrage bonds.

(C) That it is expected and contemplated that the Board will comply with (i) all of the requirements of Section 103(c) of the Code; and (ii) all of the requirements of the Regulations, to whatever extent is necessary to assure that the Series J Bonds will not be treated as arbitrage bonds.

Provided, however, that it is intended that the proceeds of the Series J Bonds will be invested to whatever extent and

whenever the Code and/or applicable Regulations permit same to be invested without causing the Series J Bonds to be treated as arbitrage bonds.

Based on information furnished to the Board, and on known facts, circumstances and reasonable expectations at this time, the Board further certifies, as follows:

(1) that the Board has entered into, or within six months from the date of issuance of the Series J Bonds, will enter into a Contract for the construction of the 200-unit apartment-type student housing building and appurtenant facilities to be constructed through application of a portion of the proceeds of the Series J Bonds, and that work thereon has commenced or will commence within six months from the date of issuance of the Series J Bonds;

(2) that the construction of the said project will proceed hereafter to completion with due diligence on the part of the Board;

(3) that at least 85% of the spendable proceeds of the Series J Bonds, exclusive of the amount allocated to reimburse the Board for the cost of acquiring the Linden Walk-Rose Lane Apartments, will be expended on the costs of the said construction project within less than three years from the date of issuance of the Series J Bonds;

(4) that the original proceeds of the Series J Bonds, exclusive of the amount allocated to reimburse the Board for the cost of acquiring the Linden Walk-Rose Lane Apartments, will not exceed by more than 5% (or by any percent) the amount required for the said construction project; and therefore there will be no over-issuance of the Series J Bonds; and

(5) that it is not reasonably anticipated that the System will be sold or otherwise disposed of, in whole or in part (except as provided in and subject to the provisions of Section 1404 of the Indenture), prior to the last maturity (or redemption) of the Series J Bonds.

Accordingly it is anticipated that there will be no limitation on the permissible yield on investments made from the portion of

the proceeds of the Series J Bonds deposited in the Series J Construction Account.

Section 602. Prior to or at the time of delivery of the Series J Bonds, the Chairman or Vice Chairman of this Board, or the University's Vice President for Business Affairs and Treasurer, or any of them, is authorized to execute the appropriate certification with reference to the matters referred to above, setting out all known and contemplated facts concerning such anticipated construction, expenditures and investments, including the execution of necessary and/or desirable certifications of the type contemplated by the applicable "Proposed Arbitrage Regulations," as amended, in order to assure that interest on the Series J Bonds will be exempt from all Federal income taxes and that such Series J Bonds will not constitute or be treated as arbitrage bonds; and Bond Counsel shall review such certifications and render an opinion as contemplated by such Regulations.

ARTICLE VII

Except As Herein Expressly Provided,
the Indenture Controls

Section 701. This Series J Supplemental Trust Indenture does not purport to be and is not intended to constitute an amendment of any provision of the Indenture controlling the rights, duties and obligations of the Board, the Trustee or the owners and holders from time to time of the outstanding Bonds, but is merely supplemental to the Indenture in the specific matters set forth herein and which

are in accord in all respects with the Indenture.

Section 702. All provisions of the Indenture concerning the rights, duties and obligations of the Board and the Trustee shall continue for the security, source of payment and protection of the holders of all Bonds and parity bonds issued under the Indenture, and the limitations upon the rights of the holders of such Bonds as set forth in the Indenture shall continue to control.

IN TESTIMONY WHEREOF, the BOARD OF TRUSTEES OF UNIVERSITY OF KENTUCKY has caused its corporate name to be hereunto subscribed by its Chairman, or its Vice Chairman, and its corporate seal to be hereto affixed, and said signature and seal to be attested by its Secretary, and said FARMERS BANK & CAPITAL TRUST COMPANY, Frankfort, Kentucky, to evidence its acceptance of the additional responsibility and trusts incident to the issuance of the Series J Bonds under the Indenture, has caused its corporate name to be hereunto subscribed by its President or by one of its Vice Presidents, or by its Trust Officer, and its corporate seal to be hereto affixed and said signature and seal to be attested by its Secretary, Cashier, or Trust Officer, or a duly authorized Assistant, all as of the day and year first above written.

BOARD OF TRUSTEES OF UNIVERSITY OF KENTUCKY
Lexington, Kentucky

(SEAL)

ATTEST:

By _____
(Signature)

Secretary

(Title of Officer)

FARMERS BANK & CAPITAL TRUST COMPANY
Frankfort, Kentucky

(SEAL)

By _____
(Signature)

ATTEST:

(Title of Officer)

(Signature)

(Title of Officer)

STATE OF KENTUCKY)
 : SS
COUNTY OF FAYETTE)

On this ____ day of _____, 1978, before me, the under-
signed, a Notary Public in and for said County, in the State aforesaid,
appeared _____ and _____,
to me personally known and to me known to be the _____
and Secretary, respectively, of the BOARD OF TRUSTEES OF UNIVERSITY OF
KENTUCKY, one of the corporations described in and which executed the
within and foregoing instrument and who being by me severally duly
sworn, did say that he, the said _____, is the
_____ of said Board of Trustees, and he, the said
_____, is the Secretary of said Board of Trustees; that
the seal affixed to the within and foregoing instrument is the cor-
porate seal of said corporation; that said instrument was executed,
signed and sealed in behalf of said corporation by authority of its

Board of Trustees; and said _____ and
_____, each acknowledged the execution of said
instrument to be, and said instrument to be, the free and voluntary
act and deed of said corporation by it voluntarily executed through
them as its duly authorized officers.

WITNESS my hand and Notarial seal, this ____ day of
_____, 1978. My Commission expires _____.

(SEAL)

Notary Public in and for the
County and State aforesaid

STATE OF KENTUCKY)
 : SS
COUNTY OF FRANKLIN)

On this ____ day of _____, 1978, before me, the under-
signed, a Notary Public in and for said County, in the State aforesaid,
appeared _____ and _____,
to me personally known and to me known to be the _____
and _____, respectively of FARMERS
BANK & CAPITAL TRUST COMPANY, Frankfort, Kentucky, one of the corpora-
tions described in and which executed the within and foregoing instru-
ment, and who being by me severally duly sworn each for himself did
say that he, the said _____ is the _____
of said corporation, and he, the said _____ is the
_____ of said corporation; that the seal
affixed to the within and foregoing instrument is the corporate seal

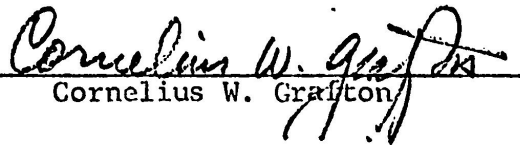
of said corporation; that said instrument was executed, signed and sealed in behalf of said corporation by authority of its Board of Directors; and said named officers each acknowledged the execution of said instrument to be, and the said instrument to be, the free and voluntary act and deed of said Corporation by it voluntarily executed through them as its duly authorized officers.

WITNESS my hand and Notarial seal, this ____ day of _____, 1978. My Commission expires _____.

(SEAL)

Notary Public in and for the
County and State aforesaid

This instrument prepared by the undersigned, Attorney at Law, of GRAFTON & FLEISCHER, Suite 212, 304 West Liberty Street, Louisville, Kentucky 40202.



Cornelius W. Grafton

NOTICE OF SALE OF BONDS

\$6,325,000
UNIVERSITY OF KENTUCKY
HOUSING AND DINING SYSTEM REVENUE BONDS,
SERIES J

Public notice is given that until the ____ day of _____, 1978, at the hour of _____ .M., EDT, the Board of Trustees of University of Kentucky, in its corporate capacity and as an educational institution, agency and political subdivision of the Commonwealth of Kentucky, will receive in the office of the Vice President for Business Affairs of the University, in the Administration Building on the Campus of the University in Lexington, Kentucky, sealed competitive bids for the purchase of the Board's \$6,325,000 "Housing and Dining System Revenue Bonds, Series J," dated June 1, 1978; serial, negotiable coupon bonds, denomination \$5,000, registrable as to principal only, maturing June 1 in each of the years 1979/2008, subject to redemption on any interest payment date on and after June 1, 1988, interest payable semiannually June 1 and December 1, commencing December 1, 1978, payable at Farmers Bank & Capital Trust Company, Frankfort, Kentucky, the Trustee, Chemical Bank, New York, New York, or The Northern Trust Company, Chicago, Illinois; issued under authority of KRS 162.350, et seq., to pay the cost of additional student housing buildings and appurtenant facilities; ranking on parity with outstanding bonds of \$35,075,000 "Housing and Dining System Revenue Bonds," Series A to Series I, inclusive, dated June 1, 1965.

Bids shall be submitted on the Official Bid Form. Minimum bid is \$6,230,125 (98-1/2%). \$126,500 certified or bank cashier's check, payable to University of Kentucky to accompany bid. Usual tax exempt basis. Delivery guaranteed within 45 days after sale, at the University's expense if in New York, New York, Chicago, Illinois, or Louisville or Lexington, Kentucky; elsewhere in continental U.S. (excluding Alaska), at purchaser's expense, including insurance in transit. Purchaser will be furnished at delivery, without cost, unqualified approving opinion of Grafton & Fleischer, Bond Counsel, Louisville, Kentucky. Right is reserved to reject bids and to waive bid defects if deemed by the Board or its Executive Committee to be immaterial.

Bidding rules: Coupon rates in multiples of 1/20 of 1%; only one rate per maturity, the same to be on an ascending scale in that the rate for any maturity may not be less than the rate for any earlier maturity; no limit to number of rates; no proposal that interest on any bond at any payment date be represented by more than one coupon, nor that any coupons be cancelled; no spread limit. Best bid will be lowest amount of interest dollars, June 1, 1978 to maturity, less discount or plus premium, if any.

Further details, bid forms, and financial information are in "Official Statement," obtainable from Vice President for Business Affairs, University of Kentucky, Lexington, Kentucky 40506, or First Kentucky Securities Corporation, Fiscal Agent, P. O. Box 55, State National Bank Building, Frankfort, Kentucky.

Secretary
Board of Trustees
- 2 - University of Kentucky

OFFICIAL BID FORM

_____, 1978

Board of Trustees, or
its Executive Committee
Administration Building
University of Kentucky
Lexington, Kentucky 40506

Responsive to your published "Notice of Sale of Bonds," to the terms and conditions of which we agree, the undersigned hereby offer to purchase your \$6,325,000 "University of Kentucky Housing and Dining System Revenue Bonds, Series J," dated June 1, 1978, and to pay you therefor \$_____ (must be not less than \$6,230,125 (98-1/2% of face amount)), plus accrued interest from June 1, 1978, to date of delivery, upon condition that said Bonds be caused to bear interest at the following coupon rates:

<u>Year of</u> <u>Maturity</u>	<u>Amount</u>	<u>Coupon Rate</u>	<u>Year of</u> <u>Maturity</u>	<u>Amount</u>	<u>Coupon Rate</u>
1980	\$ 70,000	_____%	1995	\$160,000	_____%
1981	80,000	_____%	1996	170,000	_____%
1982	90,000	_____%	1997	185,000	_____%
1983	90,000	_____%	1998	185,000	_____%
1984	110,000	_____%	1999	200,000	_____%
1985	110,000	_____%	2000	220,000	_____%
1986	125,000	_____%	2001	225,000	_____%
1987	135,000	_____%	2002	280,000	_____%
1988	135,000	_____%	2003	350,000	_____%
1989	145,000	_____%	2004	365,000	_____%
1990	150,000	_____%	2005	365,000	_____%
1991	150,000	_____%	2006	550,000	_____%
1992	155,000	_____%	2007	585,000	_____%
1993	155,000	_____%	2008	625,000	_____%
1994	160,000	_____%			

As required, we submit herewith certified or bank cashier's check payable to the University of Kentucky in the sum of \$126,500, to be held uncashed until delivery if our bid is accepted, and to be returned to us immediately if our bid is not accepted.

We understand that at delivery we will be furnished, without cost to us, customary no-litigation certificate and other closing documents and the unqualified approving legal opinion of Grafton & Fleischer, Bond Counsel, Louisville, Kentucky, including opinion that

interest is exempt from Federal income taxation. This bid is good only until midnight, EDT, on date of sale, unless sooner extended in writing by the undersigned.

Respectfully submitted,

The above constitutes our bid. Our computation thereof is submitted only for your convenience:

Total Interest from June 1, 1978 to maturities.....	\$	_____
Plus discount, or less premium, if any.....	\$	_____
Net interest cost in dollars.....	\$	_____
Average interest rate		_____ %

Accepted pursuant to a Resolution adopted by the Executive Committee of the Board of Trustees of the University of Kentucky, this ____ day of _____, 1978.

ATTEST:

Chairman or Vice Chairman

Secretary

NEW ISSUE

In the opinion of Bond Counsel, interest on the Bonds is exempt from Federal income taxes under existing law and the Bonds and the interest thereon are exempt from income taxes and all ad valorem taxes in the Commonwealth of Kentucky.

\$6,325,000

UNIVERSITY OF KENTUCKY
HOUSING AND DINING REVENUE BONDS
Series J

Dated June 1, 1978

Due June 1, As Shown Below

Interest is payable on December 1, 1978, and semi-annually thereafter on June 1 and December 1. The Series J Bonds will be coupon bonds of \$5,000 denomination, registerable as to principal only. Farmers Bank & Capital Trust Company, Frankfort, Kentucky, is Trustee. Principal and interest are payable at the principal office of the Trustee or, at the option of the holder, at the principal office of the Chemical Bank, New York, New York, or The Northern Trust Company, Chicago, Illinois.

The Series J Bonds are redeemable prior to maturity, at the option of the University, either as a whole or in part on or after June 1, 1988 at 102% and at redemption prices declining thereafter to 100%. Further information with respect to the redemption provisions is set forth herein under "Description of the Bonds".

MATURITY SCHEDULE

Due	Amount	Coupon Price	Due	Amount	Coupon Price
June 1 1980	\$ 70,000		June 1 1995	\$160,000	
1981	80,000		1996	170,000	
1982	90,000		1997	185,000	
1983	90,000		1998	185,000	
1984	110,000		1999	200,000	
1985	110,000		2000	220,000	
1986	125,000		2001	225,000	
1987	135,000		2002	280,000	
1988	135,000		2003	350,000	
1989	145,000		2004	365,000	
1990	150,000		2005	365,000	
1991	150,000		2006	550,000	
1992	155,000		2007	585,000	
1993	155,000		2008	625,000	
1994	160,000				

These Series J Bonds are being issued to provide funds (to the extent not otherwise provided) for payment of the costs of construction and related costs of 200 apartment type units of housing for 650 students on a 23-acre tract on the University's south campus and to provide funds for the acquisition of three existing apartment buildings located adjacent to the campus and containing 34 apartments. All of the foregoing housing units will be included in the previously-established Housing and Dining System and the revenues derived therefrom are pledged to the payment of principal and interest on all outstanding Housing and Dining System Revenue Bonds, including these Series J Bonds.

The Series J Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by Messrs. Grafton & Fleischer, Louisville, Kentucky, Bond Counsel to the University.

No dealer, broker, salesman or other person has been authorized by the University of Kentucky or the Underwriters to give any information or to make any representations, 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 any of the foregoing. 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 J Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the University of Kentucky and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters. The information and expressions of opinion herein are subject to change without notice, and 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 University of Kentucky since the date hereof.

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OFFICIAL STATEMENT

\$5,325,000
UNIVERSITY OF KENTUCKY
HOUSING AND DINING SYSTEM REVENUE BONDS
Series J

This Official Statement, which includes the cover page, is being distributed by the University of Kentucky (the "University") to furnish pertinent information to all who may become holders of its Housing and Dining System Revenue Bonds, Series J (the "Series J Bonds") being offered hereby pursuant to the provisions of Sections 162.340 through 162.380 of the Kentucky Revised Statutes; pursuant to a Trust Indenture dated June 1, 1965, between the Board of Trustees of the University and Farmers Bank & Capital Trust Company, Frankfort, Kentucky, as Trustee, approved by Resolution adopted by said Board on September 21, 1965; and pursuant to a Series J Supplemental Trust Indenture (the "Series J Indenture") approved by said Board by Resolution adopted on June 20, 1978, (the "Series J Resolution"), which Series J Resolution authorized the issuance of the Series J Bonds. The Series J Bonds and any other Housing and Dining System Revenue Bonds heretofore or hereafter issued pursuant to the Trust Indenture and which rank on a parity therewith are herein referred to as the "Bonds". The summaries and references to Sections of the Kentucky Revised Statutes, the Resolution, the Trust Indenture, the Series J Resolution and the Series J Indenture, as included in this Official Statement do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such document.

THE UNIVERSITY OF KENTUCKY

The University of Kentucky, located in Lexington, Fayette County, Kentucky, began on February 22, 1865, as part of Kentucky University, a land grant college under the "Morrill Act of 1862". In 1878, the College of Agriculture and Mechanical Arts was separated from Kentucky University (now Transylvania University) and reestablished on land donated by the City of Lexington. In 1908, the name was changed to the State University of Kentucky and, in 1916, the institution was given its present designation of University of Kentucky. The University receives federal assistance as a land grant college as well as state appropriations.

The governing body of the University is the Board of Trustees consisting of sixteen members appointed by the Governor (three of whom are alumni of the University), the President of the Student Body, and two non-voting members of the teaching faculty. The Board has general supervision of the University's property and operations.

MEMBERS OF THE BOARD OF TRUSTEES

<u>Name</u>	<u>Principal Occupation</u>
William B. Sturgill*..... Chairman	President, East Kentucky Investment Company, Lexington, Kentucky
Albert G. Clay*..... Vice-Chairman	President, Clay Tobacco Company, Mount Sterling, Kentucky
Paul G. Sears, Ph.D..... Secretary	Professor, Department of Chemistry, University of Kentucky, Lexington, Kentucky
Betty C. Clark..... Assistant Secretary	Citizen Member, Glasgow, Kentucky
Michael Adelstein, Ph.D.....	Professor, University of Kentucky, Lexington, Kentucky
William R. Black*.....	President, Ray Black & Sons (General Contractors), Paducah, Kentucky
Albert B. Chandler.....	Former Governor, Common- wealth of Kentucky, Versailles, Kentucky
John R. Gaines.....	Owner, Gainesway Farms, (Horse Farm), Lexington, Kentucky
L. D. Gorman.....	President, Peoples Bank, Hazard, Kentucky
George W. Griffin, Jr.*.....	President, Laurel Grocery Company, London, Kentucky

Mrs. David Hermansdorfer.....Citizen Member, Ashland,
Kentucky

David A. Hull, M.D.....Physician, Lexington,
Kentucky

Thomas B. Kessinger.....Vice-President, J.J.B.
Hilliard-W.L. Lyons, Inc.
(Stock Brokers), Lexing-
ton, Kentucky

Eugene Tichenor.....President, Student Govern-
ment, University of Ken-
tucky, Lexington, Ken-
tucky

Zirl Palmer.....Pharmacist, Lexington,
Kentucky

Frank Ramsey, Jr.....Business Owner (Various
Interests), Madisonville,
Kentucky

Homer W. Ramsey.....Attorney, Whitley City,
Kentucky

William B. Terry**.....Chairman, Board of Director
Bluegrass Coca-Cola
Bottling Company,
Lexington, Kentucky

John R. Woodyard, M.D.....Physician, Fort Mitchell,
Kentucky

*Members of the Executive Committee.

**Appointed with term of office to begin July 1, 1978.

For the performance of its function of instruction, the University is organized into fifteen colleges and four schools, including the Graduate School and Extended Programs. The academic year of the University is divided into two semesters of approximately eighteen weeks each and a summer school session of eight weeks. The operating budget for the fiscal year ending June 30, 1979, is \$241,377,000 and for fiscal year 1979-80, the budget is \$256,729,000.

SECURITY FOR THE BONDS

These Series J Bonds are issued pursuant to the terms of the Trust Indenture, dated June 1, 1965, naming Farmers Bank & Capital Trust Company, Frankfort, Kentucky, as Trustee, and are secured on parity with the previously issued and outstanding Series A through I Bonds.

The Series A through I Bonds, these Series J Bonds and additional parity bonds hereafter issued and outstanding under the terms of the Trust Indenture are and will be payable from and constitute a paramount charge upon the defined Revenues derived by the University from the operation of its Housing and Dining System. The Housing and Dining System may be described generally as all the student housing and dining facilities, student center and related auxiliary enterprises now existing including the facilities to be acquired and constructed from the proceeds of these Series J Bonds, but excluding buildings leased to fraternities or sororities or similar student groups. The Revenues of the System consist of the gross amount of rentals generated to the University from the use and occupancy of the Housing System, the gross amount generated to the University from the collection of the Student Center Fee and any future student fees which the Board of Trustees may later choose to pledge, and the Net Profits from the operations of dining facilities and other related auxiliary enterprises.

As further security for the Bonds and the coupons appertaining thereto, there is created and granted by Sections 162.200 and 162.350 of the Kentucky Revised Statutes a statutory mortgage lien upon the Housing and Dining System.

DESCRIPTION OF THE PROJECT

The project consists of 200 apartment units designed

to house 650 students (50 married and 600 single). Each of the 200 units will furnish two bedrooms, living room, kitchen/dining area, full bath and small storage area. 10 units are to be designed specifically for use by handicapped persons. All units will be designed for occupancy by either 4 single students or married students with their families. The housing complex will include a central laundry facility. The apartment units will be equipped with appropriate furnishings and equipment.

The project is to be situated on a 23-acre tract located on the University's South Campus. The project also includes site improvements such as roadways, parking areas, sidewalks and on-site utilities.

The project is to be constructed under the Design-Build Concept, commonly referred to as "Turn-Key". Proposals have been received and reviewed and a Developer has been selected. It is anticipated that a contract will be executed on or before August 1, 1978.

In the Series J Resolution, the Board approved the inclusion in this housing project of three previously acquired apartment buildings which are occupied by students and are included in the Housing and Dining System. The acquisition costs of these buildings was advanced by the University from other available funds and a portion of the proceeds of the Series J Bonds will be used to repay said advance. The buildings are located adjacent to the University's main campus. The addresses and number of units are as follows: 404 Linden Walk--sixteen efficiency apartments; 411 Linden Walk--eight 1-bedroom apartments; and 468 Rose Lane--ten efficiency apartments. The buildings are two-story brick veneer with heat pumps providing heating and air conditioning. Equipment includes wall-to-wall carpeting, drapes and basic furnishings.

DISPOSITION OF BOND PROCEEDS

The proceeds of the Series J Bonds will be deposited immediately upon receipt with the Treasurer of the University who will disburse same in accordance with the terms of the Trust Indenture and the Series J Indenture. First, the Treasurer shall deposit into the System Sinking Fund all sums received from the purchasers of the Series J Bonds as accrued interest, together with such additional amount from the proceeds of the Series J Bonds as will cause the aggregate amount so deposited to be equal to the interest to become due on December 1, 1978, and on June 1, 1979, such period being the estimated time required to complete construction of the project.

Next, the costs of issuance of the Series J Bonds shall be paid.

The entire remaining proceeds shall be deposited into an account to be established with the Treasurer of the Commonwealth of Kentucky designated the "System Construction Fund, Series J" to be disbursed in payment of the costs of constructing and equipping the housing project as described elsewhere herein. Such disbursements shall be made in accordance with procedures and practices with reference to audit and control as may from time to time be provided according to the laws of the Commonwealth of Kentucky. Each such disbursement shall be made upon the basis of vouchers approved in writing by the architects or engineers, as the case may be, having supervision of the construction of the project.

PROJECT COSTS:

Construction/Development Contract	\$4,850,000
Acquisition of Existing Apartments	381,000
Equipment and Furnishings	575,000
Interest During Construction (1 yr. @ 6-1/2%)	411,125
Bond Discount (1-1/2% Maximum)	94,875
Costs of Issuance of Bonds	35,975
Administrative Costs and Contingencies	<u>143,375</u>
Total Project Costs	<u>\$6,491,350</u>

SOURCES OF FUNDS:

Housing and Dining System Revenue Bonds, Series J	\$6,325,000
Earnings on Investment of Funds Not Required for Immediate Expenditure	<u>166,350</u>
Total Funds Available	<u>\$6,491,350</u>

DESCRIPTION OF BONDS

Authorization

On June 20, 1978, pursuant to authority contained in Sections 162.340 to 162.380 of the Kentucky Revised Statutes and in accordance with the terms of the Trust Indenture dated June 1, 1965, the Board adopted the Series J Resolution authorizing the construction of the project and issuance of the Series J Bonds.

Terms

The Series J Bonds will be dated June 1, 1978, will bear interest (payable semi-annually on June 1 and December 1 commencing December 1, 1978, at the rates set forth on the cover page hereof, and, subject to the redemption provisions set forth below, will mature on the dates and in the amounts set forth on the cover page hereof.

Denominations and Places of Payment

The Series J Bonds are issuable as coupon bonds, registrable as to principal only, in the denomination of \$5,000. The principal or Redemption Price of and interest on the Series J Bonds are payable at the principal office

of Farmers Bank & Capital Trust Company, Frankfort, Kentucky, or, at the option of the holder, at the principal office of Chemical Bank, New York, New York, or at The Northern Trust Company, Chicago, Illinois.

Optional Redemption Provisions

The Series J Bonds maturing on and after June 1, 1989 will be redeemable on and after June 1, 1988, on any interest payment date, as a whole or from time to time in part in inverse order of their maturities (less than all of a single maturity to be selected by lot) at the option of the University at the following respective Redemption Prices (expressed as percentages of principal amount), plus interest accrued to the redemption date:

Period (both dates inclusive)	Redemption Prices
June 1, 1988 through December 1, 1992	103%
June 1, 1993 through December 1, 1997	102%
June 1, 1998 through December 1, 2002	101%
June 1, 2003 and thereafter	100%

CERTAIN PROVISIONS OF THE TRUST INDENTURE

University of Kentucky Housing and Dining System Revenue Bonds Revenue Fund Account

Under the terms of the Indenture there is established a special fund to be known as "University of Kentucky Housing and Dining System Revenue Bonds Revenue Fund Account" (the "System Revenue Fund") to be held in the custody of the Treasurer of the Board, separate and apart from all other funds of the Board. There shall be deposited into the System Revenue Fund all Revenues of the System as defined in the Indenture and as described in summary elsewhere herein under "Security For The Bonds".

University of Kentucky Housing and Dining System Revenue Bond and Interest Sinking Fund Account

Under the terms of the Indenture, there is also established a separate account designated the "University of Kentucky Housing and Dining System Revenue Bond and Interest Sinking Fund Account" (the "System Sinking Fund"). So long as any of the Bonds are outstanding, the System Sinking Fund shall be maintained and deposited with the Trustee and shall be used to pay principal and interest as they become due and to accumulate a reserve therefor. Upon delivery of any bonds issued under the terms of the Indenture, there shall be deposited into the System Sinking Fund the accrued interest, if any, received from the pur-

chasers of the Bonds, together with an amount which, in the aggregate, will be sufficient to pay the interest to become due on the Series J Bonds until the apartment project becomes revenue-producing.

Commencing with the May 1 or November 1 next following the closing date for any issue of additional parity bonds, the Board shall transfer from the System Revenue Fund, as the first charge thereon, and deposit to the credit of the System Sinking Fund on or before each succeeding May 1 or November 1 an amount, which together with sums as may then be available in said System Sinking Fund, shall be equal to the next succeeding interest payment to become due on the outstanding Bonds and an amount equal to one-half of the principal payment to become due in the next succeeding twelve months. In addition to the principal and interest payments, an amount equal to 25% of the current year's debt service requirement for any new parity issue must be paid annually into the System Sinking Fund until the Debt Service Reserve equals the maximum debt service to become due on all outstanding bonds in any succeeding year.

All moneys held in the System Sinking Fund shall be secured and invested by the Trustee as provided in the Indenture. The System Sinking Fund is pledged irrevocably for the purpose of paying the interest and principal of the Bonds secured by the Indenture and for retiring Bonds at or before maturity.

University of Kentucky Housing and Dining System Repair and Maintenance Reserve

There is created under the terms of the Indenture an account to be designated "University of Kentucky Housing and Dining System Repair and Maintenance Reserve" (the "System Repair and Maintenance Reserve") to be held by the Trustee separate and apart from all other accounts and funds. In accordance with the terms of the Indenture, the Board has previously deposited the minimum aggregate requirement of \$750,000. Upon the issuance of the Series J Bonds and any additional parity bonds issued in the future, the Board has covenanted, after observing the priority of payments to the System Sinking Fund, to increase the annual transfer to the System Repair and Maintenance Reserve by 1/4 of 1% of the original amount

of such parity bonds issued until the additional reserve equals 5% of such original principal amount of parity bonds.

Balances held in the System Repair and Maintenance Reserve may be used for unusual or extraordinary costs of maintenance, repairs, replacement or operation of the System to the extent that they represent unanticipated deficiencies not previously budgeted. No withdrawal may be made from such Reserve to the extent that the aggregate balance is reduced below the amount required by the Indenture except by resolution of the Board determining that an emergency exists requiring such expenditure to preserve the tenantability and revenue-producing capacity of the System.

Investment of Funds

Moneys held in the System Repair and Maintenance Reserve and any amount held in the System Sinking Fund in excess of principal and interest requirements for the ensuing twelve months period shall be invested in direct or fully guaranteed obligations of the United States Government, maturing in not more than ten years. Moneys held in the System Sinking Fund for current principal and interest requirements (as distinguished from deposits for the System Debt Service Reserve) may be invested in direct or fully guaranteed obligations of the United States Government, maturing or subject to redemption at the option of the holder not later than the time such funds must be disbursed.

Current Expenses

Current Expenses of the System shall be payable from the System Revenue Fund but only such amounts as remain therein after compliance with payments to the System Sinking Fund and the System Repair and Maintenance Reserve. The Board covenants to charge such rentals as are necessary to produce funds sufficient to make the required payments to the System Sinking Fund and System Repair and Maintenance Reserve. If, after making the above payments, the remaining funds in the System Revenue Fund are insufficient to provide full payment of the operating and maintenance expenses of the System, the Board will: (a) impose such additional rentals as the Board may at its

discretion determine to be economically feasible and consistent with the educational duties of the Board, or (b) the Board will make up such deficiency from other sources in such manner as to constitute a binding contractual commitment of said Board and of the Commonwealth of Kentucky over the entire life of these Bonds. A Resolution of the State Property and Buildings Commission, taking cognizance of this commitment on the part of the Commonwealth and authorizing the issuance of these Series J Bonds will have been adopted prior to delivery of said bonds.

After making the required disbursements above, any moneys remaining at the close of each Fiscal Year in the System Revenue Fund may be used (a) to redeem or prepay principal on outstanding Bonds, (b) to improve or restore any existing housing or dining facilities or to provide additional facilities, or (c) for any other lawful purpose,

Additional Bonds

Additional bonds ranking on a parity with these Bonds may be issued for the purpose of financing educational buildings to be made a part of the Housing and Dining System providing:

1. The Board is in full compliance with all covenants and undertakings in connection with its then outstanding Housing and Dining System Bonds.
2. There has been filed with the Trustee a certificate that an inspection of existing housing and dining buildings has been made and are represented to be in a good and current state of repair.
3. The average of the audited annual Revenues of said System for the two Fiscal Years immediately preceding the issuance of said additional parity bonds and (a) an estimate of revenues to be derived from buildings to be constructed from the proceeds of such parity bonds and, (b) an estimate of annual revenues to be derived from any buildings currently under construction and, (c) an adjustment to reflect annual rentals of buildings which have been in operation for less than one year, shall aggregate an amount equal to not less than 1.30 times the maximum amount which will be required in any future Fiscal Year for debt service on the bonds outstanding and parity bonds to be issued. The estimates of annual revenues as used above are subject to certain restrictions as further

set out in the Indenture. The Board may pledge as an additional source of payment for such parity bonds the revenues of any buildings added to the System otherwise than through the issuance of bonds or any increased or additional student fees.

Other Covenants

The Board of Trustees covenants, among other things, the following:

1. That it will at all times maintain, preserve, and keep the System in good condition, repair and working order and will make all needful repairs, replacements, additions, betterments and improvements so that the operations and business of the System and every part thereof shall at all times be conducted properly and advantageously.

2. That it will procure and maintain so long as any of the Bonds are outstanding, fire and extended coverage insurance on the System in amounts sufficient to provide full recovery when the loss does not exceed 80% of the full insurable value of the property, and also a minimum amount of \$50,000 of boiler explosion insurance.

3. That it will procure public liability insurance (including vehicular liability insurance) with limits of not less than \$100,000 for one person and \$300,000 for more than one person involved in one accident, providing provision is not otherwise made by law for disposition of such claims of such character as would be covered thereby.

4. That in the event any buildings leased to fraternities or sororities which the Board has heretofore erected or may hereafter erect and finance under such leases shall at any time cease to be subject to such lease financing agreements and shall become revenue producing facilities of the Board, the Board shall, by proper action on its part, constitute the same as parts of the Housing And Dining System.

5. That it will keep accurate financial records and proper books relating to the System, and such records and books shall be open to inspection by the Bondholders and their agents and representatives, and that not later than 120 days after the close of each Fiscal Year it will furnish to any Bondholder who shall request same in writing, an audit report prepared by an independent public accountant or by the state auditing official.

6. That it will establish such parietal rules, rental rates and charges as may be necessary to (a) assure maximum occupancy and use of the facilities of the System and (b) provide together with other funds herein pledged to payment of the Bonds (i) the debt service on the Bonds, (ii) the required reserve therefor, (iii) the System Repairs and Maintenance Reserve for which provision is made herein, and (iv) the operating and maintenance expenses of said facilities not provided from other resources.

GENERAL OPERATIONS
OF THE UNIVERSITY

Enrollment

The following schedule indicates the Fall Semester full-time equivalent enrollment at the University campus in Lexington, Kentucky, for each of the academic years 1970-71 through 1977-78. The full-time equivalent enrollment calculation is made in accordance with the method used by the United States Office of Education.

<u>Academic Year</u>	<u>Fall Semester Full-Time Equivalent Enrollment</u>
1970-71	16,520
1971-72	17,771
1972-73	18,283
1973-74	18,311
1974-75	18,309
1975-76	19,499
1976-77	19,382
1977-78	19,169

Approximately 17.5% of students enrolled are non-residents of Kentucky and in the judgement of the University, the percentage should remain constant.

Using regional and national surveys of future college age population and historic enrollment data, and taking into consideration the policies of the Kentucky Council on Public Higher Education relating to enrollment requirements, the University has projected estimated Fall Semester full-time equivalent enrollment at its Lexington campus for the academic years 1978-79 through 1982-83 as follows:

<u>Academic Year</u>	<u>Estimated Fall Semester Full-Time Equivalent Enrollment</u>
1978-79	19,936
1979-80	20,693
1980-81	21,231
1981-82	21,592
1982-83	21,916

**Current Funds Revenues and Expenditures
Of The University For Fiscal Year 1976-77**

Revenues

Student Fees	\$ 18,443,780
Federal Appropriations	10,022,056
State and County Appropriations	89,876,609
Tobacco Research Trust Fund	3,299,745
Private Gifts and Grants	2,361,461
Grants from Affiliated Corporations	8,445,520
Hospitals and Clinics	24,268,278
Housing, Dining and Other Auxiliary Operations	13,510,731
Other Sources	<u>9,861,387</u>
Total Revenues	\$180,089,567

Expenditures and Transfers

Instruction	\$ 56,359,436
Research	9,784,609
Tobacco Research Trust Fund	3,299,745
Public Service	15,921,712
Academic Support	15,518,363
Student Services	4,020,091
Institutional Support and Independent Operations	9,667,410
Operation and Maintenance of Plant	11,023,051
Scholarships and Fellowships	2,977,141
Hospital and Clinics	27,135,987
Housing, Dining and Other Auxiliary Enterprises	14,328,395
Mandatory and Other Transfers - Net	9,073,701
Cumulative Effect of Accounting Changes	<u>2,850,000</u>
Total Expenditures and Transfers	\$181,959,641

SOURCE: 1976-77 Financial Report prepared by audit staff
of the University.

Contingent Liabilities of the University

Capitalized Lease Obligation:

The University has the primary lease obligation to the Kentucky State Property and Buildings Commission (the "Commission") for the Commonwealth Stadium. This lease has been subleased to the Athletic Association. The Commission holds title to the facility until the revenue bonds issued by the Commission have been fully retired in the year 2002, at which time the title passes to the University; accordingly, the Stadium has been capitalized with a corresponding liability entitled "Capitalized Lease Obligation." Under the terms of the agreements, the annual rentals equal the annual debt service on the revenue bonds, which range in amounts from \$590,000 to \$630,000, less investment income from funds placed in escrow with the bond trustee by the Commonwealth of Kentucky. Rental payments are made by the Athletic Association from game revenues. For the years ended June 30, 1977 and 1976, the capitalized lease obligation was reduced by \$255,000 and \$140,000, respectively, which represents the principal reduction in the related revenue bonds.

Pension Plans:

Faculty and staff members of the University are participants in the Retirement Annuity Plan sponsored by the Teachers Insurance and Annuity Association (TIAA). Under this plan, the University and plan participants make annual contributions to TIAA to purchase individual annuities equivalent to retirement benefits earned. The University's share of the costs of these benefits was \$5,523,076 and \$4,239,005 for 1977 and 1976, respectively. There are no unfunded pension costs under this plan. In addition, the University provides supplemental retirement benefits for those employees eligible under an unfunded non-contributory pension plan in effect prior to 1955. Payments to retirees under this plan were \$1,906,870 and 1,663,104 for 1977 and 1976, respectively. A projected estimate by the University of annual payments to retirees under this unfunded plan for the next five fiscal years was as follows:

<u>Year</u>	<u>Amount</u>
1978	\$2,125,000
1979	2,247,000
1980	2,389,000
1981	2,529,000
1982	2,690,000

THE HOUSING AND DINING SYSTEM

The existing housing and dining facilities of the University may be summarized as follows:

Single Student Housing

<u>Facility</u>	<u>Year Occupied</u>	<u>Capacity</u>		<u>Total</u>
		<u>Men</u>	<u>Women</u>	
Blazer Hall	1961	---	185	185
Bowman Hall*	1946	---	---	---
Boyd Hall	1924	137	---	137
Bradley Hall*	1920	---	---	---
Breckinridge Hall*	1928	---	---	---
Donovan Hall	1954	---	339	339
Haggin Hall	1959	575	---	575
Holmes Hall	1957	301	---	301
Jewell Hall	1938	---	102	102
Keeneland Hall	1953	---	307	307
Kinkead Hall*	1928	---	---	---
Kirwan-Blanding Complex**	1967	988	1,160	2,664
Patterson Hall	1903	---	122	122
Total Residence Halls**		2,001	2,215	4,732

Average Occupancy 1976-77 4,657

Percentage of Occupancy 98.4%

* Currently rented to the University for use as office space.

** Total capacity includes 516 co-educational units.

Married Student Housing

<u>Facility</u>	<u>Efficiency</u>	<u>Units</u>	
		<u>One Bedroom</u>	<u>Two Bedroom</u>
Shawneetown	84	84	17
Cooperstown	93	107	--
Linden Walk-Rose Lane Apts.*	26	8	--
Total Married Student Housing	203	199	17

Average Occupancy - 1976-77* 169 189 17

Percentage of Occupancy* 95.5% 99.0% 100%

* Linden Walk-Rose Lane Apartments were acquired in 1977 and are not included in the Occupancy calculations.

	<u>Efficiency</u>	<u>Units</u>	
		<u>One Bedroom</u>	<u>Two Bedroom</u>
Cooperstown	60	70	--
Commonwealth Village	68	55	--
Total Graduate Student Housing	128	125	--
Average Occupancy - 1976-77	123	121	--
Percentage of Occupancy	96.1%	96.8%	--

Dining

<u>Facility</u>	<u>Year Occupied</u>	<u>Seating Capacity</u>
<u>Cafeterias:</u>		
Blazer Hall	1962	700
Donovan Hall	1955	650
Kirwan-Blanding Commons	1967	800
Student Center Cafe	1962	1,200
<u>Grills:</u>		
K-Lair	1960	130
Kirwan-Blanding Commons	1967	100
Total Dining Facilities Capacity		3,580
Food Services Board Contracts (Fall, 1976)		5,442

The dining facilities of the University are operated under a policy designed to accommodate student occupants of campus housing facilities and to appeal to students living off campus, as well as faculty, staff and their guests. These facilities have been operated profitably by the University over a period of years.

Rates

The Board of Trustees has established housing and board rates and Student Activity Fees as set forth in the following schedules. The rates shown represent increases in housing and board rates in 1977-78 and increases which have been approved and will become effective commencing with the Fall Semester, 1978.

Combined Housing and Dining
Rates for Residence Halls
(Two 18-week Semesters)

	<u>1977-78</u>	<u>1978-79</u>
3 Meals/7 Days	\$1,546	\$1,636
2 Meals/7 Days	1,380	1,520
2 Meals/5 Days	1,282	1,382
3 Meals/5 Days	---	1,482

Rates for Housing Only

Residence Halls (Two Semesters)	\$724	\$780
---------------------------------	-------	-------

Apartments (Per Month):

Shawneetown Village and Cooperstown Village:		
Efficiency	115	125
One-Bedroom	130	140
Two-Bedroom	140	150
Commonwealth Village:		
Efficiency	130	135
One-Bedroom	150	150
Linden Walk-Rose Lane:		
Efficiency	130	135
One-Bedroom	150	150
South Campus (This Project):		
Two Bedroom (Married)	---	200
Two Bedroom (4 Single Students)	---	273

Dining Only

3 Meals/7 Days	\$822	\$856
2 Meals/7 Days	656	740
2 Meals/5 Days	558	602
3 Meals/5 Days	---	702

Student Activity Fee

Semester (18 Weeks)	\$12.50
Summer Term (8 Weeks)	\$ 8.00

Fund Balances

In accordance with the Trust Indenture, the University has established and maintains the System Revenue Fund, the System Sinking Fund and the System Repair and Maintenance Fund. These funds had balances on deposit on March 15, 1978 as follows:

System Revenue Fund	\$2,786,661
System Sinking Fund (Restricted)	\$2,061,308
System Repair and Maintenance Fund	\$ 886,180

The Restricted portion of the System Sinking Fund comprizer the Debt Service Reserve required by the terms of the Trust Indenture. The amount required to be maintained as a Debt Service Reserve prior to the issuance of the Series J Bonds was \$1,687,569, the maximum annual principal and interest payment due in fiscal year 1997-98. The required amount after issuance of the Series J Bonds is estimated to be \$2,153,854 (1979-80). Under the terms of the Trust Indenture, the University must deposit into the System Sinking Fund each year, in addition to the current principal and interest due, an amount equal to 25% of the current year's debt service until there is accumulated in the Debt Service Reserve an amount equal to the maximum principal and interest to become due in any future fiscal year.

Financial Statements of the System

Attached as Exhibit A is a summary Statement of Revenues, Expenditures and Transfers of the System for the Fiscal Years ending June 30, 1975, 1976, and 1977, the amounts shown for said years having been taken from reports of audit prepared by Coopers & Lybrand, independent public accountants. Also included in the summary are unaudited Statements of Revenues, Expenditures and Transfers, including actual amounts for the ten months ended April 30, 1978, and estimated amounts for the fiscal year ending June 30, 1978.

Attached as Exhibit B are the financial statements of the System as of, and for the 12-month periods ending June 30, 1976 and June 30, 1977, and the report thereon of Coopers & Lybrand. The financial statements have been included herein in reliance upon the report of Coopers & Lybrand as experts in auditing and accounting.

ESTIMATED DEBT SERVICE REQUIREMENTS

Year End. June 30	Outstanding Debt Service Series A-I	SERIES J		Total Series J	Total Series A-J
		Principal June 1	Interest @ 6 1/8%		
1979	\$1,641,051.75	-0-	\$ 411,125.00	\$ 411,125.00	\$ 2,052,176.75
1980	1,672,729.00	\$ 70,000	411,125.00	481,125.00	2,153,854.00
1981	1,662,318.75	80,000	406,575.00	486,575.00	2,148,893.75
1982	1,641,476.75	90,000	401,375.00	491,375.00	2,132,851.75
1983	1,665,478.50	90,000	395,525.00	485,525.00	2,151,003.50
1984	1,647,767.75	110,000	389,675.00	499,675.00	2,147,442.75
1985	1,654,731.50	110,000	382,525.00	492,525.00	2,147,256.50
1986	1,630,624.00	125,000	375,375.00	500,375.00	2,130,999.00
1987	1,606,379.00	135,000	367,250.00	502,250.00	2,108,629.00
1988	1,631,977.75	135,000	358,475.00	493,475.00	2,125,452.75
1989	1,620,476.00	145,000	349,700.00	494,700.00	2,115,176.00
1990	1,618,380.50	150,000	340,275.00	490,275.00	2,108,655.50
1991	1,669,937.00	150,000	330,525.00	480,525.00	2,150,462.00
1992	1,638,027.75	155,000	320,775.00	475,775.00	2,113,802.75
1993	1,660,970.75	155,000	310,700.00	465,700.00	2,126,670.75
1994	1,631,696.75	160,000	300,625.00	460,625.00	2,092,321.75
1995	1,671,350.00	160,000	290,225.00	450,225.00	2,121,575.00
1996	1,672,668.75	170,000	279,825.00	449,825.00	2,122,493.75
1997	1,655,843.75	185,000	268,775.00	453,775.00	2,109,618.75
1998	1,687,568.75	185,000	256,750.00	441,750.00	2,129,318.75
1999	1,645,306.25	200,000	244,725.00	444,725.00	2,090,031.25
2000	1,597,718.75	220,000	231,725.00	451,725.00	2,049,443.75
2001	1,606,962.50	225,000	217,425.00	442,425.00	2,049,387.50
2002	1,564,706.25	280,000	202,800.00	482,800.00	2,047,506.25
2003	1,477,500.00	350,000	184,600.00	534,600.00	2,012,100.00
2004	1,487,000.00	365,000	161,850.00	526,850.00	2,013,850.00
2005	1,545,000.00	365,000	138,125.00	503,125.00	2,048,125.00
2006		550,000	114,400.00	664,400.00	664,400.00
2007		585,000	78,650.00	663,650.00	663,650.00
2008		625,000	40,625.00	665,625.00	665,625.00
Totals	\$43,905,648.50	\$6,325,000	\$8,562,125.00	\$14,887,125.00	\$58,792,773.50

* Interest capitalized during construction

COVERAGE OF DEBT SERVICE REQUIREMENTS

Average Revenues for Two Preceding Audited
Years Adjusted In Accordance With The
Terms Of The Trust Indenture* \$12,579,585

Estimated Maximum Annual Debt Service
Series A Through J (1979-80) \$ 2,153,854
Debt Service Covered By Adjusted Revenues 5.84X

Estimated Average Annual Debt Service**
Series A Through J \$ 2,103,670
Debt Service Covered By Adjusted Revenues 5.98X

* Certified by the Treasurer of the University.

** Excludes Fiscal Years 2006, 2007 and 2008.

OUTSTANDING BONDS OF THE UNIVERSITY

In addition to the following, the University has out-
standing certain old issues of Dormitory and Dining Bonds
and of Community Colleges Bonds now advance refunded with
full principal and interest on deposit and escrowed.

Educational Buildings

<u>Central Campus</u>	<u>Year</u>	<u>Amount To Be Year Of</u>		
<u>Consolidated Educa-</u>	<u>Of Issue</u>	<u>Of Issue</u>	<u>7-1-78</u>	<u>Final</u>
<u>tional Buildings</u>				<u>Maturity</u>
<u>Revenue Bonds</u>				
Series A	1960	\$ 8,000,000	\$ 3,445,000	1986
Series B	1963	7,500,000	3,385,000	1988
Series C	1970	4,290,000	3,215,000	1996
Series D*	1971	34,700,000	33,050,000	1981
Series D (Refunding)	1973	31,000,000	31,000,000	1999
Series E	1973	4,750,000	4,740,000	2002
Series F	1976	7,500,000	7,405,000	2002
Total			\$86,840,000	

* On May 1, 1981, all the then outstanding Series D
Bonds will be redeemed from the escrowed proceeds
of the Series D Refunding Bonds.

<u>Community Colleges</u>	<u>Year</u>	<u>Amount</u>	<u>Amount To Be</u>	<u>Year of</u>
<u>Educational Build-</u>	<u>Of Issue</u>	<u>Of Issue</u>	<u>Outstanding</u>	<u>Final</u>
<u>ings Revenue Bonds</u>			<u>7-1-78</u>	<u>Maturity</u>
Series A	1971	\$12,125,000	\$11,450,000	2009
Series B	1971	4,489,000	3,934,000	2009
Series C	1974	5,500,000	<u>5,190,000</u>	2004
Total			\$20,574,000	

Housing and Dining

Housing & Dining System Revenue Bonds

Series A	1965	\$ 1,000,000	\$ 555,000	1990
Series B	1965	275,000	275,000	1994
Series C	1965	955,000	635,000	1995
Series D	1965	1,835,000	1,225,000	1996
Series E	1965	1,580,000	1,100,000	1997
Series F	1965	1,155,000	970,000	2001
Series G	1965	1,375,000	1,375,000	2002
Series H	1965	6,900,000	3,250,000	1990
Series I	1965	20,000,000	19,100,000	2005
Series J	1978	6,325,000	<u>6,325,000</u>	2008
Total			\$34,810,000	

Fraternity & Sorority Dormitory Bonds

Revenue Bonds	1950	\$ 74,500	\$ 7,500	1980
Revenue Bonds	1950	76,000	9,000	1980
Revenue Bonds	1953	710,000	277,000	1983
Revenue Bonds	1956	900,000	581,000	1996
Revenue Bonds	1956	150,000	96,000	1996
Revenue Bonds	1957	100,000	20,000	1982
Revenue Bonds	1958	150,000	100,000	1998
Housing Bonds	1960	300,000	216,000	2000
Student Housing Bonds of 1964	1964	640,000	513,000	2004
Revenue Bonds (Rose Street)	1969	130,000	<u>85,000</u>	1994
Total			\$1,904,500	

NOTE: The above Fraternity and Sorority Dormitory Revenue Bonds are not secured by the pledge of the revenues of the Housing and Dining System nor do the facilities constitute a part of said System.

LEGALITY FOR INVESTMENT

Subject to any applicable federal requirements or limitations, the Series J Bonds, in Kentucky, are securities in which all public officers, bodies and political subdivisions, all insurance companies, trust companies, banking associations, investment companies, executors, administrators, trustees and other fiduciaries, may properly and legally invest funds, including capital, in their control or belonging to them.

TAX EXEMPTION

Based upon existing law, including present statutes, current regulations, administrative rulings and official interpretations, it is the opinion of Bond Counsel to the University that interest on the Series J Bonds will be excluded from the gross income of the recipient thereof for federal income tax purposes, except that such counsel expresses no opinion as to interest on any such Bonds during the time they are held by a person who is a "substantial user" of the facilities or a "related person" within the meaning of Section 103(b)(7) of the Internal Revenue Code. It is Bond Counsel's further opinion that interest on the Bonds will be exempt from Kentucky income taxes and that the Series J Bonds will be exempt from all ad valorem taxes in the Commonwealth of Kentucky.

ABSENCE OF MATERIAL LITIGATION

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

APPROVAL OF LEGALITY

Legal matters incident to the authorization, issuance sale and delivery of the Series J Bonds are subject to the approval of Messrs. Grafton & Fleischer, Louisville, Kentucky, Bond Counsel to the University. The unqualified approving opinion of Bond Counsel to the University will be printed on the Series B Bonds.

UNDERWRITING

The Series J Bonds will be sold by the solicitation and receipt of sealed, competitive bids. First Kentucky Securities Corporation, Frankfort, Kentucky, Financial Advisor to the University, has requested, and received, permission and approval of the Board of Trustees of the University to bid, either alone or in conjunction with others, on the Series J Bonds. The Financial Advisor has expressed its intent to so bid.

APPROVAL OF ISSUANCE OF BONDS

Issuance of the Series J Bonds by the University and the terms thereof is subject to the approval of the State Property and Buildings Commission of Kentucky.

All quotations from, and summaries and explanations of, the Kentucky Revised Statutes, the Resolution, the Trust Indenture and the Series J Resolution contained herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. The Exhibits attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Trust Indenture or the Series J Resolution may be obtained from First Kentucky Securities Corporation, P. O. Box 55, Frankfort, Kentucky 40602.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the University and the purchasers or or holders of any of the Series J Bonds.

UNIVERSITY OF KENTUCKY

by William B. Sturgill
Chairman
Board of Trustees

Attest:

Paul G. Sears
Secretary

UNIVERSITY OF KENTUCKY
HOUSING AND DINING SYSTEM
Statements of Current Funds Revenues,
Expenditures and Transfers
Years Ended June 30

	<u>1978(b)</u>	<u>1978(c)</u>
Revenues:		
Rentals	\$ 6,818,634	\$ 6,968,634
Sales	3,833,129	4,233,129
Student Activity Fees	375,000	430,000
Vending Commissions	33,874	35,000
Game Room Receipts	13,209	14,500
Investment Income	126,610	135,000
Total Revenues	<u>\$11,200,456</u>	<u>\$11,816,263</u>
Expenditures:		
Cost of Sales	\$ 2,775,417	\$ 3,075,417
Salaries and Wages	3,155,562	3,705,562
Utilities	886,239	1,086,239
Maintenance and Repairs	451,702	550,000
Laundry	50,011	60,011
Telephone	275,644	335,644
Insurance	21,512	26,512
Supplies	310,160	360,160
Student Life Program	129,784	129,784
Administration	175,007	175,007
Other	146,873	156,873
Total Expenditures	<u>\$ 8,377,911</u>	<u>\$ 9,661,209</u>
Mandatory Transfers:		
To Retirement of		
Indebtedness Funds	\$ 1,601,944	\$ 1,611,973
From Retirement of		
Indebtedness Funds	(111,973)	(111,973)
Other Transfers:		
To Renewal And		
Replacement Fund	\$ 451,702	550,000
To Unexpended Plant		
Fund		
Cumulative Effect of		
Accounting Change (a)		
Total Expenditures		
and Transfers	<u>\$10,319,584</u>	<u>\$11,711,209</u>
Net Increase		
(Decrease) in		
Fund Balance	<u>\$ 872,022</u>	<u>\$ 194,502</u>

NOTES: (b) Actual amounts through April 30, 1978.
(c) Estimated amounts through June 30, 1978,
prepared by University staff.

UNIVERSITY OF KENTUCKY
HOUSING AND DINING SYSTEM
Statements of Current Funds Revenues,
Expenditures and Transfers
Years Ended June 30

EXHIBIT A
page 1

	<u>1975</u>	<u>1976</u>	<u>1977</u>
Revenues:			
Rentals	\$3,537,733	\$ 3,325,053	\$ 4,007,561
Sales	5,120,305	5,622,873	5,736,670
Student Activity Fees	411,639	433,686	433,431
Vending Commissions	72,600	69,807	74,163
Game Room Receipts	12,217	12,745	12,183
Investment Income	<u>218,121</u>	<u>131,829</u>	<u>183,651</u>
Total Revenues	\$9,372,615	\$10,201,993	\$10,447,659
Expenditures:			
Cost of Sales	\$2,544,398	\$2,843,688	\$ 2,837,255
Salaries and Wages	2,566,052	2,893,650	3,215,303
Utilities	809,331	854,625	924,264
Maintenance and Repairs	557,118	559,934	645,691
Laundry	60,160	62,802	58,107
Telephone	257,608	304,150	323,454
Insurance	23,987	22,500	20,309
Supplies	207,503	257,286	280,081
Student Life Program	113,836	123,890	127,412
Administration	132,857	148,984	154,386
Other	<u>57,843</u>	<u>74,066</u>	<u>99,843</u>
Total Expenditures	\$7,330,693	\$8,145,575	\$ 8,686,705
Mandatory Transfers:			
To Retirement of			
Indebtedness Funds	\$1,515,702	\$1,498,143	\$ 1,497,246
From Retirement of			
Indebtedness Funds	(138,362)	(129,247)	(103,508)
Other Transfers:			
To Renewal And			
Replacement Fund	\$ 370,552	\$ 370,552	\$ 455,552
To Unexpended Plant			
Fund			842,852
Cumulative Effect of			
Accounting Change (a)			50,000
Total Expenditures			
and Transfers	<u>\$9,078,585</u>	<u>\$9,885,023</u>	<u>\$11,428,247</u>
Net Increase			
(Decrease) in			
Fund Balance	<u>\$ 294,030</u>	<u>\$ 316,970</u>	<u>\$ (980,588)</u>

NOTE: (a) During fiscal 1977, the Housing and Dining System changed from the cash to the accrual method of accounting for vacation pay and sick leave earned by employees. This change was made in order to more accurately reflect the related costs in the year in which the services were rendered by the employees. The cumulative effect of this change through June 30, 1977 has been reflected in the statement of current funds revenues, expenditures, and transfers and changes in fund balances for the years ended June 30, 1977 and 1976 was not considered significant.

BOARD OF TRUSTEES RESOLUTION REGARDING MEDICAL PRACTICE PLAN

I. Establishment of "Geographic Full-Time Plan"

- A. The Board hereby establishes a geographic full-time medical service plan for the University of Kentucky College of Medicine (hereinafter referred to as "the plan"). This action shall become effective upon approval of satisfactory contractual arrangements providing for its implementation and activation.
- B. The purpose of the Board in establishing the plan are (1) to attract and retain high quality faculty to teach, conduct research and provide patient care through the provision of reasonable and competitive levels of compensation, (2) to improve patient care through the provision of incentives, and (3) to provide the necessary support within available resources to enable the College of Medicine to accomplish its educational, research and service goals.

II. Terms of the Plan

A. Membership

- 1. Membership in the plan shall be limited to individuals who hold active full- or part-time faculty appointments in a clinical department of the College of Medicine and shall be subject to the further conditions and limitations provided herein. Membership shall not extend beyond termination of faculty appointment. The Board of Directors of the corporate entity administering the plan shall determine the conditions, limitations and benefits attendant to termination of membership.
- 2. All faculty in clinical departments as of the activation date shall be given the option of becoming members of the plan, provided their appointment is in a department in which a majority of the full-time faculty have elected membership. In such departments, those who do not elect membership in the plan will continue to participate in the Physicians' Services Plan as heretofore, but may subsequently elect to become

members of the plan effective as of the beginning of a fiscal year, provided written notice of such election is submitted to the Dean of the College of Medicine at least one hundred fifty (150) days prior to the beginning of such fiscal year. Faculty who elect membership in the plan may not thereafter discontinue such participation. Provided, however, that the Board of Trustees, acting on appropriate recommendations, may grant and individual's request for termination of membership in the plan where clearly warranted on the basis of program considerations.

3. Membership in the plan shall be a condition of employment for all faculty appointed after the date of activation of the plan where the appointment is to a clinical department in which a majority of those holding full-time faculty appointments are members. Faculty appointed after the activation date of the plan to clinical departments not under the plan shall not become members of the plan but shall be covered by and subject to the provisions of the Physicians' Services Plan (PSP). All faculty appointees to full-time positions subsequent to the activation date shall, without regard to membership in the plan, be subject to University policies and regulations as applied to the College of Medicine with respect to tenure and sabbatical leave except as provided in II, C. hereof. The obligation of the University with respect to tenure and leave shall be defined and established in the same manner for all such full-time faculty appointees irrespective of membership in the plan. The level or amount of such obligation to individual appointees shall be established independently from the amount of University funds allocated towards financing the total compensation of the individual; likewise, it shall not be governed by, and shall be established independently from, the amount of total compensation for the individual.
4. All faculty who become members of the plan shall, as a condition of continued employment and continued membership in the plan, submit to the Dean of the College of Medicine, upon request, a written acceptance of the terms of the plan and agreement to adhere to the terms thereof.
5. For full-time faculty, the agreement referred to in subparagraph 4 above shall include provisions

confining professional practice to facilities of the University with the exception of activities which are operated as a part of the approved program of the University in affiliated institutions. Exceptions may be made where required by professional ethics in temporary emergency situations.

B. Applicability to Income from Professional Services

The plan is applicable to all professionally generated clinical income of members of the plan regardless of where services are performed. Non-clinical income and/or income from the following specific sources are excluded from the plan:

1. Payments for occasional service to governmental agencies or non-profit health or education-related organizations after both the dean and the departmental chairperson concur that such service is of academic benefit to the University.
2. Prizes, defined as gifts in recognition of personal past achievements and not for services rendered.
3. Royalties, defined as proceeds for contributions as authors or inventors (the latter subject to University patent policy).
4. University-sponsored continuing education services.
5. Honoraria, defined as payments by agencies outside the University for occasional lectures and similar public appearances beyond normal responsibilities and which are not in return for other services, whether given directly or indirectly.
6. Special administrative stipends, defined as payments by the University for administrative assignments beyond normal academic responsibilities.
7. Fees from a profession unrelated to that which is the qualification for University appointment, provided such fees are generated on non-University time.

Income from excluded activities and sources remains subject to University policies and regulations.

Professional fees will be charged in accordance with an appropriate fee schedule for all services rendered with exception for professional courtesy discount or waiver granted by individual practitioners. All income and rights to income derived from professional practice as defined herein by members of the plan will be assigned to the entity administering the plan to be billed, collected, received, held and administered by such entity in accordance with the provisions of the plan. Professional practice income received directly by members shall be reported and remitted to such entity immediately upon receipt.

Payments to the College of Medicine by University Hospital or affiliated institutions for administrative services rendered by faculty are excluded from the plan, but income billed and collected by the Hospital for services rendered to patients by hospital-based physicians who are members of the plan is specifically included.

C. Compensation of Members of the Plan

Compensation of members of the plan will consist of the following:

1. University salary

This compensation will be paid to the member directly by the University from funds provided to the College of Medicine through the University operating budget. Amounts payable to individuals will be determined by the University pursuant to established budgetary procedures applicable to the formulation of the annual operating budget of the College of Medicine.

2. Plan income

The departmental plan for each department, developed in accordance with this policy statement and the operating agreement, will define the plan component of income for each member and will be effective upon approval of the Dean of the College of Medicine and the Vice President for the Medical Center. The principles to be applied in the approval of such a plan are:

- a. University and College of Medicine program needs must be met within all funds available.

- b. Funds must be available for departmental or divisional academic enrichment as well as for personal income.
 - c. There must be an incentive for individuals or academic units to provide exemplary patient care in a teaching setting.
3. For purposes of tenure, the University portion of a member's salary shall not govern the obligation of the institution. Salary levels for purposes of tenure and sabbatical leave will be established and applicable to members of the plan in accordance with the following schedule:

<u>Academic Rank</u>	<u>Annual Amount</u> ¹
Professor (regular full-time appointment)	\$ 36,000
Associate Professor (regular full-time appointment)	\$ 28,000.

¹For V.A. faculty, amounts will be prorated based on share of full-time salary assumed by the University.

The above amounts are subject to adjustments in future years by action of the Board of Trustees in accord with general University budgetary procedures.

D. Distribution of Income from Professional Services for Operation of the Plan and College of Medicine Enrichment

The formula governing the distribution of income from the plan will be applied to income as it is received for the services of each member and distributed by the administering entity on a current basis in accordance with the following formula:

- 1. Provision for expenses of billing and collection of income and costs of administration of income received--to be quantified annually and expressed as a percentage of gross income (not to exceed actual costs) with such percentage to be applied uniformly to income produced by all members and with the proceeds being retained by the administering entity. In the event that experience during the first year of operation under the plan

indicates gross inequities between departments because of differences in costs to the administering entity attributable to billing and collection, consideration will be given to amending this portion of the formula to more accurately reflect actual billing and collection costs.

2. Provision for reimbursement of University expenses attendant to the production of professional income-- to be quantified annually and expressed as a percentage of gross income (not to exceed actual costs). Exceptions may be granted depending on costs to the University to allow the percentage tax to be set at different levels for different activities, but the tax will be applied uniformly for all faculty for the same activity.
3. Provision for College of Medicine Academic Enrichment Fund for use in support of programs of the College and related purposes as determined by the dean--such funds to receive 10% of the gross income with this percentage being applied uniformly to the income produced by all members.

III. Administration of Income for Professional Services

A. Authorization for Administration through Contractual Arrangement

The President is authorized to negotiate and execute a contract, subject to approval of the Board of Trustees, with an appropriately qualified organizational entity for carrying out necessary functions and assuming the responsibilities involved in the administration of income for professional services under the plan. Neither the organizational entity nor the University may change the agreement unilaterally during a plan year.

Criteria to be considered in determining that an organization is appropriately qualified to assume and fulfill the role of administering entity for income under the plan shall include the following: (1) the character of the organization, (2) the purposes for which it was created and exists, (3) its structure and governance as these bear upon assurance of appropriately representing and responding to the interest of the members of the plan and of effectively relating to the University and its program goals, and (4) whether the organization has or will have the capability to carry out the functions and fulfill the responsibilities to be assumed.

Should the President determine that no other appropriately qualified organizational entity is available and prepared to assume the role of administering entity at the time of activation of the plan, THE FUND for Advancement of Education and Research in the University of Kentucky Medical Center may be utilized as the administering entity through appropriate contractual arrangement.

B. Conditions Applicable to Contractual Arrangement for Administration

1. The books, records and accounts must be open at all reasonable times to inspection and audit by appropriately designated University representatives. Reporting requirements, including form, content and frequency, as well as provision for periodic audit, shall be defined in the contract.
2. The contract must not conflict with applicable laws and regulations under which the University and all its component units are governed and may not require actions by the University which conflict with basic principles under which academic institutions operate (e.g., academic privilege and tenure).
3. The contract must be negotiated between the University and a single non-profit corporation organized pursuant to Chapter 273 of the Kentucky Revised Statutes, although provision may be made for further agreements by said corporation with departmental professional service corporations under appropriate conditions.
4. The contract must provide that responsibility and authority will be retained by the University for certain matters including the following:
 - a. Appointment of faculty and house staff:
(This agreement does not preclude formal agreements of units with the University for employment of such individuals to be financed from income under the plan distributed to such units);
 - b. Direction and supervision of institutional activities and programs;

- c. Assignment of duties to faculty and employees engaged in institutional programs or activities;
 - d. Control of institutional (as distinct from plan) resources, including assignment and use of space in University facilities;
 - e. Extension of program activities into community hospitals or extramural settings;
 - f. Allocation and use of University (as distinct from plan) funds;
 - g. Determination of institutional goals, objectives and priorities;
 - h. Determination of institutional staffing patterns;
 - i. Maintenance of balance among programs and their component activities;
 - k. Faculty rights and responsibilities.
5. The contract should provide for the employment and full responsibility and control by the administering entity of all staff engaged in carrying out functions involved in the administration of income under the plan. In addition, it may permit employment by the administering entity of professionals whose primary functions are limited in scope to service or research functions which generate income under the plan and who do not have regular or special title series faculty appointment nor eligibility for tenure, provided, however, that such professionals may be employed only upon the request of a unit or department submitted with the approval of the dean and with payment of salary and related costs to be from income under the plan which has been distributed to the restricted account for the fund of the unit, department or division in accordance with the approved distribution formula of the departmental plan and further provided that, when employed, such professionals are to be assigned by the administering entity to the unit, department or division requesting their activities in accordance with the administrative structure of the College of Medicine and the University.
6. The administering entity must agree that it will not engage in the practice of medicine.

7. The contract should provide for the disposition of assets held by the administering entity in the event of termination or non-renewal of such agreement or dissolution of the administering entity, including provisions for the transfer of assets to a successor entity, if any, and other eventualities.

IV. Special Salary Supplement

The Board hereby authorizes the payment of a special salary supplement, as of June 30, 1978, to those individuals currently holding appointments in clinical departments of the College of Medicine under the terms of the Physicians' Services Plan and who elect to accept the provisions of this "Geographic Full-Time Plan" by executing a "Practice Agreement and Assignment" effective as of July 1, 1978. This special salary supplement is to be paid from assets (including accounts receivable) held by THE FUND for Advancement of Education and Research in the University of Kentucky Medical Center as of June 30, 1978, and it will be in addition to the regular salary supplement to be determined on July 1, 1978. This special salary supplement will be paid in five equal monthly installments, beginning on August 7, 1978, but will be reduced on a pro rata basis in the event the individual's employment at the University is terminated, by resignation or otherwise, prior to November 30, 1978. In consideration of the individual accepting the provisions of this "Geographic Full-Time Plan", including a reduction in the University base salary for purposes of tenure and sabbatical leave, the special salary supplement will be equal to five-twelfths of the difference between the individual's base salary for 1977-78 (including the ten percent TIAA retirement contribution) plus five percent and the individual's University salary for 1978-79 (including the ten percent TIAA retirement contribution).

June 19, 1978