September 24, 2010

Audit Sub-Committee and Board of Trustees
University of Kentucky
411 South Limestone Street
Peterson Service Building
Lexington, KY 40506-0005

We are pleased to confirm the arrangements of our engagement and the nature of the services we will provide to the UNIVERSITY OF KENTUCKY (UK).

ENGAGEMENT OBJECTIVES

We will audit the basic financial statements of UK as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Nonprofit Organizations. We will also audit the statements of net assets and the related statements of revenues, expenses and changes in net assets and cash flows for the following:

- UK Athletic Association
- WUKY-FM Radio
- Central Kentucky Management Services, Inc.
- UK Research Foundation, including combining schedule
- UK HealthCare Hospital System
- UK Mining Engineering Foundation, Inc.
- UK Gluck Equine Research Foundation, Inc.
- UK Center on Aging Foundation, Inc.
- UK Humanities Foundation, Inc.
- The Fund for Advancement of Education and Research in the UK Medical Center
- Kentucky Tobacco Research Development Center
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The objectives of our audits are:

- Expression of an opinion on the conformity of your financial statements, in all material respects, with accounting principles generally accepted in the United States of America.
- Issuance of a report on your compliance based on the audit of your financial statements.
- Issuance of a report on your internal control over financial reporting based on the audit of your financial statement.
- Expression of an opinion on your compliance, in all material respects, with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 Compliance Supplement that are applicable to each of your major federal award programs.
- Issuance of a report on your internal control over compliance based on the audit of your compliance with the types of compliance requirements that are applicable to each of your major federal award programs.
- Issuance of a report on your schedule of expenditures of federal awards.

We will audit the statements of financial position and the related statements of activities and cash flows for the following:

- UK Alumni Association for the year ended June 30, 2011
- University of Kentucky Real Estate Foundation, Inc. for the year ended June 30, 2011

We will audit the balance sheet and the related statement of operations, stockholder’s equity and cash flows for the following:

- Kentucky Technology, Inc. and Subsidiaries for the year ended December 31, 2010

We will audit the balance sheet and compile the related statement of operations, stockholder’s equity and cash flows for the following:

- Coldstream Laboratories Inc. for the year ended December 31, 2010

We will also perform an attestation engagement related to the compliance of WUKY-FM Radio with the required reporting to the Corporation for Public Broadcasting and an attestation report on compliance with Kentucky’s Lease Law (KRS 56.800 through 56.823 and KRS 48.111). The objective of our examination is the expression of opinions on the conformity of the subject matter of the assertions, in all material respects, with the applicable criteria against which it is measured.

As described in a separate engagement letter, we will also perform certain agreed-upon procedures related to:

- The UK Intercollegiate Athletics Program in accordance with the latest version of NCAA Financial Audit Guidelines
The scope of our services will also include:

- Report on compliance with House Bill 622 based on the audit of financial statements
- Letter report to Commonwealth of Kentucky Auditor of Public Accounts representing the firm in compliance with generally accepted auditing standards and *Government Auditing Standards* concerning continuing education requirements, independence and peer review
- Letter to the auditor or public accounts reporting the results of subsequent events from the date of the audit report on UK's financial statements to approximately the end of the calendar year
- Report on estimated bond arbitrage liability for each Consolidated Education Building Revenue Bond, Housing and Dining Revenue Bond, Library Bond and General Receipts Bond issue

**OUR RESPONSIBILITIES**

Auditing standards generally accepted in the United States of America and *Government Auditing Standards* require that we plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Accordingly, a material misstatement may remain undetected. Our audit is designed to detect misstatements that, in our judgment, could have a material effect on the financial statements taken as a whole. Consequently, our audit will not necessarily detect errors or fraud resulting in an immaterial misstatement of the financial statements.

Auditing standards generally accepted in the United States of America, *Government Auditing Standards* and OMB Circular A-133 require that we plan and perform:

- The audits of the financial statements to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud.
- The audit of compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* applicable to each major federal award program to obtain reasonable rather than absolute assurance about whether noncompliance having a direct and material effect on a major federal award program occurred.

Accordingly, a material misstatement or noncompliance having a direct and material effect may remain undetected.
Our audits of the financial statements are designed to detect misstatements and noncompliance that, in our judgment, could have a material effect on the financial statements taken as a whole. Consequently, our audits will not necessarily detect errors or fraud resulting in an immaterial misstatement of the financial statements.

Likewise, our audit of compliance with the types of compliance requirements applicable to each major federal award program is designed to detect noncompliance having a direct and material effect on a major program. Consequently, our audit will not necessarily detect noncompliance having an indirect and material or an immaterial effect on any program.

An audit also includes obtaining an understanding of UK and its environment, including internal controls, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures to be performed. An audit is not designed to provide assurance on internal control over financial reporting or on internal control over compliance or to identify material weaknesses or significant deficiencies. However, we will communicate to you any matter that comes to our attention that we consider a material weakness or significant deficiency. Because of the limits of internal control, errors, fraud, illegal acts or instances of noncompliance may occur and not be detected. Also, in the future, procedures could become inadequate because of changes in conditions or deterioration in design or operation. Two or more people may also circumvent controls or management may override the system. We are available to perform additional procedures with regard to fraud detection and prevention at your request, subject to completion of our normal engagement acceptance procedures. The actual terms and fees of such an engagement would be documented in a separate letter to be signed by you and BKD.

Mary McKinley, partner, is responsible for supervising the engagement and authorizing the signing of the reports.

If, for any reason, we are unable to complete our audits of the financial statements or our audit of compliance with the types of compliance requirements applicable to each major federal award program or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue a report as a result of this engagement. If we discover conditions that may prohibit us from issuing a standard report, we will notify you as well. In such circumstances, further arrangements may be necessary to continue our engagement.

YOUR RESPONSIBILITIES

To facilitate our audits, management is responsible for making all financial records documentation and other financial and compliance related information available to us. At the conclusion of our engagement, management will provide to us a letter acknowledging certain responsibilities outlined in this engagement letter and confirming:

- The availability of this information
- Certain representations made during the audits for all periods presented
The effects of any uncorrected misstatements, if any, resulting from errors or fraud aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, for adjusting the financial statements to correct material misstatements and for identifying and ensuring compliance with the laws, regulations, contracts and grants applicable to your activities including your federal award programs. Management is also responsible for establishing and maintaining effective internal control over financial reporting and compliance and setting the proper tone, creating and maintaining a culture of honesty and high ethical standards and establishing appropriate controls to prevent, deter and detect fraud, illegal acts and instances of noncompliance.

The results of our tests of compliance and internal control over financial reporting performed in connection with our audits of the financial statements may not fully meet the reasonable needs of report users. Management is responsible for obtaining audits, examinations, agreed-upon procedures or other engagements that satisfy relevant legal, regulatory or contractual requirements or fully meet other reasonable user needs.

**ARBITRAGE SERVICES**

Our services and reports are intended solely for the information and assistance of UK, the bond issuers and trustees and are not intended to be and should not be used by anyone other than these specified parties.

We will perform the procedures enumerated below with respect to each bond issue annually.

- Review bond documents for elections made regarding arbitrage
- Review the fund transactions on trustee statements and, if applicable, determine exceptions or exemptions from rebate calculations
- If required, perform arbitrage calculations using methodologies defined by Section 148 of the Code and related regulations for the computation period
- Provide a written report documenting the results of our procedures and the arbitrage rebate liability, if any, for the computation period solely for the information and assistance of the parties specified above
- Prepare Internal Revenue Service Form 8038-T, if necessary
Because we have not been engaged to and will not perform an audit or examination, we will express no opinion on the information to which our procedures are applied. In addition, we will express no opinion as to whether the investments allocated to gross proceeds of the bonds were acquired and sold at fair market value. In addition, we have no obligation to perform any procedures other than those listed above.

Our engagement is not designed to prevent or discover errors, misrepresentations, fraud or illegal acts and you agree we have no such responsibility.

Regulatory authorities may interpret circumstances differently than we do. In addition, the applicable laws, regulations and regulators’ enforcement activities may change over time.

Our services do not include interpretation of legal matters. You should seek the advice of legal counsel in such matters.

We will not make management decisions or perform management functions, the responsibility for which remains with management and the board of trustees.

We will use and rely on information furnished to us by you, your employees and representatives and the bond trustees and on information available from generally recognized public sources. We are not responsible for the accuracy and completeness of the information and are not responsible to investigate or verify it.

We have no responsibility to and will not update our reports for or disclose any event or circumstances after the date of our reports.

You agree that management is solely responsible for the sufficiency of the procedures. Consequently, we make no representation regarding the sufficiency of the procedures for the purpose for which the report has been requested or for any other purpose.

You agree to supply us with the necessary information and allow us access to personnel to assist in performing our services. Your failure to fulfill this responsibility in a timely manner may impair our ability to provide service.

You agree to assume full responsibility for the substantive outcomes of the services described above including any findings that may result. You also acknowledge the services described above are adequate for your purposes and you will establish and monitor the performance of those services to ensure they meet management’s objectives. Any and all decisions involving management functions related to these services will be made by you and you accept full responsibility for such decisions. We understand you have designated a management-level individual to be responsible and accountable for overseeing the performance of these services and you have determined this individual is qualified to conduct such oversight.
OTHER SERVICES

We will also prepare the following tax returns for the year ended December 31, 2010. If there are other tax returns you expect us to prepare, please inform us as soon as possible.

- Federal, state and local tax returns for Kentucky Technology, Inc. and Subsidiaries
- Federal, state and local tax returns for Coldstream Laboratories Inc.

You may be required to file returns in additional jurisdictions and you are ultimately responsible for meeting your filing requirements. We are not responsible for any returns other than those listed above. However, we are available for consultation regarding your filing responsibilities.

Management has the final responsibility for the income tax returns and representations therein and, therefore, should review them carefully before signing. Management is also responsible for timely filing of returns and timely payment of any amounts due.

It is your responsibility to provide all the information required for the preparation of complete and accurate returns. You should retain all the documents, canceled checks and other data that form the basis of income and deductions. These may be necessary to prove the accuracy and completeness of your returns to a taxing authority.

Your returns may be selected for review by the taxing authorities. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of such government tax examination, we will be available upon request to assist you and will render additional invoices for the time and expenses incurred.

While preparing your returns, we will inform you of any material tax positions of which we are aware that, in our judgment, do not meet thresholds established by law or professional standards. Tax law or professional standards may require disclosure of such position(s) as a part of your federal tax return. You agree to inform us of any tax positions of which you are aware would likely not succeed in the event of a challenge by taxing authorities.

The law provides for a penalty as high as $200,000 per transaction for failure to adequately disclose certain transactions the U.S. Department of Treasury designates as “reportable transactions.” A description of these transactions is available at http://www.bkd.com/service/tax/ReportableTransactions.htm or you may request a paper version from us. Unless notified in writing, we will prepare your return with the assumption you have not engaged in any reportable transaction.

This engagement does not include any tax services not specifically stated above. However, we would be pleased to research and/or consult with you regarding other income tax matters such as proposed or completed transactions or income tax projections. We will render additional invoices for such services at our standard billing rates.
Audit Sub-Committee and Board of Trustees  
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We will provide you with the following nonattest services:

- Assisting with the preparation of the income tax accrual

In addition, we may perform other services for you not covered by this engagement letter. You agree to assume full responsibility for the substantive outcomes of the services described above and for any other services we may provide including any findings that may result. You also acknowledge those services are adequate for your purposes and you will establish and monitor the performance of those services to ensure they meet management's objectives. Any and all decisions involving management functions related to those services will be made by you and you accept full responsibility for such decisions. We understand you will designate a management-level individual to be responsible and accountable for overseeing the performance of those services and you will have determined this individual is qualified to conduct such oversight.

**ENGAGEMENT FEES**

Our fees will be based on the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit of the UK financial statements, including combining schedules, House Bill 622, annual financial report to the Commonwealth and Kentucky Lease Law</td>
<td>$139,075</td>
</tr>
<tr>
<td>Audit of the UK Research Foundation financial statements, including combining schedules</td>
<td>7,200</td>
</tr>
<tr>
<td>Audit of the UK Athletic Association financial statements</td>
<td>8,250</td>
</tr>
<tr>
<td>Audit of the Fund For Advancement of Education and Research in the UK Medical Center financial statements</td>
<td>3,100</td>
</tr>
<tr>
<td>Audit of the Central Kentucky Management Services, Inc. financial statements</td>
<td>3,100</td>
</tr>
<tr>
<td>Audit of the UK Mining Engineering Foundation, Inc. financial statements</td>
<td>3,100</td>
</tr>
<tr>
<td>Audit of the UK Gluck Equine Research Foundation, Inc. financial statements</td>
<td>3,100</td>
</tr>
<tr>
<td>Audit of the University of Humanities Foundation, Inc. financial statements</td>
<td>3,100</td>
</tr>
<tr>
<td>Audit of the UK Center on Aging Foundation, Inc. financial statements</td>
<td>3,100</td>
</tr>
<tr>
<td>Audit of the UK HealthCare Hospital System</td>
<td>49,450</td>
</tr>
<tr>
<td>Audit of the Kentucky Tobacco Research and Development Center</td>
<td>3,100</td>
</tr>
</tbody>
</table>
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<table>
<thead>
<tr>
<th>Service Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit of the UK Real Estate Foundation, Inc. financial statements</td>
<td>$3,100</td>
</tr>
<tr>
<td>Audit of WUKY-FM Radio and auditor's opinion on Annual Financial Report to the Corporation for Public Broadcasting for WUKY-FM Radio</td>
<td>9,800</td>
</tr>
<tr>
<td>Audit of the UK Alumni Association</td>
<td>7,200</td>
</tr>
<tr>
<td>Perform certain agreed-upon procedures with regard to the UK Intercollegiate Athletics Program in accordance with the latest version of NCAA Financial Audit Guidelines</td>
<td>10,300</td>
</tr>
<tr>
<td>A-133 audit of the UK reports on compliance and internal controls in accordance with Government Auditing Standards and the Requirements of OMB Circular A-133 and the Combined Schedule of Expenditures of Federal Awards and Data Collection Forms – this assumes testing of one major program</td>
<td>16,475</td>
</tr>
<tr>
<td>A-133 audit of the requirements of OMB Circular A-133 specifically related to additional major programs associated with the American Recovery and Reinvestment Act of 2009 (ARRA)</td>
<td>See below*</td>
</tr>
<tr>
<td>Report on estimated bond arbitrage liability for each Consolidated Educational Building Revenue Bond, Housing and Dining Revenue Bond, Library Bond and General Receipts Bond issue</td>
<td>29,350</td>
</tr>
<tr>
<td>Stand alone audit for Kentucky Technology, Inc. and Subsidiaries for the year ending December 31, 2010</td>
<td>9,800</td>
</tr>
<tr>
<td>Stand alone balance sheet audit and statement of operations compilation for Coldstream Laboratories Inc. for the year ending December 31, 2010</td>
<td>8,050</td>
</tr>
<tr>
<td>Federal, state and local tax returns for Kentucky Technology, Inc. and Subsidiaries</td>
<td>5,150</td>
</tr>
<tr>
<td>Federal, state and local tax return for Coldstream Laboratories Inc.</td>
<td>3,100</td>
</tr>
<tr>
<td>All auditors reports and management letters required under Statements of Auditing Standards</td>
<td>Included in the UK consolidated audit</td>
</tr>
<tr>
<td>Review of preliminary and final official statements with regard to the issuance of UK debt and which will contain UK’s most recent audited financial statement total per issue, due on delivery</td>
<td>10,300</td>
</tr>
<tr>
<td>Other consulting services</td>
<td>14,700</td>
</tr>
<tr>
<td></td>
<td>$353,000</td>
</tr>
</tbody>
</table>
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*The ARRA funding that was expended during the year ending June 30, 2011, may span various grants which may result in multiple major programs that are required by A-133 compliance and internal control testing. During planning and final fieldwork, we will discuss with UK’s management the extent and number of programs requiring testing. The time incurred for these additional procedures will be billed at the hourly rate described in our proposal to UK dated November 28, 2007.

Included in the fees above are:

- Independent Auditors’ Report on Compliance and on Internal Controls Over Financial Reporting based upon the audit performed in accordance with Government Auditing Standards
- Letter report to Commonwealth of Kentucky Auditor of Public Accounts representing the firm is in compliance with generally accepted auditing standards and Government Auditing Standards concerning continuing education requirements, independence and peer review
- Letter to the Auditor of Public Accounts reporting the results of subsequent events from the date of the audit report on the UK financial statements to approximately the end of the calendar year

We will issue progress billings during the course of our engagement and our statements are due when received.

Our fees are based upon the understanding that your personnel will be available to assist us. Our estimate of time assumes no substantial problems with financial statement preparation, obtaining account balance supporting detail and obtaining complete and accurate information with respect to internal control documentation and the related risk assessment procedures that will be required under the Risk Assessment Suite (Suite). Assistance from your personnel is expected to include:

- Preparing audit schedules to support all significant balance sheet and certain other accounts
- Responding to auditor inquiries
- Preparing confirmation and other letters
- Pulling selected invoices and other documents from files
- Helping to resolve any differences or exceptions noted
- Preparing all financial statements and related notes, other than UK Credit Union
- Preparing the data collection form, schedule of expenditures of federal awards and NCAA statement of revenues and expenses

A detailed list of assistance needed will be provided to you before the audit begins.
Audit Sub-Committee and Board of Trustees  
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Our timely completion of the audit depends on your timely and accurate schedule and analyses preparation for all entities and on the availability of your personnel to provide other assistance. If there are inaccuracies or delays in preparing this material, or if we experience other assistance difficulties that add a significant amount of time to our work, our fees will increase. If these circumstances occur, we will promptly notify you to discuss alternative solutions and the impact on our fees.

Our pricing for this engagement and our fee structure is based upon the expectation that our invoices will be paid promptly. We will issue progress billings during the course of our engagement and payment of our invoices is due upon receipt. Interest will be charged on any unpaid balance after 30 days at the rate of 10% per annum.

Our engagement fee does not include any time for post-engagement consultation with your personnel or third-parties, consent letters and related procedures for the use of our reports in offering documents, inquiries from regulators or testimony or deposition regarding any subpoena. Charges for such services will be billed separately.

Our fees may also increase if our duties or responsibilities are increased by rulemaking of any regulatory body or any additional new accounting or auditing standards. We will consult with you in the event any other regulations or standards are issued that may impact our fees.

Should we incur time beyond the scope of the audit for issues such as implementation of new GASB or FASB standards, test of opening balances, purchase accounting, additional major programs in the A-133 audit, such as ARRA programs and grants, etc., we will discuss with you the nature of the additional work prior to the start of such services. The cost of such additional services will be billed at our standard hourly rates as described in our proposal dated November 28, 2007.

If our invoices for this or any other engagement you may have with BKD are not paid within 30 days, we may suspend or terminate our services for this or any other engagement. In the event our work is suspended or terminated as a result of nonpayment, you agree we will not be responsible for any consequences to you.

OTHER ENGAGEMENT MATTERS AND LIMITATIONS

Our workpapers and documentation retained in any form of media for this engagement are the property of BKD. We agree to return confidential information upon completion or termination of our contract with UK; however, we will retain any information in our workpaper files that would be required to demonstrate our compliance with professional standards and our internal policies. We can be compelled to provide information under legal process. In addition, we may be requested by regulatory or enforcement bodies to make certain workpapers available to them pursuant to authority granted by law or regulation. You agree that we have no legal responsibility to you in the event we provide such documents or information.
UK agrees to be responsible for its own actions, the actions of its affiliates and subsidiaries and its officers, agents and employees to the extent and in the manner provided for by applicable law.

We agree to indemnify and hold harmless UK its affiliates and subsidiaries and their officers, agents and employees from losses, claims, suits, actions, expenses, damages, costs (including attorney fees of attorneys of UK’s choice and court costs), expenses, all liability of any nature or kind arising out of or relating to our acts of negligence in performing hereunder.

Limitation on Damages

UK agrees that BKD, its subcontractors and their respective personnel shall not be liable to UK for any claims, liabilities or expenses relating to this engagement (Claims) for an aggregate amount in excess of three times the fees paid by UK to BKD pursuant to this engagement except to the extent finally judicially determined to have resulted primarily from the bad faith or intentional misconduct of BKD or its subcontractors. In no event shall BKD, its subcontractors or their respective personnel be liable for any loss of use, data, goodwill, revenues or profits (whether or not deemed to constitute direct Claims) or any consequential, special, indirect, incidental, punitive or exemplary loss, damage or expense relating to this engagement. In circumstances where all or any portion of the provision of this paragraph are finally judicially determined to be unavailable, the aggregate liability of BKD, its subcontractors and their respective personnel for any Claim shall not exceed an amount which is proportional to the relative fault that their conduct bears to all other conduct giving rise to such Claim.

You agree that any dispute regarding this engagement will, prior to resorting to litigation, be submitted to mediation upon written request by either party. Both parties agree to try in good faith to settle the dispute in mediation. The American Arbitration Association will administer any such mediation in accordance with its Commercial Mediation Rules. The results of the mediation proceeding shall be binding only if each of us agrees to be bound. We will share any costs of mediation proceedings equally.

If any provision of this agreement is declared invalid or unenforceable, no other provision of this agreement is affected and all other provisions remain in full force and effect.

This engagement letter, along with UK’s General Terms and Conditions Personal Services Contract, Request for Proposal and related addenda, along with BKD’s complete technical and financial proposal dated November 28, 2007, to RFP No. UK-0714-8 represents the entire agreement regarding the services described herein and supersedes all prior negotiations, proposals, representations or agreements, written or oral, regarding these services. It shall be binding on heirs, successors and assigns of you and BKD.

We may from time to time utilize third-party service providers, e.g., domestic software processors or legal counsel or disclose confidential information about you to third-party service providers in serving your account. We remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures and safeguards to protect the confidentiality of your information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information. In the event we are unable to secure an appropriate confidentiality agreement, you will be asked to
provide your consent prior to the sharing of your confidential information with the third-party service provider.

We will, at our discretion or upon your request, deliver financial or other confidential information to you electronically via email or other mechanism. You recognize and accept the risk involved, particularly in email delivery as the Internet is not necessarily a secure medium of communication as messages can be intercepted and read by those determined to do so.

You agree you will not modify these documents for internal use or for distribution to third parties. You also understand that we may on occasion send you documents marked as draft and understand those are for your review purpose only, should not be distributed in any way and should be destroyed as soon as possible.

If you intend to include these financial statements and our report in an offering document at some future date, you agree to seek our permission to do so at that time. You agree to provide reasonable notice to allow sufficient time for us to perform certain additional procedures. Any time you intend to publish or otherwise reproduce these financial statements and our report and make reference to our firm name in any manner in connection therewith, you agree to provide us with printers’ proofs or masters for our review and approval before printing or other reproduction. You will also provide us with a copy of the final reproduced material for our approval before it is distributed. Our fees for such services are in addition to those discussed elsewhere in this letter.

You agree to notify us if you desire to place these financial statements or our report thereon on an electronic site, such as the UK website or the World Wide Web. You recognize that we have no responsibility as auditors to review information contained in electronic sites.

Any time you intend to reference our firm name in any manner in any published materials, including on an electronic site, you agree to provide us with draft materials for our review and approval before publishing or posting such information.

BKD is a registered limited liability partnership under Missouri law. Under applicable professional standards, partners of BKD, LLP have the same responsibilities as do partners in a general accounting and consulting partnership with respect to conformance by themselves and other professionals in BKD with their professional and ethical obligations. However, unlike the partners in a general partnership, the partners in a registered limited liability partnership do not have individual civil liability, directly or indirectly, including by way of indemnification, contribution, assessment or otherwise, for any debts, obligations or liabilities of or chargeable to the registered limited liability partnership or each other, whether arising in tort, contract or otherwise.

We are an independent accounting firm allowed to use the name “Praxity” in relation to our practice. We are not connected by ownership with any other firm using the name “Praxity,” and we will be solely responsible for all work carried out by us on your behalf. In deciding to engage us, you acknowledge that we have not represented to you that any other firm using the name “Praxity” will in any way be responsible for the work that we do.
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BKD understands and acknowledges its obligations to comply with all applicable federal, state and local laws and regulations governing nondiscrimination in the workplace and providing equal employment opportunity. BKD does not have an Affirmative Action Plan, but BKD does have affirmative action and equal employment policies.

BKD prohibits discrimination in employment on the basis of an individual’s race, color, sex, sexual orientation, age, religion or creed, disability, national origin or any other protected status. This policy is designed to ensure equal employment opportunities including, but not limited to, employee selection, promotion, training and development, compensation, termination and disciplinary action. Our affirmative action/equal employment opportunity (AA/EEO) policy is posted on office bulletin boards or in break rooms.

We monitor this program to make sure it complies with federal, state and local regulations and guidelines and we develop employment programs to comply with all levels. All management and supervisory personnel are responsible for enforcing the firm’s AA/EEO policies and practices and being knowledgeable of current legal and regulatory developments in this area.

UK’s management agrees the policies and procedures described in the three preceding paragraphs are sufficient to satisfy UK’s requirements related to affirmative action and Executive Order 11246 as discussed in UK’s General Terms and Conditions and the Personal Services Contract.

BKD will provide to UK waivers of subrogation related to its general liability and automobile insurance. UK’s management agrees that no waivers of subrogation are necessary for professional liability, workers’ compensation or employer’s liability.

HIPAA BUSINESS ASSOCIATE AGREEMENT

We agree not to use or disclose Protected Health Information of your (patients/employees) (hereinafter referred to as PHI) obtained or produced in any form of media during the course of our work in a manner prohibited by the Health Insurance Portability and Accountability Act of 1996 (HIPAA), as amended. We may use or disclose PHI for purposes of (a) performing our engagement, (b) management and administration of BKD or (c) carrying out legal responsibilities of BKD. We represent to you that we have implemented what we consider to be appropriate administrative, physical and technical safeguards to protect the confidentiality, integrity and availability of your PHI.

With respect to your PHI, we will report to you any breach (as defined in 45 CFR 164.402), material security incident or use or disclosure not authorized by this agreement and, to the extent practical, assist you in mitigating any harmful effects caused by breaches, material security incidents or unauthorized uses or disclosures of which we become aware. To assist you in fulfilling your responsibility to notify impacted individuals and others of a breach involving unsecured PHI (as required under 45 CFR 164.400 et seq.), in this report we will identify to you, to the extent reasonably possible:

1. Each individual whose unsecured PHI was subject to the breach.
2. Any other available information you are required to include in your notification to such individual(s) or others under 45 CFR 164.404(c).

We agree that any material violation of these confidentiality provisions entitles you to terminate this engagement.

BKD agrees to:

1. Upon their request, make available to the Secretary of Health and Human Services (HHS) our internal practices and books and records relating to the use and disclosure of PHI for purposes of determining your compliance with the Security and Privacy Rule, subject to any applicable legal privileges.

2. Make available information necessary for you to make an accounting of disclosures of PHI about an individual.

3. To the extent we maintain information that is part of a Designated Record Set, make available information necessary for you to respond to requests by individuals for access to PHI that is not in your possession but is considered part of a Designated Record Set.

4. Upon receipt of a written request from you, incorporate any amendments or corrections to PHI contained in our workpapers in accordance with the Security and Privacy Rule to the extent such PHI is considered part of a Designated Record Set.

For purposes of this agreement, the term “Security and Privacy Rule” refers to the final rules published to implement the Administrative Simplification provisions of HIPAA, specifically 45 CFR Parts 160 and 164. The terms “Protected Health Information” and “Designated Record Set” have the same meaning as defined in the Security and Privacy Rule.

At the conclusion or termination of this engagement, any PHI retained by us will be subject to the same safeguards as for active engagements.

We will obtain from any agents, including subcontractors, to whom we provide PHI received from you, or created or received by us on behalf of you, an agreement to the same restrictions and conditions that apply to us with respect to such PHI.

To the extent that any relevant provision of HIPAA is eliminated or held to be invalid by a court of competent jurisdiction, the corresponding portion of this agreement shall be deemed of no force and effect for any purpose. To the extent that any relevant provision of HIPAA is materially amended in a manner that changes the obligations of business associates or covered entities that are embodied in term(s) of this engagement, the Parties agree to negotiate in good faith appropriate amendment(s) to this engagement to give effect to such revised obligations. In addition, the terms of this engagement should be construed in light of any interpretation and/or guidance on HIPAA issued by HHS from time to time.
Audit Sub-Committee and Board of Trustees  
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If the above arrangements are acceptable to you, please sign the enclosed copy of this letter and return it to us.

BKD, LLP


The services and arrangements described in this letter are in accordance with our understanding and are acceptable to us.

UNIVERSITY OF KENTUCKY

BY

(Name & Title)

DATE 10-12-10