

# FCR 17

Office of the President  
May 6, 2003

Members, Board of Trustees:

A RESOLUTION OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF KENTUCKY AUTHORIZING THE ISSUANCE OF APPROXIMATELY \$3,910,000 OF UNIVERSITY OF KENTUCKY HOSPITAL REFUNDING REVENUE BONDS, SERIES A (THIRD SERIES), TO BE DATED THE FIRST DAY OF THE MONTH IN WHICH THE BONDS ARE SOLD

Recommendation: that the Board of Trustees approve a Resolution authorizing the issuance of approximately \$3,910,000 of University of Kentucky Hospital Refunding Revenue Bonds, Series A (Third Series), to be dated the first day of the month in which the Series A (Third Series) Bonds are sold.

The Resolution authorizes the issuance of approximately \$3,910,000 of Series A (Third Series) Bonds for the purpose of refinancing the outstanding University of Kentucky Hospital Revenue Bonds, Series A (Second Series), which refinanced University of Kentucky Hospital Revenue Bonds, Series A which were originally issued to finance improvements to the University of Kentucky Hospital (the "Hospital"), including: (i) constructing a four-story addition to house replacement surgical facilities, clinical laboratories emergency services and thirty (30) intensive care beds, (ii) renovating the central sterile and pharmacy services, (iii) improving the emergency power systems, fire alarms, heating, ventilation and air conditioning and water systems, and (iv) constructing a transport tower and an enclosed pedestrian walkway (the "Series A Project").

The Resolution also approves the offering for sale of the Series A (Third Series) Bonds upon the advice of the Financial Advisor, First Kentucky Securities Corporation, on a date to be determined by the Treasurer of the University, upon the advice of said Financial Advisor (expected to be June 4, 2003). The Resolution further authorizes the acceptance of the bid for the sale of the Series A (Third Series) Bonds by the Treasurer. The exact principal amount of Series A (Third Series) Bonds to be sold will be determined on the date of sale as the amount required to refund the Series A (Second Series) Bonds.

Background: The University presently has outstanding only the Series A (Second Series) Bonds which will be refunded by the Series A (Third Series) Bonds. The Series A (Third Series) Bonds will be secured by a pledge of Revenues (Hospital receipts). The Resolution approves the appointment of the Bank One Trust Company, NA, Lexington, Kentucky, as Trustee, Bond Registrar, Transfer Agent, Payee Bank and Depository Bank, with respect to these Bonds.

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Action taken:      Approved      Disapproved      Other \_\_\_\_\_

SERIES RESOLUTION

OF THE

BOARD OF TRUSTEES OF THE UNIVERSITY OF KENTUCKY

AUTHORIZING THE ISSUANCE OF  
UNIVERSITY OF KENTUCKY HOSPITAL  
REFUNDING REVENUE BONDS, SERIES A (THIRD SERIES)

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A RESOLUTION OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF KENTUCKY AUTHORIZING THE ISSUANCE OF APPROXIMATELY \$3,910,000 OF UNIVERSITY OF KENTUCKY HOSPITAL REFUNDING REVENUE BONDS, SERIES A (THIRD SERIES), TO BE DATED THE FIRST DAY OF THE MONTH IN WHICH THE BONDS ARE SOLD

WHEREAS, the Board of Trustees of the University of Kentucky, by Resolution entitled:

A RESOLUTION CREATING AND ESTABLISHING A HOSPITAL PROJECT OF THE UNIVERSITY OF KENTUCKY; CREATING AND ESTABLISHING AN ISSUE OF UNIVERSITY OF KENTUCKY HOSPITAL REVENUE BONDS OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF KENTUCKY; PROVIDING FOR THE ISSUANCE FROM TIME TO TIME OF SAID BONDS; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SAID BONDS AND REPEALING ALL RESOLUTIONS OR PARTS OF RESOLUTIONS IN CONFLICT WITH THIS RESOLUTION

adopted on June 25, 1986 (hereinafter referred to as the "Master Resolution"), has created and established an issue of University of Kentucky Hospital Revenue Bonds of the Board of Trustees of the University of Kentucky; and

WHEREAS, the Master Resolution authorizes the issuance by said Board of said Bonds in one or more series pursuant to a resolution authorizing such series; and

WHEREAS, the Board has heretofore authorized, sold, issued and delivered a prior issue of bonds designated Hospital Revenue Bonds, Series A (Second Series); and

WHEREAS, there are presently outstanding \$7,640,000 of the \$21,280,000 Series A (Second Series) Bonds, dated June 1, 1993, scheduled to mature on August 1, in the respective years 2003 through 2006, and

WHEREAS, because of favorable interest rates currently available in the marketplace, the Board has determined that such Series A (Second Series) Bonds can be refunded and called for redemption at the earliest possible date and that the Board authorize the issuance and sale of \$3,910,000 (which amount is subject to adjustment as hereinafter provided) of University of Kentucky Hospital Refunding Revenue Bonds, Series A (Third Series), for the purpose of providing funds to effect such refunding and redemption;

NOW, THEREFORE, THE BOARD OF TRUSTEES OF THE UNIVERSITY OF KENTUCKY HEREBY RESOLVES AS FOLLOWS:

**ARTICLE I.  
AUTHORITY AND DEFINITIONS**

Section 1.01. Authority. This Series A (Third Series) Resolution (hereinafter referred to as the "Series A (Third Series) Resolution") is adopted pursuant to Section 2.02 of the Master Resolution and the provisions of Sections, et. seq. of the Kentucky Revised Statutes.

Section 1.02. Definitions. All words and terms which are defined in the Master Resolution shall have the same meanings, respectively, in this Series A (Third Series) Resolution as such terms are given in the Master Resolution. In addition to the words and terms defined in the Master Resolution, the following words and terms shall have the following meanings, unless some other meaning is plainly intended:

"Board" means the Board of Trustees of the University of Kentucky.

"Bond Counsel" means such legal counsel whose opinions respecting the legality or validity of securities issued by or on behalf of states or political subdivisions thereof are nationally recognized.

"Book-Entry Form" means, with respect to the Series A (Third Series) Bonds, a form or system, as applicable, under which (i) the ownership of beneficial interests in the Series A (Third Series) Bonds and bond service charges may be transferred only through a book entry, and (ii) physical Series A (Third Series) Bond certificates in fully registered form are registered only in the name of a Securities Depository or its nominee as owner, with the physical Series A (Third Series) Bond certificates in the custody of a Securities Depository.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement dated as of the first day of the month in which the Series A (Third Series) Bonds are sold, between the Board and the Trustee.

"Financial Advisor" refers to First Kentucky Securities Corporation, 305 Ann Street, Suite 400, Frankfort, Kentucky 40201.

"Fiscal Year" shall mean the 365-day fiscal year of the University in effect from time to time. Currently the Fiscal Year begins July 1 and ends on the June 30 of the next calendar year.

"Government Obligations" shall mean direct non-callable obligations of, or direct non-callable, non-prepayable, obligations the principal of and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America, which at the time are legal investments under the laws of the Commonwealth of Kentucky, and may include cash. Investments in mutual funds and unit investment trusts are prohibited.

"Interest Payment Date" means February 1 and August 1 of each year.

"Master Resolution" means the Resolution adopted by the Board on June 25, 1986.

"Memorandum of Instructions" means the Memorandum of Instructions Regarding Rebate delivered to the Issuer and the Trustee at the time of the issuance and delivery of the Series A (Third Series) Bonds as the same may be amended or supplemented in accordance with its terms.

"Officer's Certificate" means a certificate executed and delivered by the Chairman, the Secretary or the Treasurer of the Board.

"Permitted Investments" means investments of funds on deposit in the various funds created or confirmed herein, and includes the following:

(a) Obligations of the United States Government or any of its agencies fully guaranteed as to principal and interest by the United States Government;

(b) Certificates of Deposit (CD's) issued by banks, which are insured by the FDIC, which CD's in excess of the amount insured by the FDIC shall be secured by a pledge of obligations of the United States Government or any of its agencies, provided that the market value of the pledged securities shall be maintained, and when necessary, revised, not less often than semiannually, based on current market appraisals, at a level at least equal to 105% of the face amount of the CD's, less the amount insured by the FDIC;

(c) A pool or fund having total assets of more than \$100,000,000, made up entirely of United States Government obligations or obligations guaranteed both as to principal and interest by the United States Government; or

(d) Repurchase agreements for United States Government Obligations, collateralized by United States Government Obligations, evidenced by physical possession or safekeeping receipts for the United States Government Obligations of a Federal Reserve Bank or a branch thereof or the Trustee;

"Principal Payment Date" means the first day of August of each year, commencing August 1, 2004.

"Prior Bonds" means the Series A (Second Series) Bonds which are being refunded.

"Record Date" means with respect to any Interest Payment Date, the close of business on July 15 or January 15, as the case may be, next preceding such Interest Payment Date, whether or not such July 15 or January 15 is a business day.

"Securities Depository" means any securities depository that is a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act, operating and maintaining, with its participants or otherwise, a Book-Entry System to record ownership of beneficial interests in bonds and bond service charges, and to effect transfers of bonds in Book-Entry Form, and means, initially, The Depository Trust Company (a limited purpose trust company), New York, New York.

"Securities Depository Nominee" means any nominee of a Securities Depository and initially means Cede & Co., New York, New York, as nominee of The Depository Trust Company.

"Series A (Second Series) Bonds" means the \$21,280,000 Bonds dated June 1, 1993 authorized by the Series A (Second Series) Resolution, which Bonds are being refunded.

"Series A (First Series) Hospital Project" means the construction, renovation and equipping of improvements to the University of Kentucky Hospital, including: (i) constructing a

four-story addition to house replacement surgical facilities, clinical laboratories emergency services and thirty (30) intensive care beds, (ii) renovating the central sterile and pharmacy services, (iii) improving the emergency power systems, fire alarms, heating, ventilation and air conditioning and water systems, and (iv) constructing a transport tower and an enclosed pedestrian walkway.

"Series A (Second Series) Resolution" means the Resolution adopted December 8, 1992 authorizing the issuance of the Series A (Second Series) Bonds.

"Series A (Third Series) Bonds" means the Bonds authorized by this Series Resolution.

"Series A (Third Series) Resolution" means this Resolution authorizing the issuance of the Series A (Third Series) Bonds.

"Trustee" means Bank One Trust Company, NA (formerly Bank One, Lexington, N.A.), Lexington, Kentucky.

(End of Article I)



**ARTICLE II.**  
**AUTHORIZATION OF SERIES A (THIRD SERIES) BONDS.**

Section 2.01. Authorization. Pursuant to the provisions of the Master Resolution, there is hereby authorized to be issued by the Board of Trustees of the University of Kentucky, in its corporate capacity, a series of Bonds in the aggregate principal amount of THREE MILLION NINE HUNDRED TEN THOUSAND DOLLARS (\$3,910,000), which amount may be increased or decreased by up to 10%.

The final size of the Series A (Third Series) Bond issue will be calculated to provide the greatest economic advantage to the Board on the refinancing of the Series A (First Series) Hospital Project originally financed by the Series A (First Series) Bonds and refinanced by the Prior Bonds, and to achieve generally level annual debt service payments. The Original Purchasers of the Series A (Third Series) Bonds will be required to accept the final Bond issue as so computed, whether the size of the Bond issue is increased or decreased, and to pay the same purchase price per \$1,000 of Bonds of the adjusted size of the Bond issue as the purchase price bid in such successful bid. It is expected, although no absolute assurance can be given, that the final size of the Bond issue will be closely modeled to the Schedule of Principal Amounts listed in the Official Bid Form and in the maturity schedule in Section 2.05 of this Resolution; provided that, on a percentage basis, the adjustment required for the entire issue will be nearly equal to the adjustment made within each maturity, and that the total adjustment required will not exceed 10% of the approximate amount.

The Series A (Third Series) Bonds shall mature serially on August 1 of the respective years as set out below, and shall bear interest payable semiannually on the first days of August and February of each year, beginning February 1, 2004, at an interest rate or rates to be fixed as a result of the advertised sale of Series A (Third Series) Bonds and competitive bidding for the Series A (Third Series) Bonds, as hereinafter provided.

Such Bonds shall be designated as "University of Kentucky Hospital Refunding Revenue Bonds, Series A (Third Series)." Said Series A (Third Series) Bonds are hereby declared to have been authorized under the Master Resolution and in conformity with the provisions thereof.

Section 2.02. Purpose. Said Series A (Third Series) Bonds are being issued for the purpose of refunding and redeeming, at their first redemption date, the outstanding Prior Bonds, in order to accomplish interest cost savings to the University.

Section 2.03. Description. The Series A (Third Series) Bonds shall be issued as registered bonds in denominations of \$5,000 or any whole multiple thereof, shall be dated as of the first day of the month in which the Series A (Third Series) Bonds are sold, shall be numbered from R-1 upward, and shall bear interest payable semiannually on February 1 and August 1 of each year at rates of interest fixed as a result of the advertised sale and competitive bidding for said Series A (Third Series) Bonds, as hereinafter provided. The Series A (Third Series) Bonds shall be scheduled to become due and payable on August 1 of each of the years, as follows (which amounts may be decreased or increased by approximately 10%):

<u>Year of Maturity</u>	<u>Principal Amount</u>
2004	\$2,090,000
2005	1,820,000

Section 2.04. Place and Manner of Payment of the Bonds. Each Series A (Third Series) Bond shall bear interest from the Interest Payment Date to which interest has been paid next preceding the date on which such Series A (Third Series) Bond is authenticated unless it is authenticated on an Interest Payment Date to which interest has been paid, in which event it shall bear interest from such date, or if it is authenticated prior to the first Interest Payment Date, it shall bear interest from the date of issue, until maturity or earlier redemption of such Series A (Third Series) Bond.

Except as hereinafter provided for a Securities Depository, the principal of and redemption premium, if any, on any Series A (Third Series) Bond shall be payable upon maturity or prior redemption to the Owner or his assigns upon surrender of a Series A (Third Series) Bond to the Trustee at the principal corporate trust office of the Trustee. The interest on any Series A (Third Series) Bond, when due and payable, shall be paid to the Owner registered as the Owner on the Record Date, by check or draft mailed to such Owner at such Owner's address last appearing on the registration books of the Registrar or at such other address as is furnished to Trustee in writing by such Owner. All payments of principal, redemption premium, if any, and interest on the Series A (Third Series) Bonds shall be payable in lawful money of the United States of America.

Section 2.05. Execution; Limited Obligation. The Series A (Third Series) Bonds shall be executed in the name and on behalf of the Board by the manual or facsimile signature of its Chairman and the seal of the Board or a facsimile thereof shall be impressed, imprinted or otherwise reproduced thereon and attested to by the manual or facsimile signature of its Secretary. In case any officer whose signature shall appear on the Bonds shall cease to be such officer before the delivery of such Series A (Third Series) Bonds, such signature shall nevertheless be valid and sufficient for all purposes, the same, as if such officer had remained in office until delivery.

The Series A (Third Series) Bonds shall not be general obligations of the Board but limited obligations payable solely from the amounts pledged Board by the Master Resolution. Neither the Board, the Commonwealth, nor any other political subdivision of the Commonwealth shall be obligated to pay the principal of such Bonds or the interest thereon or other costs incident thereto except from the moneys pledged therefore. Neither the faith and credit nor the taxing power of the Board, the Commonwealth, or any political subdivision of the Commonwealth, if any, is pledged to the payment of the principal of, premium, if any, or interest on the Series A (Third Series) Bonds or other costs incident thereto.

Section 2.06. Authentication. No Bond shall be a valid obligation for any purpose or entitled to any security or benefit under this Series A (Third Series) Resolution or the Master Resolution unless and until a certificate of authentication on such Bond shall have been duly executed by Trustee, and such executed certificate of Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Series A (Third Series) Resolution and the Master Resolution.

Section 2.07. Delivery of Bonds and Bond Proceeds. At any time on and subsequent to the execution and delivery of this Series A (Third Series) Resolution to the Trustee, the Board may execute and deliver to Trustee and Trustee shall authenticate the Series A (Third Series) Bonds and deliver them to the purchaser as the Board may direct upon the filing with the Trustee of the following:

A copy, duly certified by the Secretary of the Board, of the Series A (Third Series) Resolution authorizing the execution and delivery of the Series A (Third Series) Bonds.

A request and authorization to the Trustee on behalf of Board to authenticate and deliver the Series A (Third Series) Bonds to the purchasers therein identified upon payment to Trustee, but for the account of Board, of a sum specified in such request and authorization.

An opinion of Bond Counsel that the Prior Bonds will be no longer Outstanding upon issuance of the Series A (Third Series) Bonds.

The approving opinion, dated as of the closing time, of Bond Counsel, stating, among other things, that the Series A (Third Series) Bonds are valid and legally binding obligations of the Board, enforceable in accordance with their terms and the terms of the Series A (Third Series) Resolution and the Master Resolution, secured in the manner provided in the Series A (Third Series) Resolution and the Master Resolution; that the receipt of interest on the Series A (Third Series) Bonds is excludable from gross income for federal income tax purposes under existing laws, regulations, court decisions and administrative rulings; and that the Series Bonds are exempt from ad valorem taxation and income taxation by the Commonwealth and all of its political subdivisions; provided, however, that the opinion may be subject to the qualification that the rights and remedies set forth in the Series A (Third Series) Resolution, the Master Resolution, the Series A (Third Series) Bonds and are limited by bankruptcy, reorganization and other laws of general application and equitable principles relating to or affecting the enforcement of creditors' rights.

Such additional certificates, opinions of counsel, instruments or other documents as Bond Counsel and the purchaser may reasonably require, to evidence, as of the time of closing, the due performance and satisfaction by the Board and the Trustee, at or prior to such time, of all agreements required to be performed and all conditions required to be satisfied by the Board and the Trustee, including any documents required by the Code to be executed by the Board.

Upon compliance with the foregoing requirements, the proceeds of the Bonds shall be applied as provided in Article IV hereof.

Section 2.08. Registration and Exchange or Transfer of Bonds; Persons Treated as Owners. The Board shall cause books for the registration and for the transfer of the Bonds as provided in this Series A (Third Series) Resolution to be kept by Trustee, which is hereby constituted and appointed the Bond Registrar for the Series A (Third Series) Bonds. Upon surrender for transfer of any fully registered Bond at the principal corporate trust office of Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Owner or his attorney duly authorized in writing, Board shall execute and Trustee shall authenticate and deliver in the name of the transferee or transferees a new registered Series A (Third Series) Bond or Series A (Third Series) Bonds of the same maturity and interest rate as the Series A (Third Series) Bond being surrendered for transfer for a like aggregate principal amount, bearing numbers not contemporaneously then outstanding.

Subject to the requirements set forth in this Series A (Third Series) Resolution regarding Series A (Third Series) Bonds issued in Book-Entry Form, fully registered Series A (Third

Series) Bonds may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of fully registered Bonds of the same maturity and interest rate of other authorized denominations. Board shall execute and the Trustee shall authenticate and deliver Series A (Third Series) Bonds which the Owner making the exchange is entitled to receive, bearing numbers not contemporaneously then outstanding.

The Trustee shall not be required to transfer, exchange or substitute any Series A (Third Series) Bond after a Record Date and before the related Interest Payment Date.

The Trustee shall not be required to register the transfer of or exchange or substitute any Series A (Third Series) Bond selected for redemption after the selection of such Series A (Third Series) Bond for redemption.

There shall be no charge to the Owner of a Series A (Third Series) Bond or such Owner's transferee for any such exchange or registration of transfer of such Series A (Third Series) Bond, and all expenses incurred by the Board or Trustee in connection with any such exchange or registration shall be an expense payable by the Board. The Trustee may require the Owner to pay any tax or other governmental charge required to be paid, with respect to such exchange or transfer.

The person in whose name a Series A (Third Series) Bond shall be registered shall be deemed and regarded as the absolute Owner thereof for all purposes, and payment of either principal or interest on any fully registered Series A (Third Series) Bond shall be made only to or upon the written order of the Owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series A (Third Series) Bond to the extent of the sum or sums so paid.

Section 2.09. Cancellation of Series A (Third Series) Bonds. Whenever any Outstanding Series A (Third Series) Bond shall be delivered to Trustee for cancellation pursuant to the Series A (Third Series) Resolution, upon payment of the principal amount and accrued interest represented thereby, or for replacement pursuant to Section 2.08 or 2.10 hereof, such Bond shall be promptly cancelled by Trustee.

Section 2.10. Mutilated, Lost, Stolen or Destroyed Bonds. In the event any Series A (Third Series) Bond is mutilated, lost, stolen, or destroyed, the Trustee shall authenticate and deliver a new Series A (Third Series) Bond of like date, maturity, and denomination to that mutilated, lost, stolen, or destroyed, provided that, in the case of any mutilated Series A (Third Series) Bond, such mutilated Series A (Third Series) Bond shall first be surrendered to Trustee, and in the case of any lost, stolen, or destroyed Series A (Third Series) Bond, there first shall be furnished to Trustee evidence of such loss, theft, or destruction satisfactory to Trustee, together with an indemnity satisfactory to Trustee. In the event any such Series A (Third Series) Bond shall have matured, Trustee, instead of issuing a replacement Series A (Third Series) Bond, may pay the same without surrender thereof, making such requirements as it deems fit for its protection, including a lost instrument bond.

The Board and Trustee may charge the Owner of such Series A (Third Series) Bond with their reasonable fees and expenses for such service.

Section 2.11. Temporary Bonds; Single Typewritten Bonds. Until Series A (Third Series) Bonds in definitive form are ready for delivery, the Board may execute, and upon the

request of the Board, the Trustee shall authenticate and deliver, subject to the provisions, limitations, and conditions set forth above, one or more Series A (Third Series) Bonds in temporary form, whether printed, typewritten, lithographed, or otherwise produced, substantially in the form of the definitive Series A (Third Series) Bonds, with appropriate omissions, variations, and insertions, and in authorized denominations. Until exchanged for Series A (Third Series) Bonds in definitive form, such Series A (Third Series) Bonds in temporary form shall be entitled to the security and benefit of the Master Resolution. Upon the presentation and surrender of any Series A (Third Series) Bond or Series A (Third Series) Bonds in temporary form, Board shall, without unreasonable delay, prepare, execute, and deliver to Trustee, and Trustee shall authenticate and deliver, in exchange therefore, a Series A (Third Series) Bond or Series A (Third Series) Bonds in definitive form. Such exchange shall be made by Trustee without making any charge therefore to the Owner of such Series A (Third Series) Bond in temporary form.

Section 2.12. Securities Depository; Ownership of Bonds. Except as provided in paragraph (c) below, the Series A (Third Series) Bonds shall be registered in the name of the Securities Depository or the Securities Depository Nominee, and ownership thereof shall be maintained in Book-Entry Form by the Securities Depository for the account of the Agent Members of the Securities Depository. Initially, the Series A (Third Series) Bonds shall be registered in the name of Cede & Co., as the nominee of The Depository Trust Company. Except as provided in paragraph (c) below, the Series A (Third Series) Bonds may be transferred, in whole but not in part, only to the Securities Depository or the Securities Depository Nominee, or to a successor Securities Depository selected or approved by the Board or to a nominee of such successor Securities Depository. As to any Series A (Third Series) Bond, the person in whose name such Series A (Third Series) Bond shall be registered shall be the absolute owner thereof for all purposes, and payment of or on account of the principal of and premium, if any, and interest on any such Series A (Third Series) Bond shall be made only to or upon the order of the registered owner thereof or his legal representative.

(a) Neither the Board nor the Trustee shall have any responsibility or obligation with respect to:

(i) the accuracy of the records of the Securities Depository or any Agent Member with respect to any beneficial ownership interest in the Series A (Third Series) Bonds;

(ii) the delivery to any Agent Member, any beneficial owner of the Series A (Third Series) Bonds or any other person, other than the Securities Depository, of any notice with respect to the Series A (Third Series) Bonds or the Bond Resolution: or

(iii) the payment to any Agent Member, any beneficial owner of the Series A (Third Series) Bonds or any other person, other than the Securities Depository, of any amount with respect to the principal of, premium, if any, or interest on the Series A (Third Series) Bonds.

So long as any Series A (Third Series) Bonds are registered in Book-Entry Form, the Board and the Trustee may treat the Securities Depository as, and deem the Securities Depository to be, the absolute owner of such Series A (Third Series) Bonds for all purposes whatsoever, including without limitation:

- (A) the payment of principal of, premium, if any, and interest on the Series A (Third Series) Bonds;
- (B) giving notices of redemption and other matters with respect to the Series A (Third Series) Bonds;
- (C) registering transfers with respect to the Series A (Third Series) Bonds;
- (D) the selection of Series A (Third Series) Bonds for redemption;
- (E) for purposes of obtaining consents under the Bond Resolution; and
- (F) notwithstanding the definition of the terms "bondholder" or "holder" or "owner" in the Bond Resolution as referencing the registered owners of the Series A (Third Series) Bonds, the Trustee shall be entitled to rely upon written instructions from a majority of the beneficial owners of the Series A (Third Series) Bonds with reference to consent, if any, required from the owners of the Series A (Third Series) Bonds pursuant to the terms of the Bond Resolution.

(b) If at any time the Securities Depository notifies the Board that it is unwilling or unable to continue as Securities Depository with respect to the Series A (Third Series) Bonds, or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor Securities Depository is not appointed by the Board within 90 days after the Board receives notice or becomes aware of such condition, as the case may be, then this Section shall no longer be applicable, and the Board shall execute and the Trustee shall authenticate and deliver certificates representing the Series A (Third Series) Bonds to the owners of the Series A (Third Series) Bonds as otherwise provided in this Article II.

(c) Payment of the principal of, premium, if any, and interest on any Series A (Third Series) Bonds not registered in Book-Entry Form shall be made as provided in Section 2.7 hereof.

(d) The principal of, premium, if any, and interest on the Series A (Third Series) Bonds registered in Book-Entry Form in the name of the Securities Depository or the Securities Depository Nominee shall be payable by wire transfer from the Trustee to the Securities Depository or the Securities Depository Nominee, as the case may be.

Section 2.13. Form of Series A (Third Series) Bond. The Series A (Third Series) Bonds and the certificate of authentication of the Trustee to be endorsed on said Series A (Third Series) Bonds shall be in substantially, the form attached hereto as Exhibit A. All such Series A (Third Series) Bonds may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law with respect thereto.

Section 2.14. Advertisement for Public Sale. The Series A (Third Series) Bonds shall be advertised for sale as required by Section 424.360 of the Kentucky Revised Statutes on such date and in such principal amount (not more than the principal amount authorized herein) to be determined by the Treasurer of the University of Kentucky upon the advice the Financial Advisor.

Section 2.15. Notice of Bond Sale; Bid Form; Official Terms and Conditions of Bond Sale. The Series A (Third Series) Bonds shall be offered publicly for sale upon the basis of sealed, competitive bids at such time as the Treasurer, upon advice of the Financial Advisor, shall designate.

The Treasurer of the Board is hereby authorized and directed to cause an appropriate form or forms of a Notice of Sale of Bonds to be published in *The Lexington Herald Leader*, a legal newspaper published in the City of Lexington, Kentucky, which will afford local notice of the sale, *The Courier Journal*, a legal newspaper published in the City of Louisville, Kentucky, which will afford statewide notice of the sale, and, to the extent required by law, in *The Bond Buyer*, a financial journal published in the City of New York, New York, which is a publication having general circulation among bond buyers; and said newspapers and financial journal are hereby declared to be qualified to publish such notice for the Board within the meaning and provisions of KRS Chapter 424. Such notice shall be published in said newspapers and financial journal at least once not less than seven nor more than twenty-one days prior to the scheduled date of sale of the Series A (Third Series) Bonds.

The forms of Notice of Bond Sale, Official Terms and Conditions of Sale of Bonds, Bid Form and Official Statement, shall be in such form as approved by Bond Counsel, by the Financial Advisors, by the General Counsel of the University and by the Treasurer of the University.

Bidders shall be advised that First Kentucky Securities Corporation, Frankfort, Kentucky, has been employed as Financial Advisor in connection with the issuance of these Series A (Third Series) Bonds, that their fee for services rendered with respect to the sale of the Series A (Third Series) Bonds is contingent upon the issuance and delivery of the Series A (Third Series) Bonds, and that they may submit a bid for the purchase of the Series A (Third Series) Bonds at the time of the advertised public sale of the Series A (Third Series) Bonds, either individually or as the member of a syndicate organized to submit a bid for the purchase of the Series A (Third Series) Bonds.

Upon the date and at the respective hour set forth for the opening and consideration of purchase bids, as provided in the instruments hereinabove approved, the sealed bids theretofore received by the Treasurer and shall be publicly opened and publicly read by the Treasurer. If there shall be one or more bids which conform in all respects to the prescribed terms and conditions, such bids shall be compared, and the Treasurer, upon the advice of the Financial Advisor, is authorized to accept the best of such bids, as measured in terms of the lowest interest cost to the Board, as calculated in the manner prescribed in the Official Terms and Conditions of Sale of Bonds. Calculations shall be performed as are necessary to determine the exact amount of Series A (Third Series) Bonds that are required to be issued in order to refinance and defease the Prior Bonds and the final principal amount and maturities of the Series A (Third Series) Bonds shall thereupon be established, as prescribed in the Official Terms and Conditions of Sale of Bonds.

Section 2.16. Determination that Refunding of Series A (Second Series) Bonds is to The Best Advantage and In the Public Interest of the Board and of the University. It is hereby determined that the Series A (Third Series) Bonds shall be issued for the purpose of refunding the Series A (Second Series) Bonds through the deposit in a segregated account of the Bond Fund of the proceeds of the Series A (Third Series) Bonds (and other funds) for the purpose of providing for the payment of the principal of and interest on the Series A (Second Series) Bonds as the same are redeemed in accordance with the provisions hereof.

It is hereby determined that in the refunding, refinancing, and provision for redemption of the Series A (Second Series) Bonds, as set out in the ensuing Sections of this Resolution, it is in the best interest of the Board and the University that the same be accomplished to the best advantage and in the public interest by the issuance of the Series A (Third Series) Bonds at a rate or rates of interest lower than the rates now applicable to the Series A (Second Series) Bonds, and through the payment of a redemption premium of two percent (2%) on August 1, 2003, with respect to the Series A (Second Series) Bonds maturing after August 1, 2003; through the payment of the principal and interest on the Series A (Second Series) Bonds due on August 1, 2003 from budgeted funds of the Board; and through the application of amounts on deposit in the debt service reserve fund created by the Series A (Second Series) Resolution..

Section 2.17. Compliance With Provisions of Resolution as to Parity Coverage. It is hereby certified that prior to the issuance of the Series A (Third Series) bonds, a statement will be filed with the Trustee evidencing compliance with the conditions and restrictions set forth in Section 2.02 of the Master Resolution permitting the issuance of Bonds ranking on a basis of parity and equality with all of the outstanding Series of Bonds issued pursuant to the Master Resolution as to security and source of payment, and in all other respects as set out in the preamble hereto.

Section 2.18. All Provisions of the Master Resolution as to Revenues and Bond Fund Reaffirmed. All of the provisions of the Master Resolution as to the revenues of Project, the application of same, the creation and maintenance of various funds, are hereby readopted, ratified and confirmed.

(End of Article II)



**ARTICLE III.  
REDEMPTION**

Section 3.01. Limitation on Redemption. The Series A (Third Series) Bonds shall not be subject to redemption prior to maturity.

(End of Article III)

**ARTICLE IV**  
**DISPOSITION OF PROCEEDS OF SALE OF SERIES A (THIRD SERIES) BONDS**

Section 4.01. Disposition of Proceeds of Series A (Third Series) Bonds; Defeasance Account; Investment Provisions; Arbitrage Limitations. Upon the sale and delivery of the Series A (Third Series) Bonds, upon receipt by the Board of the purchase price thereof, it is hereby acknowledged and ordered that:

(a) Deposit of Required Amount into Bond Fund for the Series A (Second Series) Bonds.

There shall be deposited from the proceeds from the sale of the Series A (Third Series) Bonds, and from any other available source, in a segregated account of the Bond Fund (the "Defeasance Account"), an amount sufficient (1) to pay all principal and interest requirements of all of the Series A (Second Series) Bonds on August 1, 2003; and (2) to redeem on August 1, 2003, all of the remaining outstanding Series A (Second Series) Bonds. The necessary amount shall be deposited in the Defeasance Account with the Trustee and applied in accordance with the Series A (Second Series) Resolution; provided, however, that simultaneously with the delivery of the Series A (Third Series) Bonds, the Board shall obtain a commitment for the investment of the amount to be deposited therein, in Government Obligations, which aggregate investments shall be sufficient to accomplish the purposes hereof, based on corroborating certification of a verification agent selected by the Treasurer, and which Government Obligations shall be scheduled to mature at such times and in such amounts as shall be necessary, together with any uninvested cash, to meet the payment requirements for the Series A (Second Series) Bonds set forth above, including payment of the applicable redemption premium.

The Treasurer is hereby authorized to act on behalf of the Board in obtaining the appropriate commitment or commitments, directly or through the designee of either of them, for the purchase of, or subscriptions for purchase of, the Government Obligations necessary to accomplish the foregoing purpose.

If and to the extent that the amount on deposit in the Defeasance Account shall be inadequate to accomplish the necessary purpose, the Board shall transfer or cause to be transferred sufficient funds from existing available funds of the Board to accomplish the purpose specified herein.

The Treasurer is also authorized to transfer all moneys or investments from the Reserve Account for the Series A (Second Series) Bonds to the Defeasance Account for the purpose of refunding the Prior Bonds.

If and to the extent that the amount on deposit in the Defeasance Account shall be in excess of the amount required, such amount shall be immediately transferred to the Bond Fund.

Upon such deposit of the total required amount being made into the Defeasance Account, all of the outstanding Series A (Second Series) Bonds shall be deemed to have been paid and the Series A (Second Series) Bond Resolution shall have been deemed to be discharged within the meaning and with the effect expressed in the Master Resolution, and the Trustee shall be and is hereby instructed, to publish and send the appropriate notices of redemption in accordance with the redemption provisions of the Series A

(Second Series) Resolution, stating that the cash or obligations as provided above are held in the Defeasance Account, that the outstanding Series A (Second Series) Bonds are deemed to have been paid in accordance with the Master Resolution and the Series A (Second Series) Resolution, and stating the maturity dates and optional redemption dates of the respective Series A (Second Series) Bonds upon which the funds so held are or will become available for the payment of the amounts due.

All amounts held in the Defeasance Account shall be held in trust for, and shall be disbursed only for the purpose of, the payment of the principal of, interest on, and premium, on the Series A (Second Series) Bonds as and when the same become due and/or are called for prior redemption, subject to the provisions set out above as to the application of surplus funds in the Defeasance Account.

(b) Deposit of Collected Accrued Interest Into Bond Fund Interest Account.

The amount received as that portion of the purchase price of the Series A (Third Series) Bonds representing collected accrued interest from the date of the Series A (Third Series) Bonds to the date of delivery thereof, shall be deposited into the Bond Fund Interest Account and applied to the payment of interest becoming due on the Series A (Third Series) Bonds on the first Interest Payment Date.

(c) Cost of Issuance Account.

From the aggregate proceeds of the sale of the Bonds, the amount necessary to pay the costs of issuance of the Series A (Third Series) Bonds shall be deposited in an account on deposit with the Trustee, which account is hereby created to be known as the "Series A (Third Series) Bonds Cost of Issuance Account", to be held and disbursed upon written authorization of the Board. The Trustee shall apply funds in such account for the purpose of meeting issuance expenses, including printing, financial advisory fees, Trustee fees and expenses, legal fees and expenses, costs of audits and verifications, rating agency fees, and other necessary costs of preparing, issuing, advertising, and selling the Bonds. After payment in full of such issuance expenses, based upon the certification of the Board, all amounts remaining in such Account shall be transferred to and deposited in the Bond Fund Interest Account and applied toward the payment of interest requirements on the Series A (Third Series) Bonds on February 1, 2004.

Section 4.02. Authorization to Subscribe for Government Securities. Authority is hereby given by the Board to Peck, Shaffer & Williams LLP, the Financial Advisor and the Trustee, and to anyone of them, to act on behalf of the Board in signing upon the behalf of the Board subscriptions for the purchase and issue of United States Treasury Certificates, Notes, or Bonds - State and Local Government Series, and/or for the purchase of other Government Obligations, to be issued to the Trustee, in connection with the application of the proceeds of the Series A (Third Series) Bonds (supplemented by other funds).

The Treasurer of the Board is authorized to sign and send a letter to the Securities Division, Federal Reserve Bank, Louisville, Kentucky, or any branch of the Federal Reserve Bank, and/or FDIC Banks, certifying as to the authority of such individuals.

Section 4.03. Series A Second Series Bonds Will Have Provided for Through the Defeasance Account. Provision having thus been made for all of the requirements of the outstanding Series A (Second Series) Bonds through an orderly payment, redemption, and

retirement of the Series A (Second Series) Bonds as set out herein through deposit of the net proceeds of the Series A (Third Series) Bonds and other funds, it is hereby recognized and acknowledged that as of the date of delivery of the Series A (Third Series) Bonds, provision will have been made for the performance of all covenants and agreements of the Board incident to the issuance of the Series A (Second Series) Bonds, and that accordingly, and in compliance with all that has been heretofore provided, the Board will have no further obligation with reference to the Series A (Second Series) Bonds, except to assure that the Series A (Second Series) Bonds are paid from the funds so deposited in accordance with the provisions of the Series A (Second Series) Resolution.

(End of Article IV)

**ARTICLE V.  
FUNDS AND ACCOUNTS; INVESTMENTS.**

Section 5.01. Flow of Funds. The Board shall cause to have filed with the State Treasurer, in sufficient time to enable the State Treasurer to make the withdrawals from the Revenue Fund and to make the deposits required by this Section, a requisition of the Board, specifying the amount required for the various purposes hereinafter set forth. Notwithstanding the provisions of the Master Resolution, it shall be the duty of the State Treasurer, upon receipt of such requisition to withdraw from the Revenue Fund on deposit with the State Treasurer so much of the money on deposit therein as is required to make the deposits hereinafter required and to deposit the sum so withdrawn with the Trustee to the credit of the following accounts in the following order:

(a) beginning on the fifth Business Day prior to February 1, 2004, and on the fifth Business Day prior to each Interest Payment Date thereafter, to the credit of the Interest Account, that amount which, together with the amount then on deposit, therein, shall be equal to the interest payable on the Outstanding Series A (Third Series) Bonds on the next ensuing Interest Payment Date;

(b) beginning on the fifth Business Date prior to August 1, 2004, and on the fifth Business Day preceding each August 1 (thereafter, to the credit of the Principal Account, an amount equal to the principal of all Outstanding Series A (Third Series) Bonds due on the next ensuing August 1;

Section 5.02. Investments. Money held for the credit of the various funds and accounts held by the Trustee shall be invested at the direction of the Board in Permitted Investments. Any investments held for the credit of the Interest Account, the Principal Account and the Series A (Third Series) Redemption Account shall mature or be subject to redemption not later than the respective dates when the money held for the credit of such funds and accounts will be required for the purposes thereof.

Obligations so purchased as an investment of money in any such fund or account, and any interest bearing time deposits made with respect to such money, shall be deemed at all times to be a part of such fund or account, and the interest received thereon and any profit realized from such investment shall be credited to such fund or account, and any loss resulting from such investment shall be charged to such fund or account. The Trustee shall sell at the best price obtainable or present for redemption any obligations so purchased whenever it shall be necessary so to do in order to provide moneys to meet any payment or transfer from any such fund or account. Neither the Trustee nor the Board shall be liable or responsible for any loss resulting from any such investment.

(End of Article V)

**ARTICLE VI.  
FINANCIAL COVENANTS.**

Section 6.01. Limitations on Additional Indebtedness. The Board agrees that it will not incur any Additional Indebtedness other than Additional Indebtedness consisting of one or more of the following:

(a) Long-Term Indebtedness if prior to incurrence of such Indebtedness one of the following conditions is met:

(1) there is delivered to the Trustee and the State Treasurer an Officer's Certificate (accompanied by the report of the Auditor of the Commonwealth (the "Auditor") or an independent certified public accountant or firm of certified public accountants chosen by the Board) certifying the Debt Service Coverage Ratio, taking all Outstanding Long-Term Indebtedness and the Long-Term Indebtedness then to be incurred into account as if it had been incurred at the beginning of the period of 12 full consecutive calendar months out of the most recent period of 18 full consecutive calendar months preceding the date of delivery of such Officer's Certificate for which the Financial Statements have been reported upon by the Auditor or such independent certified public accountant or firm of certified public accountants, and such Debt Service Coverage Ratio is for such period not less than 1.35; or

(2) (A) there is delivered to the Trustee and the State Treasurer an Officer's Certificate (accompanied by the report of the Auditor or an independent certified public accountant or firm of certified public accountants chosen by the Board) certifying the Debt Service Coverage Ratio, taking into account all Outstanding Long-Term Indebtedness, but not the Long-Term Indebtedness then to be incurred, for a period of 12 full consecutive calendar months out of the most recent period of 18 full consecutive calendar months preceding the date of delivery of the Officer's Certificate for which the Financial Statements have been reported upon by the Auditor or such independent certified public account or firm of certified public accountants, and such Debt Service Coverage Ratio is not less than 1.10; and (B) there shall be filed with the Trustee and the State Treasurer the report of a Consultant to the effect that the forecasted Debt Service Coverage Ratio, taking the proposed Long-Term Indebtedness into account, for (I) in the case of Long-Term Indebtedness (other than a Guaranty) to finance capital improvements, each of the first two periods of 12 full consecutive calendar months succeeding the date on which such capital improvements are expected to be completed and in operation, or (II) in the case of Long-Term Indebtedness not financing capital improvements or in the case of a Guaranty, each of the first two periods of 12 full consecutive calendar months succeeding the date on which such Long-Term Indebtedness is incurred, and the Debt Service Coverage Ratio for each such period is not less than 1.20 as shown by forecasted balance sheets, statements of revenue and expense and statements of changes in financial position of the operations of the Hospital for each such period, accompanied by a statement of the relevant assumptions upon which such forecasted balance sheets and statements are based; provided, however, that in the event the Debt Service Coverage Ratio computed pursuant to clause (A) above is (greater than 2.00, the

forecasted Debt Service Coverage Ratio calculated pursuant to clause (B) above may be based upon a report prepared by management of the Hospital; or

(3) without compliance with either of the tests mentioned in (1) and (2) above, the Board may in the aggregate incur Additional Long-Term indebtedness is an amount not to exceed 5% of Total Operating Revenues for the last twelve (12) months for which the Financial Statements were reported upon by the Auditor or by an independent certified public accountant or firm of independent certified public accountants. The total amount of Long-Term Indebtedness incurred by the Board under this clause (3) and outstanding without compliance with one of the tests mentioned in (1) and (2) above may not in the aggregate exceed at any time the amount calculated in accordance with the provisions of this clause (3).

(b) Completion Indebtedness may be incurred by the Board without limitation provided there is filed with the, Trustee and the State Treasurer a certificate of an independent architect setting forth the amount required to complete the improvement for which the Indebtedness was incurred and an Officer's Certificate stating that the proceeds of the Completion Indebtedness and other moneys available therefore, including estimated earnings, will be sufficient to complete the improvement.

(c) Indebtedness may be incurred by the Board for the purpose of refunding any Outstanding Indebtedness so as to render it no longer Outstanding if prior to incurrence thereof there is delivered to the Trustee and the State Treasurer the following:

(1) an officer's certificate certifying that maximum Principal and Interest Requirements on the Indebtedness proposed to be issued for any twelve (12) consecutive calendar months is not in excess of 110% of the maximum Principal and Interest Requirements on the Outstanding Indebtedness being refunded for any twelve (12) consecutive calendar months; or

(2) if the maximum Principal and Interest Requirements on the Indebtedness proposed to be issued for any twelve consecutive calendar months is in excess of 110% of the maximum Principal and Interest Requirements on the Outstanding Indebtedness being refunded for any twelve (12) consecutive calendar months, such evidence as may be required to show that such proposed Indebtedness may be incurred in accordance with the requirements of paragraph (a) above; provided, however, that in no event shall clauses (1) and (2) above preclude the Board from issuing Indebtedness to refund all or any part of the outstanding Series A (Second Series) Bonds.

(d) Short-Term Indebtedness may be incurred by the Board in the ordinary course of business if immediately after the incurrence of such Short-Term Indebtedness, the outstanding principal amount of all such Short-Term Indebtedness does not exceed 10% of Total Operating Revenues for the most recent period of twelve (12) full consecutive calendar months out of the most recent period of eighteen (18) full consecutive calendar months preceding the date of incurrence of such Short-Term Indebtedness for which the Financial Statements have been reported upon by the Auditor or by an independent certified public accountant or firm of certified public accountants chosen by the Board; provided, however, that the Board shall be free from all such Short-

Term Indebtedness, except for a principal amount not exceeding 3% of said Total Operating Revenues, for a period of twenty (20) consecutive calendar days in each Fiscal Year of the Board; provided, further, that such amount may be increased from 3% to 5% of said Total Operating Revenues if at least 40% of such additional Short-Term Indebtedness has been incurred to off-set an anticipated temporary delay in the receipt of funds due from third-party payors; provided, however, that in no event shall the principal amount of Short-Term Indebtedness incurred pursuant to this paragraph and amounts withdrawn from the Depreciation Reserve Fund pursuant to the Master Resolution outstanding at any time exceed 15% of Total Operating Revenues for the period described above.

Section 6.02. Restrictions on Guaranties; Calculation of Principal and Interest Requirements on Guaranties. The Board agrees that it will not enter into, or become liable in respect of, any Guaranty unless (i) such Guaranty shall provide that no acceleration of the Indebtedness guaranteed is permitted as long as principal and interest are paid on a current basis as provided for by such Indebtedness, (ii) there shall be delivered to the Trustee and the State Treasurer an Officer's Certificate showing the income available for debt service of the person whose Indebtedness is being guaranteed (determined in a manner as nearly as practicable like Income Available for Debt Service hereunder), for a period of twelve (12) full consecutive calendar months out of the most recent period of eighteen (18) full consecutive calendar months preceding the date of issuance of such Guaranty, and (iii) compliance is shown for the incurrence of Additional Indebtedness in accordance with the requirements of Section 6.01 hereof.

When calculating the principal and interest requirements on Guaranties, if the percentage derived from dividing the amount mentioned in the preceding paragraph by the total of the debt service requirement (determined in a manner as nearly as practicable like Principal and Interest Requirements hereunder) of the person whose indebtedness is being guaranteed and all other Indebtedness of such person then outstanding is (A) less than 1.00; (B) between 1.00 and 1.25; (C) between 1.26 and 1.34 or (D) in excess of 1.34, then for the purpose of making any Principal and Interest Requirements calculation in the case of (A) 100%, (B) 75%, (C) 50% and (D) 25% of the annual debt service on the indebtedness being guaranteed shall be added to the computation of Principal and Interest Requirements. Notwithstanding the foregoing provisions of this paragraph, at the time of execution of any Guaranty, for the purpose of determining compliance with any test for the incurrence of Indebtedness, 100% of the annual debt service on the Indebtedness proposed to be guaranteed shall be added to the computation of Principal and Interest Requirements.

Section 6.03. Sale, Lease, or Other Disposition of Property.

(a) The Board shall not sell or otherwise dispose of all, or any part of its Property except as hereinafter provided.

(b) The Board may sell, lease or dispose of Property in the ordinary course of business.

(c) The Board may sell, lease or dispose of Property, not in the ordinary course of business, in any Fiscal Year provided that the aggregate fair market value, as conclusively determined by an Officer's Certificate, of such Property so disposed of in any Fiscal Year does not exceed 5% of the Book Value of Property, Plant and Equipment.



(d) The Board may sell, lease or dispose of Property, not in the ordinary course of business, in excess of the amount permitted under paragraph (c) above, upon the filing with the Trustee and the State Treasurer of a report of a Consultant demonstrating that the forecasted Debt Service Coverage Ratio for each of the two (2) financial reporting periods of twelve (12) consecutive calendar months immediately succeeding the date of such action will be at least equal to 1.20 for each of such periods assuming that such action had taken place; provided, however, that if the Debt Service Coverage Ratio as forecasted by the Board exceeds 2.00, an Officer's Certificate may be substituted for the Consultant's report.

(e) To the extent that the disposition of Property results in a payment to the Board of rental payments pursuant to a lease or other similar agreement or of installment sale payments pursuant to an installment sale contract or other similar agreement, such payments shall constitute Revenues.

(f) To the extent that the disposition of Property results in the receipt by the Board of a one-time payment representing the proceeds of such disposition, such proceeds may be used by the Board for any Hospital purpose.

(g) The Board may not transfer or dispose of any accounts receivable relating to the operation of the Hospital except in the ordinary course of business.

(h) Nothing shall restrict or limit the inter-divisional or internal transfer of funds in the ordinary course of business or in the normal conducting of relationships by and between the Hospital, as an operating division of the Board.

Section 6.04. Additional Covenants Concerning Rates and Charges. Notwithstanding the provisions of the Master Resolution pertaining to Government Restrictions, in no event shall the Board fix, charge and collect, or cause to be fixed, charged or collected, rates, fees and charges for the use of and for the services furnished or to be furnished by the Hospital which will produce Income Available for Debt Service in an amount less than 100% of maximum annual Principal and Interest Requirements.

Notwithstanding the provisions of the Master Resolution, the Board covenants that it will implement, to the extent feasible, the recommendations of a Consultant required to make recommendations as to a revision of such rates, fees and charges or the, methods of operation of the Hospital, which will result in producing the amount necessary to satisfy the requirements of the foregoing paragraph.

(End of Article VI)

**ARTICLE VII.**  
**COMPLIANCE WITH FEDERAL ARBITRAGE REQUIREMENTS.**

Section 7.01. Compliance with Requirements of Internal Revenue Code. In order to assure purchasers of the Series A (Third Series) Bonds that interest thereon will continue to be exempt from all Federal and Kentucky income taxation (subject to certain exceptions set out below), the Board covenants to and with the owners of Series A (Third Series) Bonds that (1) the Board will take all actions necessary to comply with the provisions of the Code, (2) the Board will take no actions which will violate any of the provisions of the Code, or would cause the Series A (Third Series) Bonds to become "private activity bonds" within the meaning of the Code, and (3) none of the proceeds of the Series A (Third Series) Bonds will be used for any purpose which would cause the interest on the Series A (Third Series) Bonds to become subject to Federal income taxation.

Neither the University nor the Trustee shall take any action at any time which will cause the interest on the Bonds to become subject to Federal income taxation, and, without limiting the foregoing, it is covenanted for the benefit of the owners of such Bonds that no use of the proceeds of the Series A (Third Series) Bonds will be made at any time which, if such use had been reasonably expected on the date of issue of such bonds, would have caused them to be "arbitrage bonds." This covenant shall impose an obligation to comply with the requirements of Section 148 of the Code, and the applicable regulations thereunder. The word "proceeds" as used herein shall have the meaning which it has under such section of the Code and such regulations and shall include all moneys on deposit in all Funds provided for herein and all Funds established in connection with the Project and the Bonds. Without limiting the generality of the foregoing, in no event shall moneys be deposited in any accounts created hereunder or invested pursuant to the provisions hereof if such deposit or investment shall cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code.

The Board certifies that on the basis of the facts, expectations, and circumstances (including covenants of the Board) in existence on the date of adoption of this Series A (Third Series) Resolution it is not expected that the proceeds of the Series A (Third Series) Bonds will be used in a manner that will cause such obligations to be "arbitrage bonds." The Chairman and the Treasurer of the Board are hereby jointly and severally designated and charged by the Board and the University with the responsibility for issuing the Series A (Third Series) Bonds and are hereby designated as the officers of the Board and the University to execute (by either of them) the ("no arbitrage") certification required by Section 1.103-13(a)(2)(ii) and any other provisions of the Treasury Regulations, and such certification shall set forth such facts, expectations and circumstances, which may be in brief and summary terms, and shall state that to the best of his knowledge and belief that are no other facts, expectations, or circumstances that would materially change such expectation that the proceeds of the issue of Bonds herein authorized will not be used in a manner that would cause same to be "arbitrage bonds." If, under any valid provisions of law hereafter enacted, the interest paid by the Board on the Bonds should be excludable from the gross income of a recipient thereof for Federal income tax purposes without regard to compliance with the provisions of Section 148 of the Code, then the University shall not be required to comply with such provisions of the Code.

Without limiting the generality of the foregoing, the Board agrees that there shall be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Series A (Third Series) Bonds from time to time. This covenant shall survive

payment in full or defeasance of the Series A (Third Series) Bonds. The Board specifically covenants to pay or cause to be paid to the United States, the Rebate Amount, at the times and in the amounts described in the Memorandum of Instructions. The Trustee, by execution of its Acceptance attached hereto, agrees to comply with all instructions of the Board given in accordance with the Memorandum of Instructions.

The Board reserves the right to amend the Resolution authorizing these Series A (Third Series) Bonds without obtaining the consent of the owners of the Bonds (i) to whatever extent shall, in the opinion of Bond Counsel, be deemed necessary to assure that interest on the Series A (Third Series) Bonds shall be exempt from Federal income taxation, and (ii) to whatever extent shall be permissible (without jeopardizing such tax exemption or the security of the owners of the Series A (Third Series) Bonds) to eliminate or reduce any restrictions concerning the Project, the investment of the proceeds of the Series A (Third Series) Bonds, or the application of such proceedings or of the revenues of the Project. The purchasers of the Series A (Third Series) Bonds are deemed to have relied fully upon these covenants and undertakings on the part of the Board as part of the consideration for the purchase of the Series A (Third Series) Bonds. To the extent that the Board obtains an opinion of nationally recognized bond counsel to the effect that non-compliance with any of the covenants contained in this Resolution or referred to in this Resolution would not subject interest on the Series A (Third Series) Bonds to Federal income taxes or Kentucky income taxes, the Board shall not be required to comply with such covenants or requirements.

This Resolution is adopted in contemplation that Bond Counsel will render an opinion as to exemption of principal of the Bonds from Kentucky ad valorem taxation and as to exemption of interest on the Series A (Third Series) Bonds from Federal and Kentucky income taxation, based on the assumption by bond Counsel that the Board complies with covenants made by the Board with respect to compliance with the provisions of the Code and based on the assumption of compliance by the Board with requirements as to any required rebate (and reports with reference thereto) to the United States of America of certain investment earnings on the proceeds of the Series A (Third Series) Bonds. The Board has been advised that, based on the foregoing assumption of compliance, Bond Counsel is of the opinion that the Series A (Third Series) Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Code.

(End of Article VII)

**ARTICLE VIII.  
MISCELLANEOUS CONCLUDING PROVISIONS.**

Section 8.01. All Provisions of Master Resolution are Hereby Readopted, Ratified, and Confirmed; Defeasance of Series A (Second Series) Resolution. The Board hereby readopts, ratifies and confirms the Master Resolution adopted on June 25, 1986. It is hereby acknowledged that the provisions of the Series A (Second Series) Resolution will be deemed to have been defeased simultaneously with the issuance of the Series A (Third Series) Bonds.

Section 8.02. Replacement by Board of Registrar, Transfer; Agent, Payee Bank and/or Depository Bank. The Board shall have the right at any time to replace the Registrar, Transfer Agent, Payee Bank, and/or Depository Bank by observing the same procedure as that required by the Master Resolution and/or the respective Series Resolutions for replacement of the Trustee.

Section 8.03. Compliance With SEC Rule 15c2-12. The Board of Trustees hereby agrees, to comply with the provisions of Rule 15c2-12, as amended and interpreted from time to time (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934. In order to comply with the Rule, the Continuing Disclosure Agreement is hereby authorized and approved, substantially in the form presented or described to the Board, with such modifications and additions as may be approved by the officer of the Board executing the same. The Chairman and the Secretary of the Board and the Treasurer and the Controller of the University are each separately authorized to execute and deliver the Continuing Disclosure Agreement.

Section 8.04. Resolution Contractual With Bondowners. The Master Resolution and this Series A (Third Series) Resolution shall, from and after the issuance and delivery of the Series A (Third Series) Bonds, constitute a contract between the Board and the owners and holders of such Series A (Third Series) Bonds as shall be outstanding hereunder.

Section 8.05. Provisions in Conflict are Repealed. All resolutions or parts thereof in conflict with the provisions of the Series A (Third Series) Bond Resolution are hereby rescinded to the extent of such conflict.

Section 8.06. Copy to be Filed with Trustee. A certified copy of this Series A (Third Series) Resolution shall be filed with the Trustee, and this Series A (Third Series) Bond Resolution shall take effect immediately upon its adoption and the filing of the certified copy thereof with the Trustee, as provided in the Master Resolution.

Adopted May 6, 2003.

\_\_\_\_\_  
Chairman

(SEAL)

Attest:

\_\_\_\_\_  
Secretary, Board of Trustees

CERTIFICATION

I, the undersigned, do hereby certify that I am duly qualified and acting Secretary of the Board of Trustees of the University of Kentucky, and as such officer I further certify that the foregoing is a true, correct and complete copy of a Series A (Third Series) Resolution duly adopted by the members of said Board at a meeting properly held on May 6, 2003, has been duly executed and is now in full force and effect, all as appears in the official records of said Board in my possession and under my control.

I further certify that said meeting held on May 6, 2003, was duly held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.820 and 61.825, that a quorum was present at said meeting, that said Series A (Third Series) Resolution has not been modified, amended, revoked or I repealed, and that same is now in full force and effect.

WITNESS my hand this \_\_ day of \_\_\_\_\_, 2003.

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Secretary of the Board of Trustees

EXHIBIT A

Form of Bond

UNITED STATES OF AMERICA  
COMMONWEALTH OF KENTUCKY  
UNIVERSITY OF KENTUCKY  
HOSPITAL REFUNDING REVENUE BOND  
SERIES A (THIRD SERIES)

NUMBER R-\_\_\_\_\_ PRINCIPAL AMOUNT \$ \_\_\_\_\_

DATE OF ORIGINAL ISSUE      MATURITY DATE      INTEREST RATE      CUSIP  
   August 1, \_\_\_\_\_      \_\_\_\_\_%

REGISTERED OWNER:

PRINCIPAL AMOUNT:

The Board of Trustees of the University of Kentucky (the "Board"), a body corporate, as an educational institution and agency and a political subdivision of the Commonwealth of Kentucky, for value received, hereby promises to pay to the Registered Owner, identified above, or his or its registered assigns, solely from the special fund hereinafter identified, upon presentation and surrender of this Bond, the Principal Amount set out above on the Maturity Date specified above and to pay interest on said sum at the per annum Interest Rate specified above, from the interest payment date to which interest has been paid next preceding the date on which this Bond is authenticated, unless this Bond is authenticated on an interest payment date to which interest has been paid, in which event this Bond shall bear interest from such date, or if this Bond is authenticated prior to the first interest payment date, this Bond shall bear interest from the date of original issue set out above, commencing February 1, 2004, and semiannually thereafter on February 1 and August 1 of each year until payment of the Principal Amount, except as the provisions hereinafter set forth with regard to redemption prior to maturity may be and become applicable. The principal of and redemption price, if any, on this Bond are payable in lawful money of the United States of America at the main office of Bank One Trust Company, NA, Lexington, Kentucky (the "Trustee," "Bond Registrar," and "Payee Bank"). All interest on this Bond shall be payable by check or draft mailed by the Trustee-Registrar to the registered owner hereof at the address shown on the registration books kept by the Trustee.

This Bond is one of the duly authorized University of Kentucky Hospital Refunding Revenue Bonds, Series A (Third Series), issued in the aggregate principal amount of \$\_\_\_\_\_ (the "Bonds") pursuant to a Master Resolution and a Series A (Third Series) Resolution duly enacted by the Board (collectively, the "Resolution") under the authority of, and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, and particularly Sections 58.010 through 58.140 of the Kentucky Revised Statutes (the "Act") for the purposes of refunding the outstanding University of Kentucky Hospital Revenue Bonds, Series A (Second Series), dated January 1, 1993. Capitalized terms used herein shall have the meanings given them in the Resolution.

Copies of the Master Resolution and the Series A (Third Series) Resolution are on file at the corporate trust office of the Trustee, and reference shall be made to the Master Resolution

and the Series A (Third Series) Resolution for the provisions, among others, with respect to the custody and application of the proceeds of Bonds issued under the Resolution, the collection and disposition of Revenues, the funds charged with and pledged to the payment of the interest on and the principal of the Bonds, the nature and extent of the security, the terms and conditions on which Bonds and Additional Indebtedness are or may be issued, the rights, duties and obligations of the Board and the rights of the Owners of the Bonds.

The Board has reserved the right to issue Additional Indebtedness, including additional Series of Bonds, on a parity as to source of payment and security with the Bonds.

This Bond is transferable by the registered owner hereof in person or by his attorney duly authorized in writing at the main office of the Trustee-Registrar, but only in the manner, subject to the limitations provided in the Series A (Third Series) Resolution, and up on surrender and cancellation of this Bond, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his authorized representative. Upon such transfer being effected, a new fully registered Bond or Bonds of the same series and the same maturity of authorized denomination, for the same aggregate principal amount, and the same interest rate, will be issued to the transferee in exchange therefore.

The Board and the Trustee-Registrar may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and redemption price, if any, hereon, and interest due hereon, and for all other purposes, and neither the Board or the Trustee-Registrar shall be affected by any notice to the contrary.

The owner of this Bond shall have no right to enforce the provisions of the Resolution, to institute action to enforce the covenants therein, to take any action with respect to any default under such resolutions, or to institute, appear in, or defend any suit or other proceedings with respect thereto, except as provided in such Resolutions that any registered owner may institute action to enforce the payment of the principal of, premium, if any, or the interest on this Bond.

Reference is made to the Resolution (a) for the provisions, among others, with respect to the custody and application of the proceeds of the Bonds, (b) the rights, duties, and obligations of the Board and of the Trustee, and (c) the rights of the owners of these Bonds; and by the acceptance of this Bond, the registered owner hereof assents to all of the provisions of said resolutions.

The Bonds are not subject to redemption prior to maturity.

The Bonds shall not constitute an indebtedness of the Board of the Commonwealth within the meaning of any provisions or limitations of the Constitution or Statutes of the Commonwealth, but are payable solely from the Net Revenues and any other revenues provided therefore in the Series A (Third Series) Resolution. Neither the Board, the Commonwealth, nor any other political subdivision of the Commonwealth, is obligated to pay the principal of the Bonds on the interest thereon, or other costs incident thereto, except from the Net Revenues pledged therefore. Neither the faith and credit nor the taxing power of the Board, the Commonwealth or any political subdivision of the Commonwealth is pledged to the payment of the principal of, premium, if any, or interest on the Bonds or other costs incident thereto.

This Bond is exempt from taxation (except inheritance taxes) by the Commonwealth of Kentucky and all of its political subdivisions.

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 the Board and of said University of Kentucky, does not violate any provision or exceed any limit prescribed by the Constitution or Statutes of Kentucky; and that a sufficient payments have been requested to be made to the Trustee for deposit into the to Bond Fund (created in the Master Resolution) for the payment of the principal of and interest on this Bond and all Outstanding Bonds which by their terms and the terms of the Master Resolution are payable from the Bond Fund as and when the same will respectively become due.

IN TESTIMONY WHEREOF, the Board of Trustees of the University of Kentucky has caused this Bond to be executed on its behalf by the reproduced facsimile signature of its Chairman, and the facsimile of its corporate seal to be imprinted hereon, and attested by the reproduced facsimile signature of its Secretary, dated as of the Date of Original Issue set forth above; provided, however, that this Bond shall not be valid or obligatory for any purpose or be entitled to any security or benefit under the Series A (Third Series) Resolution pursuant to which it was authorized until the Authentication Certificate of Trustee-Registrar printed hereon shall have been executed by the manual signature of a duly authorized representative of the Trustee-Registrar.

**UNIVERSITY OF KENTUCKY**  
Lexington, Kentucky

By: \_\_\_\_\_  
Chairman, Board of Trustees

Attest:

By: \_\_\_\_\_  
Secretary, Board of Trustees

(Facsimile Seal of Board of Trustees)



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(FORM OF AUTHENTICATION CERTIFICATE OF TRUSTEE-REGISTRAR)

THE AUTHENTICATION DATE OF THIS BOND IS: \_\_\_\_\_

AUTHENTICATION CERTIFICATE OF TRUSTEE-REGISTRAR

This is to certify that this Bond is one of the Bonds referred to in the within Bond and in the Series A (Third Series) Resolution authorizing same. Printed on the reverse hereof is the complete text of the opinion of Bond Counsel, Peck, Shaffer & Williams LLP, Covington, Kentucky, a signed original of which is one file with the undersigned, delivered and dated as of the date of the original delivery and payment for the Bonds.

BANK ONE, KENTUCKY, NA, Lexington, Kentucky,  
Trustee and Bond Registrar

By: \_\_\_\_\_  
Authorized Signer

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(FORM OF ASSIGNMENT)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfer unto the within Bond and hereby irrevocably constitutes and appoints attorney to transfer the within Bond on the books kept for registration and transfer of said Bond, with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Signature must correspond with name of Registered Owner as it appears on the front of this Bond in every particular, without alteration, enlargement or any change whatsoever.)

Social Security Number or other identifying number:  
\_\_\_\_\_

Signature Guaranteed By:  
\_\_\_\_\_

Notice: Signatures must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.