

FCR 29

Office of the President
September 12, 2006

Members, Board of Trustees:

RESOLUTION OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF KENTUCKY (“STATE AGENCY”) APPROVING A FINANCING/LEASE AGREEMENT AMONG THE STATE AGENCY, THE KENTUCKY ASSET/LIABILITY COMMISSION, AND THE FINANCE AND ADMINISTRATION CABINET OF THE COMMONWEALTH OF KENTUCKY FOR THE PURPOSE OF PROVIDING FINANCING FOR AN AUTHORIZED PROJECT AND AUTHORIZING AND DIRECTING THE APPLICATION OF THE EXISTING SYSTEM REPAIR AND MAINTENANCE RESERVE TO THE DEFEASANCE AND REDEMPTION OF CERTAIN OUTSTANDING BONDS OF THE UNIVERSITY

Recommendation: that the Board of Trustees adopt a Resolution (i) approving a Financing/Lease Agreement dated as of October 1, 2006 (the “Financing Agreement”) among the University, the Finance and Administration Cabinet of the Commonwealth of Kentucky, and the Kentucky Asset/Liability Commission (“ALCo”), having an initial aggregate principal component of financing payments of approximately \$144,030,000, which may be supplemented in connection with ALCo’s issuance of one or more additional series of Notes (as defined below) to require aggregate principal component of financing payments of approximately \$219,030,000, and (ii) authorizing and directing the application of the funds held in the System Repair and Maintenance Reserve established pursuant to the Trust Indenture, dated as of June 1, 1965, between the University and Farmers Bank and Capital Trust Company (the “Prior Indenture”), to the extent permitted by the Prior Indenture, to the defeasance and redemption of the Prior Issues (as defined below).

The Resolution (i) approves the Financing Agreement which requests that ALCo issue approximately \$144,030,000 of its Project Notes (the “Initial Notes”) for the purpose of financing (a) a portion of the costs associated with the construction of Phase II of the Patient Care Facility-Hospital (the “Phase II Construction Project”) in the amount of up to \$75,000,000 (such portion herein referred to as the “2007 Construction Project”) and (b) the advance refunding of all or a portion of (1) the \$10,620,000 Commonwealth of Kentucky State Property and Buildings Commission Agency Fund Revenue Bonds, Project 70, (2) the \$4,584,000 University of Kentucky Housing and Dining System Revenue Bonds, Series K, (3) the \$4,235,000 University of Kentucky Housing and Dining System Refunding Revenue Bonds, Series M and O (Second Series), (4) the \$4,135,000 University of Kentucky Housing and Dining System Refunding Revenue Bonds, Series N, (5) the \$2,140,000 University of Kentucky Housing and Dining System Revenue Bonds, Series P, (6) the \$6,645,000 University of Kentucky Housing and Dining System Revenue Bonds, Series Q, (7) the \$6,230,000 University

of Kentucky Housing and Dining System Refunding Revenue Bonds, Series P and Q (Second Series), (8) the \$10,450,000 University of Kentucky Housing and Dining System Revenue Bonds, Series R, and (9) the \$52,815,000 University of Kentucky Housing and Dining System Revenue Bonds, Series S (collectively, the “Prior Issues”; the advance refunding of the Prior Issues is hereinafter referred to as the “Refunding Project”, and together with the 2007 Construction Project, the “Project”) and (ii) issue, upon the written request of the Treasurer of the University, one or more series of additional Project Notes (such additional Project Notes herein referred to as the “Subsequent Notes”, and together with the Initial Notes as the “Notes), in an amount not to exceed the difference between \$150,000,000 and the amount of the 2007 Construction Project, the proceeds of which would be used to complete the Phase II Construction Project.

The exact principal amount of Notes to be issued will be determined as the amount required to (i) pay the budgeted costs of the Phase II Construction Project (\$150,000,000), (ii) finance the Refunding Project (iii) capitalize interest during construction of the Phase II Construction Project, and (iv) pay the costs of issuing the Notes.

Background: That the Board previously adopted a Resolution approving a Trust Agreement dated as of November 1, 2005 (the “Trust Agreement”) authorizing the issuance, from time to time, of Obligations (as defined in the Trust Agreement). Obligations include Financing Agreements with ALCo. Payments under the Financing Agreement will be secured by a pledge of the General Receipts (as defined in the Trust Agreement) of the University. The University has previously issued and has Obligations outstanding under the Trust Agreement.

Action taken: Approved Disapproved Other _____