

NEW ISSUE

**RATINGS: Moody's: "Aa2"
S&P: "AA-"
(See "Ratings" herein)**

Book-Entry-Only

In the opinion of Bond Counsel for the Series 2010 Bonds, interest on the Series 2010 Bonds is exempt from Kentucky income tax and the Series 2010 Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions. HOWEVER, INTEREST ON THE SERIES 2010 BONDS IS NOT EXCLUDIBLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. See "TAX MATTERS" herein.



**OFFICIAL STATEMENT RELATING TO
UNIVERSITY OF KENTUCKY**

**\$12,370,000
GENERAL RECEIPTS BONDS,
TAXABLE BUILD AMERICA BONDS, 2010 SERIES A
and
\$12,955,000
GENERAL RECEIPTS BONDS,
TAXABLE QUALIFIED ENERGY CONSERVATION BONDS, 2010 SERIES B**

Dated: Date of delivery

Due: October 1, as shown on the inside cover

The captioned 2010 Taxable Series A Bonds and 2010 Taxable Series B Bonds (collectively, the "Series 2010 Bonds") will be issued only as fully registered bonds, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2010 Bonds. Purchasers will not receive certificates representing their ownership interest in the Series 2010 Bonds purchased. So long as DTC or its nominee is the registered owner of the Series 2010 Bonds, payments of the principal of and interest due on the Bonds will be made directly to DTC. The Series 2010 Bonds bear interest from their dated date, payable semiannually, on April 1 and October 1, commencing April 1, 2011. Principal of, premium, if any, and interest on the Series 2010 Bonds will be paid directly to DTC by U.S. Bank National Association, having offices in Louisville, Kentucky, as Trustee and Paying Agent.

AMOUNTS, MATURITIES, INTEREST RATES, PRICES OR YIELDS AND CUSIPS ON INSIDE COVER

The Series 2010 Bonds are subject to optional and mandatory redemption prior to their stated maturities as described herein.

The Series 2010 Bonds constitute special obligations of the University of Kentucky and do not constitute a debt, liability or obligation of the Commonwealth of Kentucky nor a pledge of the full faith and credit of the Commonwealth. The Series 2010 Bonds constitute Obligations under the Trust Agreement dated as of November 1, 2005 between the University and the Trustee, and the payment of the principal of, premium, if any, and interest on Series 2010 Bonds is secured by a pledge of the University's General Receipts, as defined in the Trust Agreement. See "SECURITY FOR THE SERIES 2010 BONDS."

The Series 2010 Bonds are issued subject to the approval of legality by Peck, Shaffer & Williams LLP, Covington, Kentucky, Bond Counsel. Delivery of the Series 2010 Bonds is expected on November 19, 2010 in New York, New York, through the facilities of DTC.

STIFEL NICOLAUS & COMPANY, INC.
(2010 Taxable Series A Bonds)

MORGAN KEEGAN & CO., INC.
(2010 Taxable Series B Bonds)

Dated October 28, 2010

\$12,370,000
GENERAL RECEIPTS BONDS,
TAXABLE BUILD AMERICA BONDS, 2010 SERIES A

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u> ¹
October 1, 2011	\$ 350,000	0.500%	0.500%	914378CW2
October 1, 2012	840,000	0.900	0.850	914378CX0
October 1, 2013	845,000	1.100	1.050	914378CY8
October 1, 2014	855,000	1.500	1.400	914378CZ5
October 1, 2015	865,000	2.000	1.850	914378DA9
October 1, 2016	875,000	2.500	2.300	914378DB7
October 1, 2017	890,000	2.900	2.750	914378DC5
October 1, 2018	910,000	3.250	3.000	914378DD3
October 1, 2019	930,000	3.500	3.300	914378DE1
October 1, 2020	950,000	3.750	3.700	914378DF8
October 1, 2021	975,000	4.000	4.000	914378DG6
October 1, 2022	1,000,000	4.250	4.100	914378DH4
October 1, 2023	1,030,000	4.500	4.250	914378DJ0
October 1, 2024	1,055,000	4.500	4.400	914378DK7

\$12,955,000
GENERAL RECEIPTS BONDS,
TAXABLE QUALIFIED ENERGY CONSERVATION BONDS, 2010 SERIES B

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP</u> ¹
October 1, 2024	\$12,955,000	4.700%	100.000%	914378CV4

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THE UNIVERSITY OF KENTUCKY

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C. Frank Shoop, Member
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Barbara Young, Member

TRUSTEE AND PAYING AGENT

U.S. Bank National Association
Louisville, Kentucky

BOND COUNSEL

Peck, Shaffer & Williams LLP
Covington, Kentucky

FINANCIAL ADVISOR

J.J.B. Hilliard, W.L. Lyons, LLC
Louisville, Kentucky

REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Series 2010 Bonds of the University of Kentucky identified on the cover page hereof. No person has been authorized by the University of Kentucky to give any information or to make any representation other than that contained in this Official Statement, and if given or made such other information or representation must not be relied upon as having been given or authorized by the University of Kentucky or the Financial Advisor. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Series 2010 Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

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

Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency, except the University of Kentucky, will pass upon the accuracy or adequacy of this Official Statement or approve the Series 2010 Bonds for sale (see "APPROVAL OF ISSUANCE OF BONDS").

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**OFFICIAL STATEMENT RELATING TO
UNIVERSITY OF KENTUCKY**

**\$12,370,000
GENERAL RECEIPTS BONDS,
TAXABLE BUILD AMERICA BONDS, 2010 SERIES A**

and

**\$12,955,000
GENERAL RECEIPTS BONDS,
TAXABLE QUALIFIED ENERGY CONSERVATION BONDS, 2010 SERIES B**

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page and the Appendices appended hereto, is being distributed by the University of Kentucky (the "University") to furnish pertinent information to all who may become owners of its General Receipts Bonds, Taxable Build America Bonds 2010 Series A (the "2010 Taxable Series A Bonds") and its General Receipts Bonds, Taxable Qualified Energy Conservation Bonds 2010 Series B (the "2010 Taxable Series B Bonds" and together with the 2010 Taxable Series A Bonds, the "Series 2010 Bonds") being offered hereby pursuant to the provisions of Sections 162.340 to 162.380 of the Kentucky Revised Statutes and Sections 58.010 to 58.140 of the Kentucky Revised Statutes, and pursuant to the terms of a Trust Agreement dated as of November 1, 2005 as supplemented by a Fifth Supplemental Trust Agreement dated as of November 1, 2010 (the "Fifth Supplemental Trust Agreement") between the University and U.S. Bank National Association (together, the "Trust Agreement").

The summaries and references to Sections of the Kentucky Revised Statutes and the Trust Agreement, as included in this Official Statement, do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such document. Unless otherwise defined herein, capitalized terms will have the meanings set forth in APPENDIX C.

THE SERIES 2010 BONDS

General

The Series 2010 Bonds will be dated the date set forth on the inside cover page of this Official Statement, will be issued in fully registered form and in denominations of \$5,000 or any integral multiples thereof and will mature as to principal and will bear interest as set forth on the inside cover page. Interest accruing on the Series 2010 Bonds will be payable semiannually on April 1 and October 1 of each year commencing April 1, 2011 to Holders of record on the preceding March 15 and September 15, respectively.

Book-Entry-Only System

The Series 2010 Bonds initially will be issued solely in book-entry form to be held in the book-entry-only system maintained by The Depository Trust Company ("DTC"), New York, New York. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Series 2010 Bonds and, except as otherwise provided herein with respect to tenders by Beneficial Owners of Beneficial Ownership Interests, each as hereinafter defined, Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or Holders of the Series 2010 Bonds under the Resolution and Series Resolution. For additional information about DTC and the book-entry-only system see "APPENDIX E – Book-Entry-Only System."

Redemption Provisions

Optional Redemption. The Series 2010 Bonds stated to mature on or after October 1, 2021 are subject to redemption prior to maturity at the option of the University on or after October 1, 2020 in whole or in part on any date (less than all of a single maturity to be selected by lot in such manner as determined by the Trustee), at the price of par plus accrued interest to the redemption date.

Extraordinary Optional Redemption 2010 Taxable Series A Bonds. The 2010 Taxable Series A Bonds are subject to redemption at the option of the University prior to maturity, in whole or in part on any date, at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, if Section 54AA or 6431 of the Code is modified, amended or interpreted in a manner pursuant to which the University's 35% Credit Payments, hereinafter defined, from the United States Treasury are reduced or eliminated. See "BUILD AMERICA BONDS."

Extraordinary Optional Redemption 2010 Taxable Series B Bonds. The 2010 Taxable Series B Bonds are subject to extraordinary optional redemption by the University prior to maturity, in whole or in part on any date, at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, in the event that the Qualified Energy Conservation Payments (as defined herein) from the federal government cease or are reduced. See "QUALIFIED ENERGY CONSERVATION BONDS."

Extraordinary Mandatory Redemption 2010 Taxable Series B Bonds. The 2010 Taxable Series B Bonds are subject to extraordinary mandatory redemption, in whole or in part at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, if the University fails to expend all of the proceeds of the 2010 Taxable Series B Bonds within the three-year period beginning on the date of delivery of the 2010 Taxable Series B Bonds (or, if an extension of the expenditure period has been received by the University from the Secretary of the Treasury, at the close of the extended period), to the extent necessary, in the opinion of nationally recognized bond counsel rendered at the request of the University or pursuant to a final determination by the Internal Revenue Service or court of competent jurisdiction in the United States, to preserve the federal tax status of the 2010 Taxable Series B Bonds as Qualified Energy Conservation Bonds.

Selection of Bonds for Redemption. The University has directed the Trustee to notify DTC that in the event less than all of any maturity of the applicable series of Series 2010 Bonds are to be redeemed (including mandatory sinking fund redemption), any such redemption shall be on a pro rata basis in a principal amount equal to authorized denominations of \$5,000 or any integral multiple thereof. The University and the Trustee are not making any representation relating to, and do not have any responsibility or obligation with respect to, whether DTC will follow the direction to redeem Series 2010 Bonds on a pro rata basis in the event of a partial redemption as described above. If a Series 2010 Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Series 2010 Bond may be redeemed, but only in a principal amount equal to \$5,000 or any integral multiple thereof, if the Series 2010 Bond is one of the maturities or amounts or part of the maturities or amounts called for redemption. Upon surrender of any Series 2010 Bond for redemption in part, the Trustee and Paying Agent shall (authenticate and) deliver an exchange Series 2010 Bond or Series 2010 Bonds in an aggregate principal amount equal to the unredeemed portion of the Series 2010 Bond so surrendered.

Notice of Redemption. The Trustee and Paying Agent shall give notice of any redemption by sending at least one such notice by United States mail, first class, postage prepaid, not less than 30 and not more than 60 days prior to the date fixed for redemption to the registered owner of each Series 2010 Bond to be redeemed in whole or in part, at the address shown on the bond register as of the date of mailing of such notice. Such notice shall identify (i) by designation, letters, numbers or other distinguishing marks, the Series 2010 Bonds or portions thereof to be redeemed, (ii) the redemption price to be paid, (iii) the date fixed for redemption and (iv) the place or places where the amounts due upon redemption are payable.

Sinking Fund for 2010 Taxable Series B Bonds. In addition to the payments sufficient to pay interest on the 2010 Taxable Series B Bonds in accordance with requirements of the General Trust Indenture, the University will deposit with the Trustee, in a sinking fund account (the "Sinking Fund Account") to be held by the Trustee, the amounts, on the dates set forth below:

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
October 1, 2011	\$450,000.00	October 1, 2017	\$970,000.00
October 1, 2012	970,000.00	October 1, 2018	970,000.00
October 1, 2013	970,000.00	October 1, 2019	970,000.00
October 1, 2014	970,000.00	October 1, 2020	965,000.00
October 1, 2015	970,000.00	October 1, 2021	702,432.81
October 1, 2016	970,000.00		

A sinking fund may be established, provided that the following requirements are satisfied pursuant to Section 54(A)(d)(4)(C) of the Code: (a) such fund is funded at a rate not more rapid than equal annual installments; (b) such fund is funded in a manner reasonably expected to result in an amount not greater than an amount necessary to repay the 2010 Taxable Series B Bonds; and (c) the yield on such fund is not greater than the maximum discount rate as determined by the Secretary of the U.S. Treasury on the sale date of the 2010 Taxable Series B Bonds. The amounts deposited in the Sinking Fund Account are intended to be sufficient, together with investment earnings, to pay the principal of the 2010 Taxable Series B Bonds at maturity and are to be applied by the Trustee for such purpose.

BUILD AMERICA BONDS

As part of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"), Congress added Sections 54AA and 6431 to the Internal Revenue Code of 1986, as amended (the "Code"), which permit states and local governments to issue two types of taxable obligations, referred to as Build America Bonds, or "BABs," with federal subsidies to offset a portion of their interest costs, as an alternative to issuing traditional tax-exempt obligations. Interest on Build America Bonds is includable in gross income for federal income tax purposes. In order to qualify as Build America Bonds, the obligations must comply with certain requirements specified in the Code. If the obligations also comply with certain additional requirements specified in the Code, the Build America Bonds may constitute "Qualified Bonds" under Section 54AA of the Code, in which case an amount equal to 35% of the interest payable on such Qualified Bonds (the "Credit Payments") is payable to the issuer by the U.S. Treasury upon compliance by the issuer with certain procedural requirements provided in the Code and Treasury Regulations. This direct payment to the issuer is in lieu of the tax credits otherwise allowed to owners of Build America Bonds under Section 54AA of the Code.

The University designated the 2010 Taxable Series A Bonds both as Build America Bonds and as Qualified Bonds and intends to apply for Credit Payments pursuant to Section 6431 of the Code. The Credit Payments will be paid to the University only to the extent that the 2010 Taxable Series A Bonds remain Qualified Bonds, which requires the University to comply with certain covenants and to establish certain facts and expectations with respect to the 2010 Taxable Series A Bonds, the use and investment of proceeds thereof and the use of property financed thereby. Also, Credit Payments may be subject to offset against certain amounts that may, for unrelated reasons, be owed by the University to an agency of the United States of America. See also "TAX MATTERS" herein.

QUALIFIED ENERGY CONSERVATION BONDS

The Recovery Act and the Hiring Incentives to Restore Employment Act of 2010 (the "Hire Act") permits the University to obtain certain tax advantages when issuing certain taxable bonds, referred to as "Qualified Energy Conservation Bonds." "Qualified Energy Conservation Bonds" means obligations

permitted by the Recovery Act and the Hire Act of 2010, (a) 100% of the "available project proceeds" of which shall be used for one or more qualified conservation purposes, (b) which are issued by a state or local government, (c) which are irrevocably designated as Qualified Energy Conservation Bonds by the University pursuant to Section 54D(a)(3) of the Code, (d) which meet all other requirements set forth in Sections 54A and 54D of the Code and, if an election is made, Section 6431(f) of the Code (and federal regulations applicable thereto) and IRS Notice 2010-35, and (e) the issue price of the obligation does not have more than a de minimis amount of premium over the stated principal amount, as determined under rules similar to the rules of Section 1273(a)(3) of the Code governing original issue discount. Adjustments to the arbitrage rules of Section 148 of the Code and to the federal guarantee provisions of Section 149 of the Code generally applicable to tax-exempt bonds are made for Qualified Energy Conservation Bonds. "Available project proceeds" is defined under Section 54A of the Code as the excess of the proceeds from the sale of an issue and investment earnings thereon minus the issuance costs financed by the issue, with such issuance costs not allowed to exceed two percent of the sale proceeds of the issue.

Under the Hire Act, an issuer of a Qualified Energy Conservation Bond may elect to receive "Qualified Energy Conservation Payments." "Qualified Energy Conservation Payments" means, with respect to the 2010 Taxable Series B Bonds, a credit payment allowed pursuant to Section 54A of the Code in conjunction with the University's irrevocable election to receive credit payments directly from the U. S. Treasury, as provided in Section 6431 of the Code in lieu of the federal income tax credit that would otherwise be available to holders of Qualified Energy Conservation Bonds. The amount of a Qualified Energy Conservation Payment for Qualified Energy Conservation Bonds is 70% of the lesser of (a) the amount of interest payable on the bond, or (b) the amount of interest that would have been payable under the bond on its interest payment date if the interest was determined at the applicable credit rate determined under Code Section 54A(b)(3) with respect to the bond. The current applicable credit rate under Code Section 54A(b)(3) as of the date of this Official Statement is 5.37%. To receive Qualified Energy Conservation Payments, under the current procedures, the University will have to file a tax form between 45 and 90 days before the corresponding Series 2010 Bond interest payment date. The University should expect to receive the Qualified Energy Conservation Payment contemporaneously with the applicable interest payment date. Depending on the timing of the filing, the Qualified Energy Conservation Payment may be received before or after the corresponding interest payment date.

The University will irrevocably designate the 2010 Taxable Series B Bonds as Qualified Energy Conservation Bonds on or before the date of the 2010 Taxable Series B Bonds are issued. The University also will irrevocably elect, on or before the date the 2010 Taxable Series B Bonds are issued, to receive Qualified Energy Conservation Payments under Section 6431(f) of the Code in lieu of providing the holders of 2010 Taxable Series B Bonds with a tax credit with respect to the 2010 Taxable Series B Bonds. Any Qualified Energy Conservation Payments related to the 2010 Taxable Series B Bonds will be payable to the University. The holders of the 2010 Taxable Series B Bonds will not be entitled to a tax credit. The Qualified Energy Conservation Payments will be paid to the University only to the extent that the 2010 Taxable Series B Bonds remain Qualified Energy Conservation Bonds, which requires the University to comply with certain covenants and to establish certain facts and expectations with respect to the 2010 Taxable Series B Bonds, the use and investment of proceeds thereof and the use of property financed thereby. Also, Qualified Energy Conservation Payments may be subject to offset against certain amounts that may, for unrelated reasons, be owed by the University to an agency of the United States of America. See also "TAX MATTERS" herein.

SECURITY FOR THE SERIES 2010 BONDS

Pledge of General Receipts

Each Series 2010 Bond is an "Obligation" under the Trust Agreement and the University has pledged its General Receipts and, under the terms of the Fifth Supplemental Trust Agreement, the Credit Payments, as security for its payment obligations thereunder.

"General Receipts" means, as reported in the Financial Statements (having the designations, to the extent not otherwise defined in the Trust Agreement, set forth in the Financial Statements or such successor designations that may hereafter be used in Financial Statements):

(a) certain operating and non-operating revenues of the University, being (i) Student Registration Fees, (ii) nongovernmental grants and contracts, (iii) recoveries of facilities and administrative costs, (iv) sales and services, (v) Hospital Revenues, (vi) Housing and Dining Revenues, (vii) auxiliary enterprises – other auxiliaries, (viii) other operating revenues, (ix) state appropriations (for general operations), (x) gifts and grants, (xi) investment income, (xii) other nonoperating revenues and (xiii) other;

(b) but excluding (i) any receipts described in clause (a) which are contracts, grants, gifts, donations or pledges and receipts therefrom which, under restrictions imposed in such contracts, grants, gifts, donations or pledges, or, which as a condition of the receipt thereof or of amounts payable thereunder are not available for payment of Debt Service Charges, (ii) federal grants and contracts, (iii) state and local grants and contracts, (iv) federal appropriations, (v) county appropriations, (vi) professional clinical service fees, (vii) auxiliary enterprises – athletics; (viii) capital appropriations, (ix) capital grants and gifts, and (x) additions to permanent endowments, including research challenge trust funds;

provided, however, that General Receipts may

(c) include any other receipts that may be designated as General Receipts from time to time by a resolution of the Board of Trustees of the University (the "Board") delivered to the Trustee; and

(d) exclude any receipts not heretofore pledged, which may be designated from time to time by a resolution of the Board delivered to the Trustee;

(e) exclude any receipts heretofore pledged, which may be designated from time to time by a resolution of the Board delivered to the Trustee and each Rating Service then rating any Obligations, but only if each such Rating Service confirms in writing to the University that the exclusion of any such receipt would not cause a reduction or withdrawal of the then current rating on any Outstanding Obligations.

The University has outstanding, certain Consolidated Educational Buildings Revenue Bonds (the "Building Bonds"), to which General Receipts described in (a)(i) above are pledged on a priority basis to the pledge of those General Receipts under the Trust Agreement. The University has covenanted not to issue any additional Building Bonds. The prior pledge of those General Receipts securing Building Bonds will terminate when there are no Building Bonds outstanding. See "APPENDIX A" for information regarding outstanding Building Bonds. Also see "APPENDIX A" for information regarding Obligations outstanding under the Trust Agreement.

State Intercept

If the University fails to make timely payment of any Series 2010 Bond, the Secretary of the Finance and Administration Cabinet of the Commonwealth of Kentucky (the "Cabinet") is obligated, pursuant to KRS 164A.608, to apply to such payment, any funds that have been appropriated to the University that have not yet been disbursed. Payments due on the Series 2010 Bonds are required to be deposited with the Trustee at least ten days prior to their due date. If the amount required to pay debt service is not on deposit by that date, the Trustee is obligated under the Trust Agreement to immediately notify the Secretary of the Cabinet of the default in payment. Under KRS 164A.608, the Secretary of the Cabinet is required, within five days of the default, to remit the amount required to pay the amount due on any Series 2010 Bond to the Trustee from those undisbursed funds.

Budgetary Process in the Commonwealth

The General Assembly is required by the Kentucky Constitution to adopt measures providing for the Commonwealth's revenues and appropriations for each fiscal year. The Governor is required by law to submit a biennial State Budget (the "State Budget") to the General Assembly during the legislative session held in each even numbered year. State Budgets have generally been adopted by the General Assembly during those legislative sessions, which end in mid-April, to be effective upon the Governor's signature for appropriations commencing for a two-year period beginning the following July 1.

Although the University is required to submit its budgets to the General Assembly for approval as a part of the State Budget, the pledge of General Receipts by the University described herein is not subject to appropriation.

Additional Obligations

The University has reserved the right to issue additional Obligations secured by a pledge of General Receipts. See "THE UNIVERSITY – Future Debt" and "APPENDIX C" – SUMMARY OF THE TRUST AGREEMENT."

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SOURCES AND USES OF FUNDS

The sources and uses of funds in connection with the issuance of the Series 2010 Bonds are as follows:

	<u>Series A</u>	<u>Series B</u>
<u>Sources of Funds</u>		
Principal Amount of Bonds	\$12,370,000.00	\$12,955,000.00
Original Issue Premium	<u>103,670.00</u>	<u>-0-</u>
Total Sources of Funds	\$12,473,670.00	\$12,955,000.00
<u>Uses of Funds</u>		
Deposit to Project Fund	\$12,263,228.40	\$12,736,771.60
Deposit to Cost of Issuance Account	56,348.63	58,881.90
Underwriter's Discount	<u>154,092.97</u>	<u>159,346.50</u>
Total Uses of Funds	\$12,473,670.00	\$12,955,000.00

THE SERIES 2010 PROJECT

The University is entering into a \$25 million campus energy conservation project as authorized in H.B. 1 of the General Assembly of the Commonwealth of Kentucky, 2010 Extraordinary Session as payable from "agency funds" and identified as "Guaranteed Energy Savings Performance Contracts." The Project consists of multiple energy conservation measures within 61 educational and general buildings on the main campus. The Project is expected to produce annual utility cost savings of over \$2,430,000. The annual savings come from a reduction in costs associated with purchasing and/or producing electric, water, sewer, natural gas and central steam and chilled water. In addition, the Project will include a sophisticated behavior modification program aimed at educating faculty, staff and students on ways they can assist in reducing our institutional energy demands. The project is being conducted under contract to the University by an energy management company that has guaranteed the annual savings to the University under detailed terms of the contract.

From an environmental standpoint the Project will, in green house gas reduction terms, be equal to eliminating 5,251 homes, or planting 62,257 acres of trees or equal to removing a total of 45,755 automobiles from the road. The money saving Project is therefore a key initiative of the overall University's sustainability effort.

THE TRUST AGREEMENT

The terms and provisions of the Trust Agreement control both outstanding Obligations and all Obligations that may be issued pursuant to the Trust Agreement, including the Series 2010 Bonds. Please see APPENDIX C – "SUMMARY OF THE TRUST AGREEMENT."

THE UNIVERSITY

General

Mission. The University of Kentucky is a public, land grant university dedicated to improving people's lives through excellence in education, research and creative work, service and health care. As Kentucky's flagship institution, the University plays a critical leadership role by promoting diversity, inclusion, economic development and human well-being.

Vision. The University of Kentucky will be one of the nation's 20 best public research universities.

Values. The University of Kentucky is guided by its core values:

- Integrity
- Excellence
- Mutual respect and human dignity
- Diversity and inclusion
- Academic freedom
- Shared governance
- Work-life sensitivity
- Civic engagement
- Social responsibility

Background. Under provisions of the federal Morrill Land-Grant Colleges Act (1862), Kentucky State Agricultural and Mechanical College was established in 1865 as part of Kentucky University (now Transylvania University). The College separated from Kentucky University in 1878 and was established on a 52 acre site (the University's current location) donated by the city of Lexington. In 1908 the College was re-named the State University, Lexington, Kentucky. In 1916 it became the University of Kentucky.

According to the Kentucky Revised Statutes (KRS) 164.125(2):

In carrying out its statewide mission, the University of Kentucky shall conduct statewide research and provide statewide services, including, but not limited to, agricultural research and extension services, industrial and scientific research, industrial technology extension services to Kentucky employers and research related to the doctoral, professional and postdoctoral programs offered within the University. The University may establish and operate centers and utilize state appropriations and other resources to carry out the necessary research and service activities throughout the state. The University may enter into joint research and service activities with other universities in order to accomplish its statewide mission.

In 1997, the Kentucky General Assembly reformed the state's public system of colleges and universities. According to the Kentucky Postsecondary Education Improvement Act of 1997:

The University of Kentucky is mandated to become a major comprehensive research institution ranked nationally in the top twenty public universities by 2020.

At its December 2005 meeting, the UK Board of Trustees approved the Top 20 Business Plan. The Business Plan is the framework for UK's funding and capital requests to the Kentucky General Assembly as it constructs the biennial Budget of the Commonwealth. The Provost led a review and update of the Business Plan measures in 2009. The Business Plan continues to focus the University community's attention on goals in nine areas across four domains:

- Undergraduate Education
 - o ACT/SAT Score
 - o Student to Faculty Ratio
 - o Graduation Rate
- Graduate Education
 - o Masters Degrees Awarded
 - o Research and Professional Doctorates Awarded
- Faculty
 - o Publications
 - o Citations

- Research
 - o Federal
 - o Non-Federal

The University's Strategic Plan for 2009-2014 was adopted by the UK Board of Trustees at its June 2009 meeting. The Strategic Plan is designed to implement the Business Plan by establishing specific goals for teaching, research and service at the department, college and university level. The Strategic Plan established five goals:

- Prepare Students for Leading Roles in an Innovation-driven Economy and Global Society
- Promote Research and Creative Work to Increase the Intellectual, Social, and Economic Capital of Kentucky and the World Beyond Its Borders
- Develop the Human and Physical Resources of the University to Achieve the Institution's Top 20 Goals
- Promote Diversity and Inclusion
- Improve the Quality of Life of Kentuckians through Engagement, Outreach and Service

The University of Kentucky is identified as a "Doctoral/Research University-Extensive" institution by the Carnegie Commission on Higher Education. There are 151 such institutions in the United States (out of approximately 3,600 colleges and universities).

The University is accredited by the Commission on Colleges (CoC) of the Southern Association of Colleges and Schools (SACS). This has been re-affirmed at approximately 10-year intervals since 1915, with the next accreditation review scheduled for 2012. In addition, several degree programs and individual units are accredited by agencies appropriate to specific professions or fields.

Students. In Fall 2009, the University of Kentucky had 27,171 undergraduate, graduate, and professional students. They represent all 120 Kentucky counties, every state in the U.S. and over 100 countries. Enrollment has increased over 3,300 students (14 percent) in 10 years.

Programs. The University offers over 200 majors and degree programs in 17 academic and professional colleges. UK is one of only seven public universities nationally to house colleges of Agriculture, Engineering, Medicine and Pharmacy on a single campus.

Research. Total research expenditures in science and engineering fields, as reported to the National Science Foundation (NSF), totaled \$368.0 million for fiscal year 2008-09, compared to \$337.0 million in 2007-08. Research productivity has increased \$166.0 million (82 percent) since 2000.

Outreach. As Kentucky's flagship, land-grant university, UK engages citizens and communities across the state in a myriad of ways, including extension offices in all 120 Kentucky counties; continuing education opportunities for teachers, lawyers and health care providers; clinics providing legal, pharmaceutical and health care assistance; and a multitude of research efforts aimed at Kentucky's most difficult problems in economic development, health care, infrastructure and education.

Medical Centers. UK HealthCare operates two hospitals – Chandler and Good Samaritan – and is considered one of the finest academic medical centers in the U.S. The hospitals have a combined 643 available beds and have an average daily occupancy of 522.85 beds. On a monthly basis, the hospitals provide over: 1,000 inpatient surgeries, 1,000 outpatient surgeries, 26,000 radiology procedures, 26,600 outpatient services and 45,800 outpatient clinic visits at the hospitals and at clinics throughout the state.

In spring 2007, ground was broken for a new \$532.3 million Patient Care Facility. This more than one million square foot facility, to be completed in 2011, is the cornerstone of a 20-year, \$2.50 billion plan to construct the Commonwealth Medical Campus of the Future. Among the campus' components are a recently completed \$133.0 million Biological-Pharmacy Research Building and future plans for

additional research buildings, a new shared Health Sciences Learning Center and additional buildings to house programs for the colleges of Medicine, Nursing, Health Sciences, Dentistry and Public Health.

Libraries. UK operates a nationally recognized research library system, with the capstone being the world-class William T. Young Library. UK's book endowment is the largest among public universities. Its library network and technology provide extraordinary service to students in the colleges of Medicine, Law, Engineering, Fine Arts and other programs. Meanwhile, students, faculty and Kentucky residents can use UK Libraries' advanced technology to access the most up-to-date information from online journals, government publications and private studies.

Governing Board

The governing body of the University is the Board consisting of twenty members, sixteen appointed by the Governor of the Commonwealth of Kentucky; two faculty members elected by the faculty; one student member, who is the President of the student body, or if he or she is not a full-time student who maintains permanent residence in the Commonwealth, a full-time student who does maintain permanent residency in the Commonwealth elected by the student body; and one member of the University staff. Pursuant to Section 164.160 of the Kentucky Revised Statutes, the Board is a body corporate with the powers usually vested in corporations and, as such, subject to the statutes of the Commonwealth, has control and management of the University, together with the properties and funds thereof.

Administrative Officers

The President of the University is Dr. Lee T. Todd, Jr.; the Provost is Kumble R. Subbaswamy; the Executive Vice President for Finance and Administration is Frank Butler; and the Executive Vice President for Health Affairs is Dr. Michael Karpf. Dr. Todd has announced his intention to retire from his position as President effective June 30, 2011 and a search for a new President has begun.

Future Debt

The State may authorize other projects at the University to be directly funded from proceeds of Obligations, including Agency Fund Revenue Bonds issued by the State Property and Buildings Commission or the Kentucky Asset/Liability Commission. The current State Budget authorizes bonds to be issued for the following projects:

Construct Second New Housing	\$30,000,000
Upgrade Student Center Infrastructure	17,805,000
Renovate Dentistry Clinic in Kentucky Clinic	7,615,000
Relocate and Expand Dentistry Faculty Practice	3,375,000
Construct Data Center	40,000,000
Purchase Pollution Controls	22,600,000
Construct Building Elevator Systems	5,000,000

In addition, Obligations to refund outstanding bonds, notes and Obligations may be issued to achieve debt service savings.

Payment of the debt service on the above authorized bonds would be the obligation of the University.

TAX MATTERS

General

In the opinion of Bond Counsel for the Series 2010 Bonds, interest on the Series 2010 Bonds is exempt from Kentucky income tax and the Series 2010 Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions under the laws of the Commonwealth of Kentucky as presently enacted and construed. HOWEVER, INTEREST ON THE SERIES 2010 BONDS IS NOT EXCLUDIBLE FROM GROSS INCOME OF THE HOLDERS OF THE SERIES 2010 BONDS FOR FEDERAL INCOME TAX PURPOSES. OWNERS OF THE SERIES 2010 BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS AS TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE SERIES 2010 BONDS.

A copy of the opinion of Bond Counsel for the Series 2010 Bonds is set forth in APPENDIX D, attached hereto.

Original Issue Discount and Premium

Certain of the Series 2010 Bonds (the "Discount Series 2010 Bonds") may be offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of such Series 2010 Bonds, provided that excess equals or exceeds a statutory de minimis amount (one-quarter of one percent of the Series 2010 Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity). The issue price of a Discount Series 2010 Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Series 2010 Bonds of the same maturity are sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Series 2010 Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the time a U.S. owner owns a Discount Series 2010 Bond (i) constitutes interest includible in the U.S. owner's gross income for federal income tax purposes and (ii) is added to the U.S. owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale, or other disposition of the Discount Series 2010 Bond. The effect of OID is to accelerate the recognition of taxable income during the term of the Discount Series 2010 Bond.

Certain of the Series 2010 Bonds (the "Premium Series 2010 Bonds") may be offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. If a U.S. owner purchases a Premium Series 2010 Bond, that owner will be considered to have purchased such a Premium Series 2010 Bond with "amortizable bond premium" equal in amount to such excess. The U.S. owner may elect, in accordance with the applicable provisions of Section 171 of the Code, to amortize that premium as an offset to the interest payments on the Premium Series 2010 Bond using a constant yield to maturity method over the remaining term of the Premium Series 2010 Bond (or, if required by applicable Treasury Regulations, to an earlier call date). Pursuant to Section 67(b)(11) of the Code, the amortization of that premium is not considered a miscellaneous itemized deduction. Any amortization of bond premium will reduce the basis of the Premium Series 2010 Bond pursuant to Section 1016(a)(5) of the Code.

Owners of Discount or Premium Series 2010 Bonds (or book entry interests in them) should consult their own tax advisers as to the determination for federal tax purposes of the amount of OID or amortizable bond premium properly accruable in any period with respect to the Discount or Premium Series 2010 Bonds and as to other federal tax consequences and the treatment of OID and amortizable bond premium for purposes of state or local taxes on (or based on) income.

Backup Withholding

General information reporting requirements will apply to payments of principal and interest made on a Series 2010 Bond and the proceeds of the sale of a Series 2010 Bond to non-corporate holders of the Series 2010 Bonds, and "backup withholding" at the applicable rate will apply to such payments if the owner fails to provide an accurate taxpayer identification number in the manner required or fails to report all interest required to be shown on its federal income tax returns. A beneficial owner of a Series 2010 Bond that is a U.S. owner can obtain complete exemption from backup withholding by providing a properly completed IRS Form W-9 (Request for Taxpayer Identification Number and Certification).

Nonresident Owners

Under the Code, interest and OID on any Series 2010 Bond whose beneficial owner is a nonresident alien, foreign corporation or other non-United States person (Nonresident) are generally not subject to United States income tax or withholding tax (including backup withholding) if the Nonresident provides the payor of interest on the Series 2010 Bonds with an appropriate statement as to its status as a Nonresident. This statement can be made on IRS Form W-8BEN or a successor form. If, however, the Nonresident conducts a trade or business in the United States and the interest or OID on the Series 2010 Bonds held by the Nonresident is effectively connected with such trade or business, that interest or OID will be subject to United States income tax but will generally not be subject to United States withholding tax (including backup withholding).

Circular 230

THE FOREGOING DISCUSSION OF TAX MATTERS WAS NOT INTENDED OR WRITTEN BY BOND COUNSEL TO BE USED, AND IT CANNOT BE USED, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON AN OWNER OF THE SERIES 2010 BONDS. THE FOREGOING DISCUSSION OF TAX MATTERS WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE SERIES 2010 BONDS. EACH PROSPECTIVE OWNER OF THE SERIES 2010 BONDS SHOULD SEEK ADVICE BASED ON THE PROSPECTIVE OWNER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

CONTINUING DISCLOSURE

In accordance with Securities and Exchange Commission Rule 15c2-12 (the "Rule"), the University (the "Obligated Person") will agree, pursuant to a Continuing Disclosure Agreement to be dated the first day of the month in which the Series 2010 Bonds are sold (the "Disclosure Agreement"), to be delivered on the date of delivery of the Series 2010 Bonds, to cause the following information to be provided:

(a) to the Municipal Securities Rulemaking Board (the "MSRB"), certain annual financial information and operating data, including audited financial statements prepared in accordance with generally accepted accounting principles, generally consistent with the information contained in Appendices A and B; such information shall be provided on or before 270 days following the fiscal year ending on the preceding June 30, commencing with the fiscal year ending June 30, 2010;

(b) to the MSRB, notice of the occurrence of certain events, if material, with respect to the Series 2010 Bonds, which events are as follows;

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;

- (6) Adverse tax opinions or events affecting the tax-exempt status of security;
- (7) Modifications to rights of security holders;
- (8) Bond calls, except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of the event;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the securities;
- (11) Rating changes;
- (12) The cure, in the manner provided under the Resolutions, of any payment or nonpayment related default under the Resolutions; and
- (13) The issuance of any indebtedness on a parity with the Bonds; and

(c) to the MSRB, notice of a failure (of which the Obligated Persons have knowledge) of an Obligated Person to provide the required Annual Financial Information on or before the date specified in the Disclosure Agreement.

The Disclosure Agreement provides a Holder of the Series 2010 Bonds, including Beneficial Owners of the Series 2010 Bonds, with certain enforcement rights in the event of a failure by the University to comply with the terms thereof; however, default under the Disclosure Agreement does not constitute an event of default under the Resolutions. The Disclosure Agreement may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein. Holders of the Series 2010 Bonds are advised that the Disclosure Agreement, the form of which is obtainable from the Financial Advisor, should be read in its entirety for more complete information regarding its contents.

The University has complied with its continuing disclosure requirements as of the date of this Official Statement.

Financial information regarding the University may be obtained from the Treasurer, University of Kentucky, 107C Main Building 0032, Lexington, Kentucky 40506-1841.

PENDING LITIGATION

There is no controversy or litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Series 2010 Bonds, or in any way contesting or affecting the validity of the Series 2010 Bonds or any proceedings of the University taken with respect to the issuance of sale thereof, or the pledge or application of any moneys or security provided for the payment of the Series 2010 Bonds or the due existence or powers of the University.

APPROVAL OF LEGALITY

Legal matters incident to the authorization, issuance, sale and delivery of the Series 2010 Bonds are subject to the approval of Peck, Shaffer & Williams LLP, Covington, Kentucky, Bond Counsel to the University. The approving legal opinion of Bond Counsel will be printed on the Series 2010 Bonds and will contain a statement of state and local tax exemption as represented herein. Bond Counsel has reviewed the information herein pertaining to the Series 2010 Bonds under the headings "THE SERIES 2010 BONDS," "SECURITY FOR THE SERIES 2010 BONDS," "THE TRUST AGREEMENT," "TAX MATTERS," APPENDIX C, APPENDIX D and APPENDIX F, and is of the opinion that such information is a fair summary of the principal provisions of the instruments and information therein described. Said firm has not otherwise participated in the preparation of the Official Statement or the Appendices attached hereto and has not verified the accuracy or completeness of the information contained under any heading other than those stated above, nor of any financial information, enrollment numbers, projections, or computations relating thereto, and therefore, can make no representation with

respect to such information. A certification as to the matters set forth under "PENDING LITIGATION" will be delivered by the University with the Series 2010 Bonds.

FINANCIAL ADVISOR

J.J.B. Hilliard, W.L. Lyons, LLC, Louisville, Kentucky, has acted as Financial Advisor to the University in connection with the issuance of the Series 2010 Bonds and will receive a fee, payable from Bond proceeds, for its services as Financial Advisor.

APPROVAL OF ISSUANCE OF BONDS

Pursuant to Chapter 42 of the Kentucky Revised Statutes, issuance of the Series 2010 Bonds must be approved by the Cabinet's Office of Financial Management.

FINANCIAL STATEMENTS

The financial statements of the University as of and for the year ended June 30, 2010, included in this Official Statement in APPENDIX B, have been audited by BKD LLP, independent auditors, as stated in their report appearing herein.

CERTIFICATE CONCERNING OFFICIAL STATEMENT

Concurrently with the delivery of the Series 2010 Bonds, the Treasurer will certify that, to the best of his knowledge, the Official Statement did not as of the date of delivery of the Series 2010 Bonds, contain any untrue statements of a material fact or omit to state a material fact which should be included therein for the purpose for which the Official Statement is to be used, or which is necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading in any material respect.

COMPLETENESS OF OFFICIAL STATEMENT

The Board has approved and caused this Official Statement to be executed and delivered by its Chairman. This Official Statement is deemed final by the Board for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1) as of the date hereof.

The financial information supplied by the Board and reported in APPENDIX A and APPENDIX B herein is represented by the Board to be correct. With respect to APPENDIX A, accounts required by Federal and State laws, rules and regulations to be audited annually by independent certified public accountants have been so audited and the financial information extracted from the annual audits and presented herein is incomplete to the degree that accounts not required to be so audited have not been included in the annual audits contained in APPENDIX B.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("S&P") have assigned the Series 2010 Bonds the respective ratings of "Aa2" and "AA-", respectively. Each rating reflects only the views of the respective Rating Agency. Explanations of the significance of the ratings may be obtained from each Rating Agency as follows: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, (212) 583-0300; and Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies, 55 Water Street, New York, New York 10041 (212) 438 2124.

A rating is not a recommendation to buy, sell or hold the Series 2010 Bonds. There is no assurance that such ratings will continue for any given period of time or that they may not be lowered or

withdrawn entirely. Any such downward change in or withdrawal of such ratings could have an adverse effect on the market price of the Series 2010 Bonds.

UNDERWRITING

The 2010 Taxable Series A Bonds are to be purchased by Stifel Nicolaus & Company, Inc. (the "Series A Underwriter"). The Series A Underwriter has agreed, subject to certain conditions, to purchase the 2010 Taxable Series A Bonds at an aggregate purchase price of \$12,319,577.03 (which is equal to the principal amount of the 2010 Taxable Series A Bonds, plus original issue premium of \$103,670.00, less underwriting discount of \$154,092.97). The Series A Underwriter will be obligated to purchase all of the 2010 Taxable Series A Bonds if any are purchased. The Series A Underwriter has advised the University that it intends to make a public offering of the 2010 Taxable Series A Bonds at the initial public offering yields set forth on the inside cover page hereof, provided, however, that the Series A Underwriter has reserved the right to make concessions to dealers and to change such initial public offering prices as the Series A Underwriter shall deem necessary in connection with the marketing of the 2010 Taxable Series A Bonds.

The 2010 Taxable Series B Bonds are to be purchased by Morgan Keegan & Co., Inc. (the "Series B Underwriter"). The Series B Underwriter has agreed, subject to certain conditions, to purchase the 2010 Taxable Series B Bonds at an aggregate purchase price of \$12,795,653.50 (which is equal to the principal amount of the 2010 Taxable Series B Bonds, less underwriting discount of \$159,346.50). The Series B Underwriter will be obligated to purchase all of the 2010 Taxable Series B Bonds if any are purchased. The Series B Underwriter has advised the University that it intends to make a public offering of the 2010 Taxable Series B Bonds at the initial public offering yields set forth on the inside cover page hereof, provided, however, that the Series B Underwriter has reserved the right to make concessions to dealers and to change such initial public offering prices as the Series B Underwriter shall deem necessary in connection with the marketing of the 2010 Taxable Series B Bonds.

MISCELLANEOUS

All quotations from, and summaries and explanations of, the Kentucky Revised Statutes, the Resolution and the Series Resolution, contained herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. The Appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Resolution or the Series Resolution may be obtained from J.J.B. Hilliard, W.L. Lyons, LLC, 500 West Jefferson Street, Louisville, Kentucky 40202, Attention Ms. Tammey Bibb (502) 588-1124.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. Except when otherwise indicated, the information set forth herein has been obtained from the University and has not been verified as to accuracy or completeness by, and is not to be construed as a representation of, the Financial Advisor or Bond Counsel. This Official Statement is not to be construed as a contract or agreement between the University and the purchasers or owners of any of the Series 2010 Bonds.

UNIVERSITY OF KENTUCKY

By: /s/ Edward Britt Brockman
Chairman, Board of Trustees

Attest:

UNIVERSITY OF KENTUCKY

By: /s/ Barbara W. Jones
Assistant Secretary

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APPENDIX A

INFORMATION PERTAINING TO THE UNIVERSITY OF KENTUCKY

GENERAL

This APPENDIX A contains certain financial and operating information regarding the University. Reference is made to APPENDIX B for additional financial and operating information.

NOTE: Effective July 1, 2004, the Board of Trustees, pursuant to the direction of the Kentucky General Assembly, delegated to the Board of Regents of the Kentucky Community and Technical College System (KCTCS) the management of Lexington Community College. Therefore, in general, statistical information in this Official Statement does not include Lexington Community College for the fiscal years after 2003-04.

FISCAL YEAR 2011 BUDGET

The Fiscal Year 2011 budget for the University is \$2,469,115,200, an increase of \$38,472,600 from the final Fiscal Year 2010 budget.

OPERATIONS

Summary of Revenues, Expenses and Changes in Net Assets

The following is a summary of the University's revenues, expenses and changes in net assets for the most recent three Fiscal Year periods available:

	Fiscal Year (Dollars in Thousands)		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Operating revenue	\$1,563,013	\$1,612,067	\$1,742,592
Operating expenses	1,912,879	2,022,293	2,114,979
Operating loss	(349,866)	(410,226)	(372,387)
Non-operating revenue, including state appropriations	368,799	326,722	549,284
Increase in net assets	\$18,933	\$(83,504)	\$176,896

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Enrollment

The following schedule indicates the Fall Semester head count and full-time equivalent enrollment at the University for each of the academic years 2001-02 through 2010-11. The full-time enrollment calculation is made in accordance with the method used by the United States Department of Education. Note: Data from prior years has been slightly revised to conform with IPEDS.

Academic Year ¹	Community College ¹		Main Campus		Total	
	Head Count ³	Full-Time Equivalent ^{2,3}	Head Count	Full-Time Equivalent ²	Head Count	Full-Time Equivalent ²
2001-02	7,793	5,878	23,901	21,100	31,694	26,978
2002-03	8,270	6,251	24,985	21,872	33,255	28,123
2003-04	8,672	6,517	25,397	22,310	34,069	28,827
2004-05	N/A	N/A	25,686	22,629	25,686	22,629
2005-06	N/A	N/A	25,672	23,881	25,672	23,881
2006-07	N/A	N/A	26,382	23,291	26,382	23,291
2007-08	N/A	N/A	25,902	23,642	25,902	23,642
2008-09	N/A	N/A	26,055	23,936	26,055	23,936
2009-10	N/A	N/A	26,262	24,140	26,262	24,140
2010-11	N/A	N/A	27,070	24,920	27,070	24,920

¹ Enrollment does not include the Community Colleges except for Lexington Community College

² Full-time and part-time enrollment equated to full-time enrollment

³ As of June 30, 2004, Lexington Community College is part of KCTCS

In reviewing enrollment projections, consideration has been given to planning for adequate academic and housing accommodations for future enrollments. The programs will be developed so that academic and housing facilities will not be limiting factors on the enrollment growth projected. The enrollment projection for the University is set forth in the following tabulations:

Academic Year	Main Campus Fall Semester Student Enrollment (Full-Time Equivalent) ¹
2010-2011	24,920
2011-2012	25,100
2012-2013	25,300
2013-2014	25,500
2014-2015	25,700
2015-2016	25,900

¹ Projections based on 2009-2010 data

Approximately 23% of the students enrolled in the University are non-residents of Kentucky and it is anticipated that the percentage of non-resident enrollments will remain at this level in future years.

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Admissions Information – Fall Semester
Undergraduate Admissions

The following is a summary of certain undergraduate admission information for the most recent five years:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Number of Applications	10,024	10,619	11,120	12,195	13,537
Number Approved for Enrollment	8,073	8,172	8,757	8,966	9,275
Number Enrolled	4,190	3,922	4,110	4,145	4,326
Average ACT Scores (First time full-time Freshman)	23.92	24.3	24.4	24.7	25.2

State Appropriations

The following is a summary of the University's General Fund state appropriations for the most recent ten Fiscal Years:

<u>Fiscal Year</u>	<u>Appropriation</u>
2002	\$303,639,000 ¹
2003	304,735,000 ¹
2004	302,539,000 ¹
2005	295,807,600 ²
2006	314,293,600 ²
2007	319,859,300 ²
2008	327,155,100 ²
2009	315,161,856 ²
2010	294,137,000 ^{2,3}
2011	290,664,700 ^{2,3}

¹ Does not include the Community Colleges appropriations except for Lexington Community College debt service appropriation.

² Does not include any Community Colleges appropriations.

³ Includes debt service appropriations of \$4,682,400 in Fiscal Year 2010 and \$1,370,600 in Fiscal Year 2011. Does not include state fiscal stabilization funds under the American Recovery and Reinvestment Act of \$21,066,800 in fiscal year 2010 or \$17,223,600 in fiscal year 2011.

The amount of funds appropriated has been based in part on the debt service on the University's outstanding Consolidated Educational Buildings Revenue Bonds. The amounts set forth above, except for Fiscal Year 2010, are amounts actually received, which, in certain years, have been less than amounts included in the original state budget for that year. The Board presently intends, but is not obligated, to continue to seek to have funds appropriated by the General Assembly to partially support the operations of the University. THE GENERAL ASSEMBLY IS NOT NOW OBLIGATED, NOR WILL THERE BE AN OBLIGATION IN THE FUTURE TO MAKE APPROPRIATIONS TO THE UNIVERSITY. IN ADDITION, THERE CAN BE NO ASSURANCE THAT IN THE PERFORMANCE OF HIS OR HER OBLIGATION TO BALANCE THE STATE BUDGET ANNUALLY, THE GOVERNOR WILL NOT REDUCE OR ELIMINATE ANY APPROPRIATIONS WHICH ARE MADE.

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Grants and Contracts

The following is a summary of the University's grant and contract amounts for the most recent ten Fiscal Years:

<u>Fiscal Year</u>	<u>Amount</u>
2001	\$146,914,931
2002	170,378,424
2003	197,651,327
2004	218,890,770
2005	250,381,051
2006	270,278,010
2007	287,185,815
2008	290,923,063
2009	295,264,530
2010	318,885,833

Student Financial Aid

The following is a summary of the University's student financial aid for the most recent ten Fiscal Years:

<u>Fiscal Year</u>	<u>Amount</u>
2001	\$129,340,356 ¹
2002	139,411,538 ¹
2003	167,461,348 ¹
2004	184,255,947 ¹
2005	171,972,107 ²
2006	172,720,169 ²
2007	167,665,430 ²
2008	203,907,179 ²
2009	231,428,460 ²
2010	261,146,923 ²

¹ Does not include Community Colleges Student Financial Aid except for Lexington Community College.

² Does not include any Community Colleges Student Financial Aid.

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Comparative Report of Student Financial Aid

The following is a comparative summary of the University's student financial aid for the two most recent Fiscal Years:

	<u>Fiscal Year</u>	
	<u>2009</u>	<u>2010</u>
Scholarships & Grants	\$53,694,518	\$56,214,460
Federal Grants:		
Pell	10,543,766	16,687,260
Supplemental Educational Opportunity Grant (SEOG)	868,229	935,039
Academic Competiveness Grant (ACG)	686,872	870,678
Science and Mathematics Access to Retain Talent (SMART)	353,183	553,061
Teacher Education Assistance for College and Higher Education Grant Program (TEACH)	35,000	35,000
College Work Study	866,776	1,041,211
Financial Aid from Outside Agencies:		
State Grants	20,904,917	22,081,431
Agency Scholarships	796,432	550,853
Loans:		
National Direct Student Loans (Perkins)	2,088,303	2,093,540
Federal Direct Loans	105,694,205	123,502,564
Federal Family Education Loans (FFEL)	20,872,608	24,412,700
Health Professions Loans	417,800	279,050
Loans – Outside Agencies	13,181,516	11,376,780
Other Loans (Institutional)	<u>424,335</u>	<u>513,296</u>
Total	\$231,428,460	\$261,146,923

The University of Kentucky Albert B. Chandler Hospital

History and Background. The Albert B. Chandler Hospital (University Hospital) is an organizational unit of the University. It holds a position of leadership as a statewide, regional, and national tertiary referral hospital. Initial funds for the University Hospital were appropriated by the 1956 General Assembly, and the first patients were admitted to the University Hospital in 1962.

In its commitment to quality care, the Hospital and the Hospital's medical staff representing all medical and surgical specialties, provides a full scope of services, such as extensive pediatric services offering sophisticated neonatal intensive care, renal, bone marrow and solid organ transplant programs, and comprehensive high-risk obstetrical services. The Hospital and its staff are leaders in developing and refining new technology including imaging and comprehensive medical, surgical, cancer, geriatric, cardiac, and burn specialty programs. Patients benefiting from these services come from all of Kentucky's counties, contiguous states, other states, and many foreign countries.

Relationship to Other Units of the Academic Medical Center. Within the Academic Medical Center, along with the Albert B. Chandler Hospital, there are the Colleges of Medicine, Nursing, Dentistry, Pharmacy, Public Health, and Health Sciences.

In its support of the College of Medicine, the Chandler Hospital provides a facility for teaching, research and patient care. The College of Medicine annually graduates nearly 110 physicians and supervises the clinical experience of over 500 post-graduate physicians each year. The facilities at the medical school are part of the Medical Center complex and contain lecture halls, classroom space, offices and laboratories.

The primary function of the College of Medicine is the education of physicians through a four year doctor of medicine degree (MD) program and one to seven years of residency or fellowship training offered in 47 accredited training programs. In addition, master's (MS), doctoral (PhD), and post-doctoral programs are offered in eight basic science areas. The Medical Center also has the Sanders-Brown Center on Aging/Alzheimer's Disease Research Center, which is among the nation's leaders in Alzheimer's disease research. The center is engaged in the multi-disciplinary study of the problems of aging. Also within the Medical Center are the Barnstable Brown Kentucky Diabetes and Obesity Center; Lucille Parker Markey Cancer Center; Linda and Jack Gill Heart Institute; Dr. Siby and Becky Saha Cardiovascular Research Center; Spinal Cord and Brain Injury Research Center and Center for Muscle Biology, along with over ten other multi-disciplinary centers. Both inpatient hospital and ambulatory patient care services are provided by the faculty of the College of Medicine in the Medical Center, as well as a number of clinical practice settings principally in Eastern Kentucky. Area Health Education Centers are located in Hazard, Morehead, Mt. Vernon and Park Hills, as well as the Centers for Rural Health located in Danville, Hazard, Morehead, Murray and Madisonville.

The other colleges within the Academic Medical Center – Nursing, Dentistry, Pharmacy, Public Health and Health Sciences – also use the Albert B. Chandler Hospital as a primary site to carry out their mission of research and education.

The University acquired Samaritan Hospital effective July 1, 2007. The community hospital is located adjacent to the University Campus and within walking distance of the Chandler Hospital. Samaritan Hospital was renamed UK HealthCare Good Samaritan (UKHGS) and provides the University with an additional 302 licensed beds. UKHGS will retain an open staff model service both community and College of Medicine physicians.

Hospital Mission, Vision and Critical Success Factors. The Hospital recognizes the need for organizational planning to maintain its position as a quality health care provider. The Hospital's mission is to help people of the Commonwealth and beyond gain and retain good health through creative leadership and quality initiatives in patient care, education and research. To achieve this Mission the Hospital has set a Vision of being a top 20 public academic health center, recognized nationally and internationally for excellence in patient care, education and research. In recent years, University Hospital has been recognized for performance excellence by Thompson Healthcare (formerly Solucient) which ranked the facility among the 100 Top Performance Improvement Leaders as well as being listed as one of "America's Best Hospitals" for Gynecology and Ear, Nose and Throat by US News and World Report.

Hospital Administration. University Hospital and UKHGS are managed by the UK HealthCare executive group that includes the Executive Vice President for Health Affairs Michael Karpf M.D.; the Senior Vice President for Health Affairs and CFO of the HealthCare Enterprise Sergio Melgar; the Vice President for HealthCare Operations and Chief Clinical Officer Richard P. Lofgren, MD, MPH; the interim Vice President for Clinical Affairs/Dean of the College of Medicine Emery Wilson, M.D.; the Chief Medical Officer Paul D. DePriest, M.D., MHCM.; the Associate Vice President/Chief Information Officer for the UK Healthcare Enterprise Tim Tarnowski and the Chief Revenue Officer for the UK HealthCare Enterprise Ed Erway. Daily operations of the University Hospital are managed by Chief

Administrative Officer Ann Smith, MPA, FACHE while operations at UKHGS are managed by Chief Administrative Officer Frank Beirne, CHE. Chief Nurse Executive Colleen H. Swartz, RN, MSN, MBA, is responsible for nursing at both facilities and Chief Financial Officer Ajay Sial is responsible for financial operations at both facilities. The Chief Operating Officer responsible for Ambulatory Services is Jonathon Curtright.

Hospital Operating Results and Financial Condition.

Statement of Revenue, Expenses and Changes In Net Assets. The following is a summary of the University Hospital's revenue, expenses and changes in net assets for each of Fiscal Years 2008, 2009 and 2010.

	<u>2008</u>	<u>2009</u>	<u>2010</u>
	(Dollars in Thousands)		
Operating revenue	\$670,317	\$704,912	\$785,868
Operating expenses	621,840	698,179	742,456
Operating income	48,477	6,733	43,412
Net non-operating revenue (expenses)	(9,303)	(36,556)	19,339
Net income before other revenues, expenses, gains or losses	39,174	(29,823)	62,751
Transfer to University	(19,811)	(17,907)	(23,303)
Net loss from discontinued operations	(20)	(17)	(14)
Increase in net assets	\$19,343	\$(47,747)	\$39,434

Certain Operating Information.

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Average Licensed Beds	775	791	791
Available Beds	611	636	643
Patient Days	178,217	180,776	185,593
Patient Days Equivalents ¹	279,530	288,048	292,399
Admissions	32,975	31,786	32,373
Discharges	32,929	31,768	32,355
Average Length of Stay (days)	5.41	5.69	5.74
Occupancy	79.72%	77.87%	79.08%
Emergency Visits	66,045	68,299	69,671
Outpatient Visits with Hospital Charge	301,427	312,208	319,297

¹ Total patient activity computed by converting outpatient activity to an inpatient equivalent.

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OUTSTANDING BONDS OF THE UNIVERSITY OF KENTUCKY

The University has the following bonds outstanding as of June 30, 2010.

Consolidated Educational Buildings Revenue Bonds

	<u>Year of Issue</u>	<u>Amount of Issue</u>	<u>Amount Outstanding</u>	<u>Year of Final Maturity</u>
Series M (2 nd Series)	1998	\$4,695,000	\$825,000	2011
Series N (2 nd Series)	2001	18,795,000	4,210,000	2012
Series S	2003	29,775,000	22,980,000	2024
Series T	2003	17,635,000	13,015,000	2023
Series O (2 nd Series)	2003	9,335,000	4,330,000	2015
Series E, J & L (3 rd Series)	2004	19,520,000	1,800,000	2011
Series P, Q & R (2 nd Series)	2004	52,110,000	36,970,000	2021
Series U	2005	<u>11,495,000</u>	<u>9,465,000</u>	2025
TOTAL		<u>\$163,360,000</u>	<u>\$93,595,000</u>	

Obligations Outstanding Under the General Receipts Trust Agreement

	<u>Year of Issue</u>	<u>Amount of Issue</u>	<u>Amount Outstanding</u>	<u>Year of Final Maturity</u>
Kentucky Asset/Liability Commission				
General Receipts				
Project Notes, 2005 Series A	2005	\$107,540,000	\$103,145,000	2025
Refunding Project Notes, 2006 Series A	2006	66,305,000	59,755,000	2022
Refunding Project Notes, 2007 Series A	2007	77,905,000	77,905,000	2027
Refunding Project Notes, 2007 Series B	2007	<u>80,245,000</u>	<u>80,245,000</u>	2027
Total ALCo Notes		\$331,995,000	\$321,050,000	
University of Kentucky				
General Receipts Bonds				
2005 Series A Bonds	2005	7,160,000	6,120,000	2025
2006 Series A Bonds	2006	24,325,000	21,870,000	2026
2009 Series A Bonds	2009	33,350,000	31,920,000	2024
2009 Series B Bonds	2009	<u>100,605,000</u>	<u>100,605,000</u>	2039
Total UK Bonds		\$165,440,000	\$160,515,000	
Kentucky Association of Counties Lease (Samaritan Hospital)				
	2009	\$35,000,000	\$33,840,000	2039
Total Under Trust Agreement		<u>\$532,435,000</u>	<u>\$515,405,000</u>	

Please refer to the financial statements included in "APPENDIX B" for additional obligations of the University.

**TOTAL ANNUAL DEBT SERVICE REQUIREMENTS
SECURED BY PLEDGED REVENUES AND RECEIPTS**

Year Ending June 30	Existing Debt Service*	Principal*	Interest*	Total*	Total Debt Service*
2011	\$53,341,113.51	-	\$155,039.14	\$155,039.14	\$53,496,152.65
2012	51,160,103.35	\$ 800,000.00	422,265.25	1,222,265.25	52,382,368.60
2013	48,920,371.60	1,810,000.00	419,239.50	2,229,239.50	51,149,611.10
2014	48,920,744.06	1,815,000.00	413,761.63	2,228,761.63	51,149,505.69
2015	48,918,587.44	1,825,000.00	406,572.63	2,231,572.63	51,150,160.07
2016	47,968,630.19	1,835,000.00	396,782.00	2,231,782.00	50,200,412.19
2017	47,983,545.90	1,845,000.00	384,050.13	2,229,050.13	50,212,596.03
2018	50,916,341.76	1,860,000.00	368,552.51	2,228,552.51	53,144,894.27
2019	50,416,945.77	1,880,000.00	350,552.38	2,230,552.38	52,647,498.15
2020	52,838,720.41	1,900,000.00	330,361.75	2,230,361.75	55,069,082.16
2021	48,055,648.05	1,915,000.00	308,204.88	2,223,204.88	50,278,852.93
2022	45,733,507.59	1,677,432.81	283,951.76	1,961,384.57	47,694,892.16
2023	45,727,013.98	1,000,000.00	257,464.26	1,257,464.26	46,984,478.24
2024	39,049,292.24	1,030,000.00	228,588.01	1,258,588.01	40,307,880.25
2025	36,835,581.58	1,055,000.00	106,762.13	1,161,762.13	37,997,343.71
2026	33,133,756.68	-	-	-	33,133,756.68
2027	32,604,739.93	-	-	-	32,604,739.93
2028	30,776,634.55	-	-	-	30,776,634.55
2029	7,755,245.15	-	-	-	7,755,245.15
2030	6,440,199.63	-	-	-	6,440,199.63
2031	6,440,298.01	-	-	-	6,440,298.01
2032	6,439,312.26	-	-	-	6,439,312.26
2033	6,441,842.76	-	-	-	6,441,842.76
2034	6,437,704.26	-	-	-	6,437,704.26
2035	6,441,618.88	-	-	-	6,441,618.88
2036	6,438,308.75	-	-	-	6,438,308.75
2037	6,442,496.00	-	-	-	6,442,496.00
2038	6,438,902.75	-	-	-	6,438,902.75
2039	6,442,251.13	-	-	-	6,442,251.13
2040	-	-	-	-	-
Total	\$885,459,458.17	\$22,247,432.81	\$4,832,147.96	\$27,079,580.77	\$912,539,038.94

*Interest amounts are net of federal interest subsidy payments, see "BUILD AMERICA BONDS" and "QUALIFIED ENERGY CONSERVATION BONDS" herein. Principal amounts include required deposits to the Sinking Fund Account established for the 2010 Taxable Series B Bonds and the application of amounts in the Sinking Fund Account to the payment of the 2010 Taxable Series B Bonds at maturity, see "THE SERIES 2010 BONDS – Redemption Provisions - Sinking Fund for 2010 Taxable Series B Bonds" herein.

**PLEDGED REVENUES – GENERAL RECEIPTS
UNIVERSITY OF KENTUCKY
FISCAL YEAR ENDING JUNE 30, 2010**

<u>Revenue Type</u>	<u>2010 Amount (000's)</u>	<u>Pledged (000's)</u>	<u>Prior Pledge Debt Service (000's)</u>	<u>Net General Receipts Pledged Revenues (000's)</u>
Student tuition and fees	\$208,340	\$208,340	\$14,648	\$193,692
Nongovernmental grants and contracts	26,396	1,149		1,149
Recoveries of facilities and administrative costs	50,847	50,847		5,847
Sales and services	47,932	35,843		35,843
Hospital patient services	782,677	782,677		782,677
Auxiliary enterprises - housing and dining	40,378	40,378		40,378
Auxiliary enterprises - other	26,778	26,778		26,778
Other operating revenue	1,508	1,076		1,076
State appropriations	294,137	294,137		294,137
Gifts and grants	78,295	3,263		3,263
Investment income (loss)	<u>95,428</u>	<u>6,724</u>	<u>-</u>	<u>6,724</u>
TOTAL	\$1,652,716	\$1,451,212	\$14,648	\$1,391,564

APPENDIX B

**CONSOLIDATED FINANCIAL STATEMENTS OF THE UNIVERSITY OF KENTUCKY
AS OF JUNE 30, 2010**

and

**UNIVERSITY OF KENTUCKY UK HEALTHCARE HOSPITAL SYSTEM
2010 FINANCIAL STATEMENTS**

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APPENDIX C

SUMMARY OF THE TRUST AGREEMENT

The following is a summary of certain provisions of the Trust Agreement dated as of November 1, 2005, between the University and U.S. Bank National Association, as Trustee. This summary is not to be regarded as a complete statement of the Trust Agreement to which reference is made for a complete statement of the actual terms thereof. Copies of the Trust Agreement are on file with the Trustee.

Defined Terms

The terms defined below are among those used in the Official Statement and in this summary of the Trust Agreement. Except where otherwise indicated or provided, words in the singular number include the plural as well as the singular number and vice versa.

"Act" means Sections 162.340 to 162.380 of the Kentucky Revised Statutes, Chapter 56 of the Kentucky Revised Statutes and Sections 58.010 to 58.140 of the Kentucky Revised Statutes as the same may be amended, modified, revised, supplemented, or superseded from time to time.

"Additional Obligation Instruments" means agreements providing for the repayment of money that the University may, from time to time, be authorized to enter into under the laws of the Commonwealth. The definition of Additional Obligation Instruments does not include "Bond" or "Bonds," "Note" or "Notes," Financing Agreements or SPBC Leases.

"ALCo" means the Kentucky Asset/Liability Commission and any successor thereto.

"Authenticating Agent" means the Trustee and the Registrar for the series of Obligations and any bank, trust company or other Person designated as an Authenticating Agent for such series of Obligations by or in accordance with the Trust Agreement.

"Beneficial Owner" means, with respect to the Obligations, a Person owning a Beneficial Ownership Interest therein, as evidenced to the satisfaction of the Trustee.

"Beneficial Ownership Interest" means the beneficial right to receive payments and notices with respect to a series of Obligations which are held by a Depository under a Book Entry System.

"Board" means the Board of Trustees of the University, or if there shall be no such Board of Trustees, such Person or body which, pursuant to law or the organizational documents of the University, is vested with the power to direct the management and policies of the University, and shall include any committee empowered to act on behalf of such board or body.

"Bond" or "Bonds" means any bond, or all of the bonds, or an issue or series of bonds, as the case may be, as so identified in the certificate of the Fiscal Officer, of the University issued pursuant to the 2005 General Bond Resolution, a Series Resolution and the Trust Agreement. The definition of Bond and Bonds does not include "Note" or "Notes," Financing Agreements, SPBC Leases or Additional Obligation Instruments.

"Bond Counsel" means an attorney or firm of attorneys of nationally recognized standing on the subject of municipal bonds selected by the University or its counsel and acceptable to the Trustee.

"Book Entry Form" or "Book Entry System" means, with respect to the Obligations, a form or system, as applicable, under which (a) the Beneficial Ownership Interests may be transferred only through a book entry and (b) physical Obligation certificates in fully registered form are registered only in the name of a Depository or its nominee as Holder, with the physical Obligation certificates "immobilized" in

the custody of the Depository. The Book Entry System maintained by and the responsibility of the Depository and not maintained by or the responsibility of the University or the Trustee is the record that identifies, and records the transfer of the interests of, the owners of book entry interests in the Obligations.

"Business Day" means a day of the year, other than a Saturday or Sunday, on which banks located in the city in which the principal corporate trust office of the Trustee is located are not required or authorized to remain closed or a day on which The New York Stock Exchange is not closed.

"Certificate of Award" means, with respect to any series of Obligations, the Certificate of Award for such series, if any, authorized in the applicable Series Resolution or the contract of purchase for such series of Obligations.

"Commonwealth" means the Commonwealth of Kentucky.

"Costs of University Facilities" means the costs of or related to University Facilities, and the financing thereof, for the payment of which Obligations may be issued under the Act.

"Credit Support Instrument" means an irrevocable letter of credit, line of credit, standby bond purchase agreement, insurance policy, guaranty or surety bond or similar instrument providing for the payment of or guaranteeing the payment of principal or purchase price of and interest on Obligations when due, either to which the University is a party or which is provided at the request of the University.

"Credit Support Provider" means the provider of a Credit Support Instrument.

"Debt Service Charges" means, generally, for any applicable time period, (i) the principal (including any Mandatory Sinking Fund Requirements), interest and redemption premium, if any, required to be paid by the University on Obligations pursuant to any Series Resolution, less any capitalized interest for such time period and accrued interest on deposit in the Debt Service Payment Account; (ii) any amounts due to a Credit Support Provider to the extent as set forth in a Credit Support Instrument; and (iii) any amounts due to a Hedge Provider to the extent as set forth in an Interest Rate Hedge Agreement.

"Debt Service Fund" means the Debt Service Fund authorized and created pursuant to the Trust Agreement.

"Debt Service Payment Account" means the Debt Service Payment Account within the Debt Service Fund authorized and created pursuant to the Trust Agreement.

"Debt Service Reserve Account" means the Debt Service Reserve Account authorized and created pursuant to the Trust Agreement.

"Depository" means any securities depository that is a clearing agency under federal law operating and maintaining, together with its participants a Book Entry System to record beneficial ownership of a series of Obligations, and to effect transfers of such Obligations, in Book Entry Form, and includes the Depository Trust Company (a limited purpose trust company), New York, New York.

"Direct Participant" means a Participant as defined in the Letter of Representations.

"Eligible Investments" means any investment authorized by Section 42.500 and 56.520(5) of the Kentucky Revised Statutes, as the same may be amended, modified, revised, supplemented, or superseded from time to time.

"Extraordinary Services" and "Extraordinary Expenses" means all services rendered and all reasonable expenses (including counsel fees) properly incurred by the Trustee under the Trust Agreement, other than Ordinary Services and Ordinary Expenses. Extraordinary Services and Extraordinary Expenses shall specifically include services rendered or expenses incurred by the Trustee in connection with, or in contemplation of, an Event of Default.

"Event of Default" means an Event of Default as defined in the Trust Agreement.

"Financial Statements" means the University's Annual Consolidated Financial Statements.

"Financing Agreement" means a "Financing Agreement" as defined in Chapter 56 of the Kentucky Revised Statutes between the University and ALCo or the applicable state agency as then provided by law. The definition of Financing Agreement does not include "Bond" or "Bonds," "Note" or "Notes" or Additional Obligation Instruments, but may also mean an SPBC Lease.

"Fiscal Officer" means either the Treasurer of the University or such other person designated by the Chairman of the Board to act as Fiscal Officer for purposes of the Trust Agreement.

"Fiscal Year" means a period of twelve consecutive months constituting the fiscal year of University commencing on the first day of July of any year and ending on the last day of June of the next succeeding calendar year, both inclusive, or such other consecutive twelve month period as hereafter may be established from time to time for budgeting and accounting purposes of the University by the Board to be evidenced, for purposes of the Financing Agreement, by a certificate of a Fiscal Officer filed with the Trustee.

"Fitch" means Fitch Ratings.

"General Receipts" means, as reported in the Financial Statements (having the designations, to the extent not otherwise defined in the Financing Agreement, set forth in the Financial Statements or such successor designations that may hereafter be used in Financial Statements):

(a) certain operating and non-operating revenues of the University, being (i) Student Registration Fees, (ii) nongovernmental grants and contracts, (iii) recoveries of facilities and administrative costs, (iv) sales and services, (v) Hospital Revenues, (vi) Housing and Dining Revenues, (vii) auxiliary enterprises – other auxiliaries, (viii) other operating revenues, (ix) state appropriations (for general operations), (x) gifts and grants, (xi) investment income, (xii) other nonoperating revenues and (xiii) other;

(b) but excluding (i) any receipts described in clause (a) which are contracts, grants, gifts, donations or pledges and receipts therefrom which, under restrictions imposed in such contracts, grants, gifts, donations or pledges, or, which as a condition of the receipt thereof or of amounts payable thereunder are not available for payment of Debt Service Charges, (ii) federal grants and contracts, (iii) state and local grants and contracts, (iv) federal appropriations, (v) county appropriations, (vi) professional clinical service fees, (vii) auxiliary enterprises – athletics; (viii) capital appropriations, (ix) capital grants and gifts, and (x) additions to permanent endowments, including research challenge trust funds;

provided, however, that General Receipts may

(c) include any other receipts that may be designated as General Receipts from time to time by a resolution of the Board delivered to the Trustee; and

(d) exclude any receipts not pledged under the Trust Agreement, which may be designated from time to time by a resolution of the Board delivered to the Trustee;

(e) exclude any receipts pledged under the Trust Agreement, which may be designated from time to time by a resolution of the Board delivered to the Trustee and each Rating Service then rating any Obligations, but only if each such Rating Service confirms in writing to the University that the exclusion of any such receipt would not cause a reduction or withdrawal of the then current rating on any Outstanding Obligations.

"Government Bonds" means (a) direct obligations of the United States of America for the payment of which the full faith and credit of the United States of America is pledged, (b) obligations issued by a Person controlled or supervised by and acting as an instrumentality of the United States of America, the payment of the principal of, premium, if any, and interest on which is fully guaranteed as a full faith and credit obligation of the United States of America (including any securities described in (a) or (b) issued or held in book-entry form on the books of the Department of Treasury of the United States of America or Federal Reserve Bank), and (c) securities which represent an interest in the obligations described in (a) and (b) above.

"Hedge Provider" means the provider of an Interest Rate Hedge Agreement.

"Holder" means any Person in whose name a registered Obligation is registered; provided that ALCo, or its assignee, shall be the Holder of any Financing Agreement and SPBC, or its assignee, shall be the Holder of any SPBC Lease.

"Hospital Revenues" means operating revenues having the designation "hospital services" in the Financial Statements or any successor designation or designations for such receipts that may hereafter be used in Financial Statements.

"Housing and Dining Bonds" means Obligations, the proceeds of which will be used to pay Costs of University Facilities which constitute Housing and Dining Facilities.

"Housing and Dining Facilities" means Housing and Dining Facilities, as defined in the Prior Housing Indenture.

"Housing and Dining Revenues" means operating revenues (auxiliary enterprises) having the designation "housing and dining" in the Financial Statements or any successor designation or designations for such receipts that may hereafter be used in Financial Statements.

"Indirect Participant" means a Person utilizing the Book Entry System of the Depository by, directly or indirectly, clearing through or maintaining a custodial relationship with a Direct Participant.

"Interest Payment Dates" means the dates specified in the applicable Series Resolution or Certificate of Award on which interest on the Obligations or any series of Obligations is to be paid.

"Interest Rate Hedge Agreement" means an interest rate swap, an interest rate cap or other such arrangement obtained, either directly by the University (or the Trustee on behalf of the University) or through ALCo, with the goal of lowering the effective interest rate to the University on Obligations or hedging the exposure of the University with respect to its obligations on the Obligations against fluctuations in prevailing interest rates.

"Letter of Representations" means the Blanket Letter of Representations from the University to the Depository.

"Mandatory Sinking Fund Requirements" means amounts required by any Series Resolution or the Certificate of Award to be deposited to the Debt Service Payment Account in any fiscal year for the purpose of retiring principal maturities of Obligations which by the terms of such Obligations are due and payable, if not called for prior redemption, in any subsequent fiscal year.

"Maximum Annual Debt Service" means the highest amount of (i) Debt Service Charges plus (ii) the principal of and interest on all Prior Obligations that are outstanding under the terms of the Prior Basic Resolution or the Prior Housing Indenture, for the current or any future Fiscal Year.

"Moody's" means Moody's Investors Service, Inc., a Delaware corporation, and its successors and assigns.

"Notes" or "Note" means any note or all of the notes, or an issue of notes, as the case may be, as so identified in the certificate of the Fiscal Officer issued by the University in anticipation of the issuance of Obligations or receipt of grants or appropriations to pay Costs of University Facilities, or to pay costs of refunding or retirement of Notes previously issued pursuant to the Act, the 2005 General Bond Resolution, a Series Resolution and the Trust Agreement. The definition of Note and Notes does not include "Bond" or "Bonds," Financing Agreements, SPBC Leases or Additional Obligation Instruments.

"Obligations" means Bonds, Notes, Financing Agreements, SPBC Leases and Additional Obligation Instruments.

"Ordinary Services" and "Ordinary Expenses" means those services normally rendered and those expenses (including counsel fees) normally incurred by a trustee under instruments similar to the Trust Agreement.

"Original Purchaser" means, as to any Obligations, the Person or Persons expressly named in the applicable Series Resolution or the Certificate of Award as the original purchaser of those Obligations from the University.

"Outstanding" means, as of any date, Notes and Bonds which have been authenticated, and with respect to all Obligations, have been delivered, or are then being delivered, by the Trustee or the University under the Trust Agreement except:

(a) Obligations surrendered for exchange or transfer or canceled because of payment or redemption at or prior to such date;

(b) Obligations for the payment, redemption or purchase for cancellation of which sufficient moneys have been deposited prior to such date with the Trustee or Paying Agents (whether upon or prior to the maturity or redemption date of any such Obligations), or which are deemed to have been paid and discharged pursuant to the provisions of the Trust Agreement; provided that if such Obligations are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made there for, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee, and provided, further, that if such Obligations are to be purchased for cancellation, a firm offer for sale stating the price has been received and accepted; and

(c) Lost, stolen, mutilated or destroyed Obligations in lieu of which others have been authenticated, if applicable, (or payment, when due, of which is made without replacement) under the Trust Agreement.

"Paying Agents" means any banks or trust companies designated as the paying agencies or places of payment for Obligations by or pursuant to the applicable Series Resolution, and their successors designated pursuant to the Trust Agreement, and shall also mean the Trustee when so designated for such purpose.

"Person" means an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a trust, an unincorporated organization, or a government or any agency or political subdivision thereof.

"Predecessor Obligation" of any particular Obligation means every previous Obligation evidencing all or a portion of the same debt as that evidenced by the particular Obligation. For the purposes of this definition, any Bond or Note authenticated and delivered under the Trust Agreement in lieu of a lost, stolen or destroyed Bond or Note shall, except as otherwise provided in the Trust Agreement, be deemed to evidence the same debt as the lost, stolen or destroyed Bond or Note.

"Prior Basic Resolution" means the resolution adopted by the Board on September 20, 1960, that has provided for the issuance of Consolidated Educational Buildings Revenue Bonds of the University.

"Prior Financing Documents" means, collectively, the Prior Basic Resolution and the Prior Housing Indenture.

"Prior Funds" means all funds and accounts created by the Prior Financing Documents that are pledged as security and a source of payment of bonds and notes issued thereunder.

"Prior Housing Indenture" the Trust Indenture and Supplemental Trust Indenture dated as of June 1, 1965 (and all supplemental indentures related thereto) between the University and Farmers' Bank & Capital Trust Company that, has provided for the issuance of Housing and Dining Bonds.

"Prior Obligations" means any notes or bonds that are outstanding under the Prior Financing Documents.

"Prior Pledged Funds" means, collectively, all funds and accounts created under the Prior Financing Documents.

"Prior Pledged Revenues" means amounts required to be deposited in the "Revenue Fund" created by the Prior Basic Resolution and in the "System Revenue Fund" created by the Prior Housing Indenture.

"Project Fund" means the Project Fund created pursuant to the Trust Agreement.

"Purchase Price" means, as to any series of Obligations, the amount provided for in the Series Resolution and the Certificate of Award authorized thereby, plus accrued interest, if any, on the aggregate principal amount of those Obligations from their date to the date of their delivery to the Original Purchaser and payment therefor.

"Rating Service" means Fitch, Moody's, S&P or any other nationally recognized rating service.

"Redemption and Purchase Account" means the Redemption and Purchase Account authorized and created pursuant to the Trust Agreement.

"Register" means the books kept and maintained by the Registrar for the registration and transfer of Obligations pursuant to the Trust Agreement.

"Registrar" means, with respect to a series of Obligations, the keeper of the Register for those Obligations, which shall be the Trustee except as may be otherwise provided by or pursuant to the Series Resolution for those Obligations, each of which shall be a transfer agent registered in accordance with Section 17(A)(c) of the Securities Exchange Act of 1934.

"Regular Record Date" means, with respect to any Obligation and unless otherwise provided in the Series Resolution authorizing the particular series of Obligations, the fifteenth day of the calendar month next preceding an Interest Payment Date applicable to that Obligation.

"Reimbursement Agreement" means, with respect to a series of Obligations, any agreement or agreements between one or more Credit Support Providers and the University under or pursuant to which

a Credit Support Instrument for such series of Obligations is issued or provided and which sets forth the respective obligations of the University and of the Credit Support Provider.

"Remarketing Agent" means any entity which acts as the remarketing agent with respect to a series of Obligations.

"Revenue Fund" means the Revenue Fund authorized and created pursuant to the Trust Agreement.

"S&P" means Standard & Poor's Rating Services, a Division of The McGraw Hill Companies, and its successors and assigns.

"Series Resolution" means a Resolution of the Board authorizing one or more series of Obligations and the execution and delivery of a Supplemental Trust Agreement, all in accordance with the 2005 General Bond Resolution and the Trust Agreement.

"SPBC" means the State Property and Buildings Commission of the Commonwealth and any successor thereto.

"SPBC Lease" means a lease between the University and SPBC or the applicable state agency as then provided by law. The definition of SPBC Lease does not include "Bond" or "Bonds," "Note" or "Notes" or Additional Obligation Instruments, but may also mean a Financing Agreement.

"Special Funds" means the Debt Service Fund and accounts therein and any other funds or accounts permitted by, established under, or identified in the Trust Agreement or a Series Resolution and designated as Special Funds. The Revenue Fund shall not be a Special Fund.

"Student Registration Fees" means operating revenues having the designation "student tuition and fees" in the Financial Statements or any successor designation or designations for such receipts that may hereafter be used in Financial Statements.

"Subordinated Indebtedness" means obligations which, with respect to any issue thereof, are secured by a pledge of the General Receipts which is subordinate to that of the holders of Obligations and which are evidenced by instruments, or issued under an indenture or other document, containing provisions for the subordination of such obligations.

"Supplemental Trust Agreement" means any one or more of Supplemental Trust Agreements entered into by the parties pursuant to the Trust Agreement and a Series Resolution.

"Tender Agent" means any entity which acts as a tender agent for a series of Obligations.

"Trust Agreement" means the Trust Agreement, dated as of November 1, 2005, between the University and the Trustee, as the same may be duly amended, modified or supplemented in accordance with its terms.

"Trustee" means the Trustee at the time serving under the Trust Agreement, originally U.S. Bank National Association and any successor Trustee as determined or designated under or pursuant to the Trust Agreement.

"2005 General Bond Resolution" means the resolution of the Board adopted on September 20, 2005, authorizing the execution and delivery of the Trust Agreement.

"University" means the University of Kentucky, a public body corporate, and an educational institution and agency of the Commonwealth of Kentucky, and every part and component thereof as from time to time existing, and when the context requires, includes the Board.

"University Facilities" means buildings and appurtenances to be used in connection with the University for educational purposes, including, but not limited to any Authorized Project, any Building, any Building project and any Public project, as those terms are defined in the Act, and further includes any one, part of, or any combination of such facilities, and further includes site improvements, utilities, machinery, furnishings and any separate or connected buildings, structures, improvements, sites, open space and green space areas, utilities or equipment to be used in, or in connection with the operation or maintenance of, or supplementing or otherwise related to the services or facilities to be provided by such facilities.

Any reference in the Financing Agreement to the University, the Board, or to any officers or to other public boards, commissions, departments, institutions, agencies, bodies, entities or officers, shall include those which succeed to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions. Any reference to a section or provision of the Kentucky Revised Statutes or to the laws of Kentucky shall include such section or provision and such laws as from time to time amended, modified, revised, supplemented, or superseded, provided that no such amendment, modification, revision, supplementation, or super session shall alter the obligation to pay the Debt Service Charges in the amount and manner, at the times, and from the sources provided in this Resolution, the applicable Series Resolution, and the Trust Agreement, except as otherwise permitted in the Trust Agreement.

Debt Service Fund and Other Special Funds

The Trustee will hold and administer the Debt Service Fund and any other Special Fund created under the Trust Agreement, together with the accounts contained therein, upon the terms and conditions, including, without limitation, the terms and conditions set forth in the Trust Agreement and the applicable Series Resolution and/or Supplemental Trust Agreement for the investment of moneys deposited in such Funds, set forth in the applicable Series Resolution and the Trust Agreement.

There will be maintained in the Debt Service Fund the following Accounts: the Debt Service Payment Account, the Debt Service Reserve Account and the Redemption and Purchase Account. The Trustee will maintain a separate subaccount within the Debt Service Payment Account for each series of Obligations and each separate subaccount will secure only the particular series of Obligations to which it is related. (Section 4.01)

Use of Debt Service Payment Account; Intercept

The Debt Service Account is pledged to and will be used solely for the payment of Debt Service Charges as they fall due. Payments sufficient in an amount to pay the Debt Service Charges as they become due will be paid by the University directly to the Trustee, and deposited in the Debt Service Payment Account to the extent moneys in the Debt Service Payment Account are not otherwise available therefore. Upon the occurrence and during the continuation of an Event of Default described in the Trust Agreement with respect to a specific series of Obligations, if a subaccount in the Debt Service Reserve Account has been created to secure such series of Obligations, moneys in the applicable subaccount of the Debt Service Reserve Account may be transferred by the Trustee to the Debt Service Payment Account to be used to pay Debt Service Charges with respect to such series of Obligations pursuant to the Trust Agreement. Except as provided in the Trust Agreement, moneys in the Debt Service Payment Account shall be used solely for the payment of Debt Service Charges on the Obligations, for the redemption of Obligations prior to maturity, for the payment of any amounts due to a Credit Support Provider to the extent as set forth in a Credit Support Instrument, for the payment of any amounts due to a Hedge

Provider to the extent as set forth in an Interest Rate Hedge Agreement and as otherwise provided in the Trust Agreement and the 2005 General Bond Resolution.

If, ten days prior to any date that the payment of Debt Service Charges are due, sufficient funds are not on deposit in the Debt Service Payment Account to enable the Trustee to pay such Debt Service Charges, or if the Trustee shall have transferred funds from a Debt Service Reserve Account to the Debt Service Payment Account to forestall a default in the payment of Debt Service Charges, then in each such instance the Trustee shall immediately notify the Treasurer of the University and the Secretary of the Finance and Administration Cabinet of the Commonwealth in writing of such event and request that amounts be remitted to the Trustee pursuant to the then applicable provisions of Section 164A.608 of the Kentucky Revised Statutes to cure such deficiency or to restore the amount transferred from the Debt Service Reserve Account. (Section 4.02)

Debt Service Reserve Account

The Trustee will hold and administer a Debt Service Reserve Account to be used, solely for the payment of Debt Service Charges with respect to any series of Obligations for which a reserve fund has been mandated pursuant to the Series Resolution which authorized the issuance of such series of Obligations. A separate subaccount shall be created in the Supplemental Debt Service Reserve Account for each series of Obligations for which a reserve fund has been mandated by the Series Resolution which authorized such series of Obligations and each separate subaccount shall secure only the particular series of Obligations to which it is related.

If, on the date upon which Debt Service Charges on any Obligations which are secured by a Debt Service Reserve Account or subaccount held by the Trustee fall due, the subaccount within the Debt Service Payment Account related to such Obligations is insufficient to meet such Debt Service Charges to be paid therefrom on such date, the Trustee will immediately transfer from the appropriate subaccount of the Debt Service Reserve Account an amount sufficient to make up such deficiency in the subaccount of the Debt Service Payment Account. Except as may be provided in the applicable Series Resolution or Supplemental Trust Agreement, if on the day upon which amounts are due to a Hedge Provider under an Interest Rate Hedge Agreement or are due to a Credit Support Provider in reimbursement for amounts provided under a Credit Support Instrument, the amount in the subaccount within the Debt Service Payment Account related to such Debt Service Charges (other than from any amounts provided under an Interest Rate Hedge Agreement or Credit Support Instrument) is insufficient to pay such amounts to such Hedge Provider or Credit Support Provider on that date, the Trustee, without necessity for any further order of the University or officer thereof, will make available for such reimbursement any amounts in the related subaccount of the Debt Service Reserve Account for the series of Obligations to which the Interest Rate Hedge Agreement or Credit Support Instrument applies that are necessary to make up that insufficiency. The amount so transferred will be applied only to the payment of Debt Service Charges on the Obligations to which that Debt Service Reserve Account pertains or for the payment of any amounts due to a Hedge Provider under an Interest Rate Hedge Agreement or to a Credit Support Provider as reimbursement of draws under a Credit Support Instrument in connection with the Obligations to which that Debt Service Reserve Account pertains.

Subject to the foregoing, any amount in a subaccount of the Debt Service Reserve Account in excess of the amount required to be maintained therein pursuant to the Series Resolution which created such subaccount or the Certificate of Award (the "Required Amount") will be transferred to the Debt Service Payment Account or to the Redemption and Purchase Account for the purposes thereof, if and to the extent ordered by the Fiscal Officer. Such excess will be determined by calculating the Required Amount with reference to Outstanding Obligations of the particular series only, excluding any Obligations for the redemption or purchase of which such excess is being transferred to the Redemption and Purchase Account.

Within one hundred eighty (180) days after the end of each Fiscal Year, the University shall, from General Receipts, restore to the various subaccounts within the Debt Service Reserve Account any amounts transferred therefrom or any decrease in value determined pursuant to Section 4.14 of the Trust Agreement in such Fiscal Year so that the amounts in such subaccounts are at least equal to the various Required Amounts. (Section 4.03)

Redemption and Purchase Account

There will be deposited in the Redemption and Purchase Account that portion (if any) of the proceeds of refunding Obligations, as provided in the Series Resolution authorizing their issuance, allocated to the payment of the principal, interest and redemption premium, if any, or purchase price of the Obligations to be refunded, funded or retired through the issuance of such refunding Obligations; amounts to be transferred thereto from the Debt Service Reserve Account by order of the Fiscal Officer pursuant to Section 4.03 of the Trust Agreement; and any other amounts made available by the University for the purposes of the Redemption and Purchase Account. Amounts for the redemption of Obligations to be provided pursuant to the mandatory sinking fund requirements of the Series Resolution authorizing such Obligations will not be deposited to the credit of the Redemption and Purchase Account, but shall be deposited to the credit of the Debt Service Payment Account.

Any amounts in the Redemption and Purchase Account may be committed, by Series Resolution or other action by the Board, for the retirement of and for Debt Service Charges on specified Obligations and, so long as so committed, will be used solely for such purposes whether directly or through transfer to the Debt Service Fund. Subject to the foregoing provisions of the Trust Agreement, the Fiscal Officer may cause moneys in the Redemption and Purchase Account to be used to purchase any Obligations for cancellation and to redeem any Obligations in accordance with the redemption provisions of the applicable Series Resolution. From moneys in the Redemption and Purchase Account, the Trustee will transmit or otherwise disburse such amounts at such times as required for the redemption or purchase for cancellation of Obligations, and Debt Service Charges, in accordance with the applicable Series Resolution, or other action by the Board or order of the Fiscal Officer not inconsistent therewith. Any amounts in the Redemption and Purchase Account not required for the purposes thereof pursuant to a commitment theretofore made, may be transferred to the Debt Service Payment Account or the Debt Service Reserve Account upon order of the Fiscal Officer. (Section 4.04)

Project Fund

Upon the issuance and delivery of Obligations, the proceeds of which will be used to pay Costs of University Facilities, the Treasury of the Commonwealth, will hold and administer a fund designated the "University of Kentucky Project Fund" with an additional series identification for each series of Obligations.

Amounts in a Project Fund will be disbursed therefrom by the Treasurer of the Commonwealth according to such inspection, audit, and disbursement procedures as may from time to time be provided by law, for the purpose of paying Costs of University Facilities as identified in the related Series Resolution or Supplemental Trust Agreement and to reimburse the University for any payments which may have been made from other available resources in anticipation of the issuance of such Obligations.

Any balance remaining in a Project Fund after the final payment of all Costs of University Facilities for which such Project Fund was created, will be deposited in the Debt Service Fund and (i) credited to the related subaccount, if any, within the Debt Service Reserve Account if and to the extent that such subaccount of the Debt Service Reserve Account contains less than the Required Amount, and/or (ii) either applied as a credit against the next deposit required to be made into the Debt Service Payment Fund, or used to purchase Obligations in the open market at a purchase price not exceeding par plus accrued interest, as may be directed by the Fiscal Officer; provided that, if proceedings are then

pending or imminently contemplated for incurring additional Costs of University Facilities which are or will be paid from the proceeds of Obligations, any such unexpended balance may be taken into account in determining the amount of Obligations to be authorized for such purpose, or may otherwise be applied to such Costs of University Facilities, in which event such unexpended balance may be transferred to a Project Fund created for such purpose.

If so provided in any Series Resolution or a Supplemental Trust Agreement, to the extent permitted by law, a Project Fund may be held and disbursed by the Trustee. Furthermore, if the Obligations with respect to which a Project Fund is created are Financing Agreements, SPBC Leases or Additional Obligation Instruments, a Project Fund may be created in accordance with the requirements of such Financing Agreements, SPBC Leases or Additional Obligation Instruments. (Section 4.05)

General Covenant

So long as any Obligations are Outstanding pursuant to the Trust Agreement, the University covenants and agrees: (i) to fix, make, adjust and collect such fees, rates, rentals, charges and other items of General Receipts so that there shall inure to the University General Receipts, in view of other revenues and resources available to the University, sufficient: to pay Debt Service Charges then due or to become due in the current Fiscal Year; to pay any other costs and expenses payable under the Trust Agreement; and to pay all other costs and expenses necessary for the proper maintenance and successful and continuous operation of the University; and (ii) that it will include in its budget for each Fiscal Year the amount required to be paid to the Debt Service Fund established under Section 4.02 of the Trust Agreement, during such Fiscal Year. (Section 4.12)

Investment of Debt Service Fund and Project Fund

Except as provided in the Trust Agreement, moneys in the Debt Service Fund and the Project Fund shall be invested and reinvested by the Trustee (or the Fiscal Officer, as applicable) in Eligible Investments at the oral or written direction of the University, but if oral, confirmed promptly in writing. Investment of moneys in the Debt Service Fund shall mature or be redeemable at the times and in the amounts necessary to provide moneys to pay Debt Service Charges as they become due at stated maturity, by redemption or pursuant to any mandatory sinking fund requirements. Each investment of moneys in the Debt Service Fund and the Project Fund will mature or be redeemable without penalty at such time as may be necessary to make payments when necessary from such fund. In the absence of any written direction from the Fiscal Officer, the Trustee will invest all funds in sweep accounts, money-market funds and similar short-term investments, provided that all such investments shall constitute Eligible Investments. The Trustee may trade with itself or its affiliates in the purchase and sale of securities for such investments.

Subject to any directions from the University with respect thereto, the Trustee may sell at the best price reasonably obtainable Project Fund investments and reinvest the proceeds therefrom in Eligible Investments maturing or redeemable as aforesaid. Any of those investments may be purchased from or sold to the Trustee, the Registrar, an Authenticating Agent, a Paying Agent, or any bank, trust company or savings and loan association affiliated with any of the foregoing. The Trustee will sell or redeem investments credited to the Debt Service Fund to produce sufficient moneys applicable under the Trust Agreement to and at the times required for the purposes of paying Debt Service Charges when due as aforesaid, and shall do so without necessity for any order on behalf of the University and without restriction by reason of any order. An investment made from moneys credited to the Debt Service Fund and the Project Fund will constitute part of that respective fund, and each respective fund will be credited with all proceeds of sale and income from investment of moneys credited thereto.

For purposes of qualifying any investment as an Eligible Investment, where such qualification is dependent upon the rating assigned to such investment by a Rating Service, such qualification will be

determined as of the date of purchase of such investment or deposit thereof with the Trustee, whichever is later. (Section 4.15)

Revenue Fund

So long as any Obligations remain Outstanding, there will be maintained a Revenue Fund, which, to the extent required by law, may be a fund (and accounts) in the Commonwealth's management administrative and reporting system. There will be maintained in the Revenue Fund the following Accounts: a "Student Registration Fees Account," a "Hospital Revenues Account" and a "Housing and Dining Revenues Account." The "Revenue Fund" created pursuant to the Prior Bond Resolution will continue to be maintained so long as any bonds remain outstanding under the Prior Bond Resolution, such Revenue Fund will constitute the Student Registration Fees Account of the Revenue Fund until there are no bonds outstanding under the Prior Bond Resolution and all Student Registration Fees will be deposited therein. The "Revenue Fund" created pursuant to a Master Resolution adopted by the Board on June 25, 1986 will continue to be maintained as the Hospital Revenues Account of the Revenue Fund and all Hospital Revenues shall be deposited therein. The "System Revenue Fund" created pursuant to the Prior Housing Indenture will continue to be maintained so long as any bonds remain outstanding under the Prior Housing Indenture, such System Revenue Fund will constitute the Housing and Dining Revenues Account of the Revenue Fund until there are no bonds outstanding under the Prior Housing Indenture and all Housing and Dining Revenues will be deposited therein. (Section 4.16)

Maintenance of Pledge

The University will not make any pledge or assignment of or create or suffer any lien or encumbrance upon the Debt Service Fund and, except for the existing pledges under the Prior Basic Resolution and Prior Housing Indenture, the University will not make any pledge or assignment of or create or suffer any lien or encumbrance upon the General Receipts prior to or on a parity with the pledge thereof under the Trust Agreement, except as authorized or permitted under the Trust Agreement. The University will issue no additional bonds or notes under the Prior Basic Resolution. The University will issue no additional bonds or notes under the Prior Housing Indenture unless, with respect to a series of Housing and Dining Bonds, (i) such bonds or notes could be issued as Obligations under the Trust Agreement within the limitations set forth in Section 2.01 of the Trust Agreement and (ii) it is provided in the supplemental indenture authorizing such notes or bonds that on the date no Housing and Dining Bonds are outstanding under the Prior Housing Indenture, other than notes or bonds issued in accordance with Section 4.18 of the Trust Agreement, the lien securing such Housing and Dining Bonds created by the Prior Housing Indenture will terminate and such Housing and Dining Bonds will continue as Obligations under the Trust Agreement on a parity with all other Obligations. (Section 4.18)

Events of Default

Events of Default under the Trust Agreement include:

- (a) Failure to pay any Debt Service Charges when and as the same becomes due and payable;
- (b) Failure to pay the principal of or any premium on any Prior Obligations when and as the same becomes due and payable, whether at the stated maturity thereof or by redemption or acceleration or pursuant to any mandatory sinking fund requirements;
- (c) Failure by the University to perform or observe any other covenant, agreement or condition on the part of the University contained in the Trust Agreement or in the Obligations, which failure or Event of Default shall have continued for a period of 30 days after written notice, by registered or certified mail, given to the University by the Trustee, specifying the failure or

Event of Default and requiring the same to be remedied, which notice shall be given by the Trustee upon the written request of the Holders of not less than twenty-five percent in aggregate principal amount of the Obligations then Outstanding; provided that the Person or Persons requesting such notice may agree in writing to a 90-day extension of such period prior to the expiration of the initial 30-day period; provided further, however, that if the University will proceed to take curative action which, if begun and prosecuted with due diligence, cannot be completed within a period of 90 days, then such period shall be increased without such written extension up to 180 days as will be necessary to enable the University to diligently complete such curative action;

(d) The University will (i) admit in writing its inability to pay its debts generally as they become due, (ii) have an order for relief entered in any case commenced by or against it under federal bankruptcy laws, as now or hereafter in effect, (iii) commence a proceeding under any federal or state bankruptcy, insolvency, reorganization or similar laws, or have such a proceeding commenced against it and have either an order of insolvency or reorganization entered against it or have the proceeding remain undismissed and unstayed for 90 days, (iv) make an assignment for the benefit of creditors, or, (v) have a receiver or trustee appointed for it or for the whole or substantial part of its property. (Section 6.01)

Supplemental Trust Agreements Not Requiring Consent of Holders

The University and the Trustee without the consent of, or notice to, any of the Holders, may enter into indentures supplemental to the Trust Agreement and other instruments evidencing the existence of a lien as shall not, in the opinion of the Trustee, be inconsistent with the terms and provisions of the Trust Agreement for any one or more of the following purposes:

(a) To cure any ambiguity, inconsistency or formal defect or omission in the Trust Agreement or in any Supplemental Trust Agreement;

(b) To grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Holders or the Trustee;

(c) To subject additional revenues or property to the lien and pledge of the Trust Agreement;

(d) To add to the covenants and agreements of the University contained in the Trust Agreement other covenants and agreements thereafter to be observed for the protection of the Holders, or, if in the judgment of the Trustee such is not to the prejudice of the Trustee or the Holders, to surrender or limit any right, power or authority reserved to or conferred upon the University in the Trust Agreement, including the limitation of rights of redemption so that in certain instances Obligations of different series will be redeemed in some prescribed relationship to one another;

(e) To evidence any succession to the University and the assumption by such successor of the covenants and agreements of the University contained in the Trust Agreement or other instrument providing for the operation of the University or University Facilities, and the Obligations;

(f) In connection with the issuance of Obligations in accordance with Sections 2.01 and 2.02 of the Trust Agreement;

(g) To permit the Trustee to comply with any obligations imposed upon it by law;

(h) To permit the exchange of Obligations, at the option of the Holder or Holders thereof, for coupon Obligations of the same series payable to bearer, in an aggregate principal amount not exceeding the unmatured and unredeemed principal amount of the Predecessor Obligations, bearing interest at the same rate or rates and maturing on the same date or dates, with coupons attached representing all unpaid interest due or to become due thereon if, in the opinion of nationally recognized Bond Counsel selected by the University and acceptable to the Trustee, that exchange would not result in the interest on any of the Obligations Outstanding becoming subject to federal income taxation;

(i) To specify further the duties and responsibilities of, and to define further the relationship among, the Trustee, the Registrar and any Authenticating Agents or Paying Agents;

(j) To achieve compliance of the Trust Agreement with any applicable federal or Kentucky laws, including tax laws;

(k) To modify any provisions of the Trust Agreement in order to obtain a Credit Support Instrument or Interest Rate Hedge Agreement, so long as such modifications affect only the Obligations to which such Credit Support Instrument or Interest Rate Hedge Agreement relate; and

(l) In connection with any other change to the Trust Agreement which, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the Holders of the Obligations.

The provisions of (g) and (j) above will not be deemed to constitute a waiver by the Trustee, the Registrar, the University or any Holder of any right which it may have in the absence of those provisions to consent to the application of any change in law to the Trust Agreement or the Obligations. (Section 7.01)

Supplemental Trust Agreements Requiring Consent of Holders

Exclusive of supplemental indentures referred to in Section 7.01 of the Trust Agreement and subject to the terms and provisions and limitations contained in this paragraph, and not otherwise, the Holders of a majority in aggregate principal amount of the Obligations then Outstanding shall have the right, from time to time, anything contained in the Trust Agreement to the contrary notwithstanding, to consent to and approve the execution by the University and the Trustee of such other indenture or indentures supplemental to the Trust Agreement as shall be deemed necessary and desirable by the University for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Trust Agreement; provided that nothing in this paragraph or in the Trust Agreement will permit, or be construed as permitting, a Supplemental Trust Agreement providing for (a)(i) a reduction in the percentage of Obligations the consent of the Holders of which are required to consent to such Supplemental Trust Agreement or (ii) a preference or priority of any Obligation or Obligations over any other Obligation or Obligations, without the consent of the Holders of all Obligations then Outstanding, (b) effect a change in the times, amount or currency of payment of the principal of, premium, if any, on or interest on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon, without the consent of the Holder of each such Obligation so affected or (c) modify the right of the Holders of not less than twenty-five percent in aggregate principal amount of the Obligations then Outstanding and in default as to payment of principal, premium or interest to compel the Trustee to declare the principal of all Obligations to be due and payable, without the consent of the Holders of a majority in aggregate principal amount of the Obligations then Outstanding.

If at any time the University request the Trustee to enter into any such Supplemental Trust Agreement for any of the purposes of Section 7.02 of the Trust Agreement, the Trustee, upon being satisfactorily indemnified with respect to expenses, shall cause notice of the proposed execution of such Supplemental Trust Agreement to be mailed by first class mail, postage prepaid, to all Holders of Obligations then Outstanding at their addresses as they appear on the Registrar at the close of business on the Business Day immediately preceding that mailing. The Trustee will not, however, be subject to any liability to any Holder by reason of its failure to mail, or the failure of such Holder to receive, the notice required by the Trust Agreement, and any such failure shall not affect the validity of such Supplemental Trust Agreement when consented to and approved as provided in Section 7.02 of Trust Agreement. Such notice will briefly set forth the nature of the proposed Supplemental Trust Agreement and will state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Holders.

If within such period, not exceeding one year, as prescribed by the University, following the mailing of such notice, the Trustee receives an instrument or instruments purporting to be executed by the Holders of a majority in aggregate principal amount of the Obligations then Outstanding, which instrument or instruments shall refer to the proposed Supplemental Trust Agreement described in such notice and will specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice as on file with the Trustee, thereupon, but not otherwise, the Trustee will execute such Supplemental Trust Agreement in substantially such form; without liability or responsibility to any Holder of any Obligation, whether or not such Holder will have consented thereto.

Any such consent is binding upon the Holder of the Obligation giving such consent, upon any subsequent Holder of such Obligation and upon the Holder of any Obligation issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Obligation giving such consent or by a subsequent Holder thereof by filing with the Trustee, prior to the execution by the Trustee of such Supplemental Trust Agreement, such revocation and, if such Obligation or Obligations are transferable by delivery, proof that such Obligations are held by the signer of such revocation in the manner permitted by Section 9.01 of the Trust Agreement. At any time after the Holders of the required percentage of the Obligations shall have filed their consents to the Supplemental Trust Agreement, the Trustee shall make and file with the University a written statement that the, Holders of such required percentage of the Obligations have filed such consents. Such written statement shall be conclusive evidence that such consents have been so filed.

If the Holders of the required percentage in aggregate principal amount of the Obligations shall have consented to and approved the execution thereof as provided in the Trust Agreement, no Holder of any Obligation has any right to object to the execution of such Supplemental Trust Agreement, to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof or to enjoin or restrain the Trustee or the University from executing the same or from taking any action pursuant to the provisions thereof.

Authorization to the Trustee; Effect of Supplemental Trust Agreements

The Trustee is authorized to join with the University in the execution of any such Supplemental Trust Agreement provided for in the Trust Agreement and to make the further agreements and stipulations which may be contained therein. Any Supplemental Trust Agreement executed in accordance with the provisions of the Trust Agreement will thereafter form a part of the Trust Agreement, all the terms and conditions contained in any such Supplemental Trust Agreement as to any provision authorized to be contained therein will be deemed to be part of the terms and conditions of the Trust Agreement for any and all purposes, the Trust Agreement will be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Trust Agreement of the University, the Trustee, the Registrar, the Authenticating Agents, the Paying Agents and all Holders of Obligations then Outstanding will thereafter be determined, exercised and enforced thereunder, subject in all respects

to such modifications and amendments. Express reference to such executed Supplemental Trust Agreement may be made in the text of any Obligations issued thereafter, if deemed necessary or desirable by the Trustee or the University. There will be no modification, change or amendment to the Trust Agreement or any other document related to the Obligations which affect the rights, duties or obligations of the Trustee thereunder, without the Trustee's prior written consent.

Opinion of Counsel

The Trustee is entitled to receive, and shall be fully protected in relying upon, the opinion of any counsel approved by it, who may be counsel for the University, as conclusive evidence that any such proposed Supplemental Trust Agreement complies with the provisions of the Trust Agreement and that it is proper for the Trustee, under the provisions of the Trust Agreement, to join in the execution of such Supplemental Trust Agreement. (Section 7.04)

Modification by Unanimous Consent

Notwithstanding anything contained elsewhere in the Trust Agreement, the rights and obligations of the University and of the Holders of the Obligations, and the terms and provisions of the Obligations and the Trust Agreement or any Supplemental Trust Agreement, may be modified or altered in any respect with the consent of the University and the consent of the Holders of all of the Obligations then Outstanding and the Trustee. (Section 7.05)

Release of Trust Agreement

If the University pays or cause to be paid and discharged, or there shall otherwise be paid to the Holders of the Outstanding Obligations all Debt Service Charges due or to become due thereon and provision shall also be made for paying all other sums payable under the Trust Agreement, then and in that event the Trust Agreement (except for Sections 4.02, 4.04, 4.05, 8.02 and 8.03 thereof) will cease, determine and become null and void, and the covenants, agreements, and other obligations of the University under the Trust Agreement are discharged and satisfied, and thereupon the Trustee will release the Trust Agreement, including the cancellation and discharge of the lien thereof, and execute and deliver to the University such instruments in writing as required to satisfy and terminate the lien thereof and to enter on the records such satisfaction and discharge and to re-convey to the University the estate created by the Trust Agreement and such other instruments to evidence such release and discharge as may be reasonably required by the University, and the Trustee and Paying Agents will assign and deliver to the University any property at the time subject to the lien of the Trust Agreement which may then be in their possession, except amounts in the Debt Service Fund required to be held by the Trustee and Paying Agents under Section 4.07 of the Trust Agreement or otherwise for the payment of Debt Service Charges. (Section 8.01)

Payment and Discharge of Obligations

All the Outstanding Obligations of one or more series will be deemed to have been paid and discharged within the meaning of the Trust Agreement, including without limitation, Section 8.01 of the Trust Agreement if either (i) the Trustee as paying agent and any Paying Agents are required to hold, in the Debt Service Payment Account in trust for and irrevocably committed thereto, sufficient moneys or (ii) the Trustee is required to hold, in the Debt Service Fund in trust for and irrevocably committed thereto, investments qualifying as Government Bonds as of the date of the determination required in Section 8.02 of the Trust Agreement which are, in either case, certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (likewise to be held in trust and committed, except as provided in the Trust Agreement), be sufficient together with moneys referred to in clause (i) above, for the payment, at their

maturity, redemption or due date, as the case may be, of all Debt Service Charges on those Obligations to their maturity, redemption or due date, as the case may be, or if Event of Default in such payment will have occurred on such date then to the date of the tender of such payment; provided that if any of such Obligations are to be redeemed prior to the maturity thereof, notice of such redemption will have been duly given or irrevocable provisions satisfactory to the Trustee have been duly made for the giving of such notice; provided that if the Obligations are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of such notice. (Section 8.02)

Survival of Certain Provisions

Notwithstanding the foregoing, those provisions of a Series Resolution and the Trust Agreement relating to the maturity of Obligations, interest payments and dates thereof, optional and mandatory redemption provisions, credit against Mandatory Sinking Fund Requirements, exchange, transfer and registration of Obligations, replacement of mutilated, destroyed, lost or stolen Obligations, the safekeeping and cancellation of Obligations, non-presentment of Obligations, the holding of moneys in trust, repayments to the University from the Special Funds and the rights, remedies and duties of the Trustee and the Registrar in connection with all of the foregoing, shall remain in effect and shall be binding upon the Trustee, the Registrar, the Authenticating Agent, Paying Agents and the Holders notwithstanding the release and discharge of the lien of the Trust Agreement. The provisions of the Article XIII of the Trust Agreement shall survive the release and discharge of the Trust Agreement. (Section 8.03)

Limitation of Rights

With the exception of rights expressly conferred in the Trust Agreement, nothing expressed or mentioned in or to be implied from the Trust Agreement or the Obligations is intended or shall be construed to give to any Person other than the parties to the Trust Agreement, the University, any Credit Support Provider and the Holders of the Obligations any legal or equitable right, remedy or claim under or in respect to the Trust Agreement or any covenants, conditions and provisions in contained in the Trust Agreement; the Trust Agreement and all of the covenants, conditions and provisions of the Trust Agreement being intended to be and being for the sole and exclusive benefit of the parties hereto, the University, any Credit Support Provider and the Holders of the Obligations as provided in the Trust Agreement. (Section 9.02)

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APPENDIX D

FORM OF BOND COUNSEL OPINION

[Date of Delivery]

University of Kentucky
Lexington, Kentucky

Re: \$12,370,000 University of Kentucky General Receipts Bonds, Taxable Build America Bonds 2010 Series A and \$12,955,000 University of Kentucky General Receipts Bonds, Taxable Qualified Energy Conservation Bonds 2010 Series B

Gentlemen:

We have acted as bond counsel in connection with the issuance by the University of Kentucky, a public body corporate and educational institution and agency of the Commonwealth of Kentucky (the "University"), of \$12,370,000 of University of Kentucky General Receipts Bonds, Taxable Build America Bonds 2010 Series A and \$12,955,000 University of Kentucky General Receipts Bonds, Taxable Qualified Energy Conservation Bonds 2010 Series B (collectively, the "Series 2010 Bonds") pursuant to Sections 162.340 to 162.380 of the Kentucky Revised Statutes and Sections 58.010 to 58.140 of the Kentucky Revised Statutes, as amended (the "Act"); the 2005 General Bond Resolution of the Board of Trustees of the University (the "Board") adopted on September 20, 2005 (the "2005 General Bond Resolution") authorizing the execution and delivery of a Trust Agreement dated as of November 1, 2005 (the "Trust Agreement") between the University and U.S. Bank National Association, as trustee (the "Trustee"); and a Series 2010 Resolution adopted by the University on September 14, 2010 (the "Series 2010 Resolution") authorizing the execution and delivery of a Fifth Supplemental Trust Agreement, dated as of November 1, 2010 (the "Series 2010 Supplement") between the University and the Trustee, for the purpose of financing the cost, not otherwise provided, of the Project, as described in the Series 2010 Resolution. We have examined the law and the transcript of proceedings pursuant to which the Series 2010 Bonds have been authorized and issued, and such other matters as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the opinion of General Counsel to the University, representations of the University contained in the 2005 General Bond Resolution, the Trust Agreement, the Series 2010 Resolution, the Series 2010 Supplement and in the transcript of proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof and under existing law, as follows:

1. The University is a duly created and validly existing public body corporate and educational institution and agency of the Commonwealth of Kentucky, with full power to adopt the 2005 General Bond Resolution and the Series 2010 Resolution, to perform the agreements on its part contained therein and in the Trust Agreement and the Series 2010 Supplement and to issue the Series 2010 Bonds.

2. The 2005 General Bond Resolution and the Series 2010 Resolution have been duly adopted by the University and constitute valid and binding obligations of the University enforceable upon the University.

3. The Trust Agreement and the Series 2010 Supplement have been duly authorized, executed and delivered by the University and are each valid and binding obligations of the University, enforceable in accordance with their respective terms.

4. The Series 2010 Bonds have been duly authorized, executed and delivered by the University and constitute valid and binding obligations of the University payable solely from the sources provided therefore in the 2005 General Bond Resolution, the Series 2010 Resolution, the Trust Agreement and the Series 2010 Supplement.

5. The Series 2010 Bonds and any additional Obligations, as defined in the Trust Agreement, heretofore and hereafter issued and outstanding under the terms of the Trust Agreement are and will be payable from the General Receipts, as defined in the Trust Agreement, which have been pledged thereunder as provided in the Trust Agreement and the Series 2010 Supplement.

6. Interest on the Series 2010 Bonds is not excludible from gross income for Federal income tax purposes. We express no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Series 2010 Bonds.

7. Interest on the Series 2010 Bonds is exempt from income taxation and the Series 2010 Bonds are exempt from ad valorem taxation by the Commonwealth and any of its political subdivisions.

It is to be understood that the rights of the owners of the Series 2010 Bonds and the enforceability of the Series 2010 Bonds, 2005 General Bond Resolution, the Series 2010 Resolution, the Trust Agreement and the Series 2010 Supplement may be subject to bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting creditors' rights, and to the exercise of judicial discretion in accordance with general equitable principles.

Very truly yours,
PECK, SHAFFER & WILLIAMS LLP

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

The Series 2010 Bonds initially will be issued solely in book-entry form to be held in the book-entry-only system maintained by The Depository Trust Company ("DTC"), New York, New York. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Series 2010 Bonds and, except as otherwise provided herein with respect to tenders by Beneficial Owners of beneficial ownership interests, each actual purchaser of each Series 2010 Bond (a "Beneficial Owner") will not be or be considered to be, and will not have any rights as, owner or holder of the Series 2010 Bonds under the Trust Agreement.

The following information about the book-entry-only system applicable to the Series 2010 Bonds has been supplied by DTC. Neither the University nor the Trustee makes any representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the Series 2010 Bonds. The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2010 Bond certificate will be issued for in the aggregate principal amount of the Series 2010 Bonds and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010 Bonds on DTC's records. The ownership interest of each Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase. Beneficial owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2010 Bonds are to be

accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial owners will not receive certificates representing their ownership interests in Series 2010 Bonds, except in the event that use of the book-entry system for the Series 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2010 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial owners of Series 2010 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2010 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2010 Bond documents. For example, Beneficial Owners of Series 2010 Bonds may wish to ascertain that the nominee holding the Series 2010 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2010 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2010 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the University as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Series 2010 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the University or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Series 2010 Bonds held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC or its nominee, the Trustee or the University, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the University or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2010 Bonds at any time by giving reasonable notice to the University or the Trustee. Under such circumstances, in the

event that a successor depository is not obtained, Series 2010 Bond certificates are required to be printed and delivered.

The University may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2010 Bond certificates will be printed and delivered.

NEITHER THE UNIVERSITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A HOLDER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

Each Beneficial Owner for whom a Direct Participant or Indirect Participant acquires an interest in the Series 2010 Bonds, as nominee, may desire to make arrangements with such Direct Participant or Indirect Participant to receive a credit balance in the records of such Direct Participant or Indirect Participant, to have all notices of redemption, elections to tender Series 2010 Bonds or other communications to or by DTC which may affect such Beneficial Owner forwarded in writing by such Direct Participant or Indirect Participant, and to have notification made of all debt service payments.

Beneficial owners may be charged a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation to any transfer or exchange of their interests in the Series 2010 Bonds.

The University cannot and does not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of debt service on the Series 2010 Bonds made to DTC or its nominee as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

The information in this APPENDIX E concerning DTC and DTC's book-entry system has been obtained from sources that the University believes to be reliable, but the University takes no responsibility for the accuracy thereof.

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APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

Relating to:

\$12,370,000
UNIVERSITY OF KENTUCKY
GENERAL RECEIPTS BONDS,
TAXABLE BUILD AMERICA BONDS 2010 SERIES A

and

\$12,955,000
UNIVERSITY OF KENTUCKY
GENERAL RECEIPTS BONDS,
TAXABLE QUALIFIED ENERGY CONSERVATION BONDS 2010 SERIES B

Dated as of: November 1, 2010

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THIS CONTINUING DISCLOSURE AGREEMENT (the "Agreement") is made and entered into as of the 1st day of November, 2010, between U.S. Bank National Association, as disclosure agent (the "Disclosure Agent") and the University of Kentucky (the "Issuer").

RECITALS

WHEREAS, the Issuer has issued or will issue its General Receipts Bonds, Taxable Build America Bonds 2010 Series A and Qualified Energy Conservation Bonds 2010 Series B (collectively, the "Bonds") pursuant to a Trust Agreement dated as of November 1, 2005 between the Issuer and the Disclosure Agent, as supplemented (the "Trust Agreement"), to (i) pay the costs of certain capital improvements related to a Guaranteed Energy Savings Performance Contract and (ii) pay the costs of issuing the Bonds; and

WHEREAS, the Bonds have been offered and sold pursuant to a Preliminary Official Statement, dated October 21, 2010 and a final Official Statement, dated October 28, 2010 (the "Offering Document"); and Morgan Keegan & Co., Inc. and Stifel Nicolaus & Company, Inc. have agreed to purchase the Bonds based on their competitive bids pursuant to the Issuer's Notice of Bond Sale as to the Bonds; and

WHEREAS, the Disclosure Agent and the Issuer, wish to provide for the disclosure of certain information concerning the Bonds, the Project and other matters on an ongoing basis as set forth herein for the benefit of Bondholders (as hereinafter defined) in accordance with the provisions of Securities and Exchange Commission Rule 15c2-12, as amended from time to time (the "Rule");

NOW, THEREFORE, in consideration of the mutual promises and agreements made herein and in the Indenture, the receipt and sufficiency of which consideration is hereby mutually acknowledged, the parties hereto agree as follows:

Section 1. Definitions; Scope of this Agreement

(A) All terms capitalized but not otherwise defined herein shall have the meanings assigned to those terms in the Trust Agreement. Notwithstanding the foregoing, the term "Disclosure Agent" shall originally mean U.S. Bank National Association, having offices in Louisville, Kentucky; any successor disclosure agent shall automatically succeed to the rights and duties of the Disclosure Agent hereunder, without any amendment hereto. The following capitalized terms shall have the following meanings:

"Annual Financial Information" shall mean a copy of the annual audited financial information prepared for the Issuer which shall include, if prepared, a statement of net assets, and the related statements of revenues, expenses and changes in net assets and of cash flows. All such financial information shall be prepared using generally accepted accounting principles, provided, however, that the Issuer may change the accounting principles used for preparation of such financial information so long as the Issuer includes as information provided to the public, a statement to the effect that different accounting principles are being used, stating the reason for such change and how to compare the financial information provided by the differing financial accounting principles. Any or all of the items listed above may be set forth in other documents, including Offering Documents of debt issues of the Issuer, the Board or related public entities, which have been transmitted to the MSRB, or may be included by specific reference to documents available to the public on the MSRB's Internet Website or filed with the SEC.

"Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Bondholders" shall mean any holder of the Bonds and any Beneficial Owner thereof.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Material Event" shall mean any of the events listed in items (i) through (xiii) below the occurrence of which the Issuer obtains knowledge, and which the Issuer determines would constitute material information for Bondholders, provided, that the occurrence of an event described in clauses (i), (iii), (iv), (v), (viii), (ix) and (xi) shall always be deemed to be material. The following events with respect to the Bonds, if material, shall constitute Material Events:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (vii) Modifications to rights of security holders;
- (viii) Bond calls, except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event;
- (ix) Defeasances;
- (x) Release, substitution or sale of property securing repayment of the securities;
- (xi) Rating changes;
- (xii) The cure, in the manner provided under the Trust Agreement, of any payment or nonpayment related default under the Trust Agreement; and
- (xiii) The issuance of any Additional Bonds or other indebtedness on a parity with the Bonds.

The SEC requires the listing of (i) through (xi) although some of such events may not be applicable to the Bonds.

"Operating Data" shall mean an update of the Operating Data contained in Appendix A of the Offering Document.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"SEC" shall mean the Securities and Exchange Commission.

"State" shall mean the Commonwealth of Kentucky.

"Turn Around Period" shall mean (i) five (5) business days, with respect to Annual Financial Information and Operating Data delivered by the Issuer to the Disclosure Agent; (ii) two (2) business days with respect to Material Event occurrences disclosed by the Issuer to the Disclosure Agent; or (iii) two (2) business days with respect to the failure, on the part of the Issuer, to deliver Annual Financial Information

and Operating Data to the Disclosure Agent which period commences upon notification by the Issuer of such failure, or upon the Disclosure Agent's actual knowledge of such failure.

(B) This Agreement applies to the Bonds and any Additional Bonds issued under the Trust Agreement.

(C) The Disclosure Agent shall have no obligation to make disclosure about the Bonds or the Project except as expressly provided herein; provided that nothing herein shall limit the duties or obligations of the Disclosure Agent, as Paying Agent, under the Trust Agreement. The fact that the Disclosure Agent or any affiliate thereof may have any fiduciary or banking relationship with the Issuer, apart from the relationship created by the Trust Agreement, shall not be construed to mean that the Disclosure Agent has actual knowledge of any event or condition except in its capacity as Paying Agent under the Trust Agreement or except as may be provided by written notice from the Issuer.

Section 2. Disclosure of Information.

(A) General Provisions. This Agreement governs the Issuer's direction to the Disclosure Agent, with respect to information to be made public. In its actions under this Agreement, the Disclosure Agent is acting not as Paying Agent but as the Issuer's agent.

(B) Information Provided to the Public. Except to the extent this Agreement is modified or otherwise altered in accordance with Section 3 hereof, the Issuer shall make or cause to be made public the information set forth in subsections (1), (2) and (3) below:

(1) Annual Financial Information and Operating Data. Annual Financial Information and Operating Data at least annually not later than 180 days following the end of each fiscal year, beginning with the fiscal year ending June 30, 2010 and continuing with each fiscal year thereafter, for which the information is provided, taking into account the Turn Around Period, and, in addition, all information with respect to the Bonds required to be disseminated by the Trustee pursuant to the Indenture.

(2) Material Events Notices. Notice of the occurrence of a Material Event.

(3) Failure to Provide Annual Financial Information. Notice of the failure of Issuer to provide the Annual Financial Information and Operating Data by the date required herein.

(C) Information Provided by Disclosure Agent to Public.

(1) The Issuer directs the Disclosure Agent on its behalf to make public in accordance with subsection (D) of this Section 2 and within the time frame set forth in clause (3) below, and the Disclosure Agent agrees to act as the Issuer's agent in so making public, the following:

(a) the Annual Financial Information and Operating Data;

(b) Material Event occurrences;

(c) the notices of failure to provide information which the Issuer has agreed to make public pursuant to subsection (B)(3) of this Section 2;

(d) such other information as the Issuer shall determine to make public through the Disclosure Agent and shall provide to the Disclosure Agent in

the form required by subsection (C)(2) of this Section 2. If the Issuer chooses to include any information in any Annual Financial Information report or in any notice of occurrence of a Material Event, in addition to that which is specifically required by this Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Financial Information report or notice of occurrence of a Material Event; and

(2) The information which the Issuer has agreed to make public shall be in the following form:

(a) as to all notices, reports and financial statements to be provided to the Disclosure Agent by the Issuer, in the form required by the Trust Agreement or other applicable document or agreement; and

(b) as to all other notices or reports, in such form as the Disclosure Agent shall deem suitable for the purpose of which such notice or report is given.

(3) The Disclosure Agent shall make public the Annual Financial Information, the Operating Data, the Material Event occurrences and the failure to provide the Annual Financial Information and Operating Data within the applicable Turn Around Period. Notwithstanding the foregoing, Annual Financial Information, Operating Data and Material Events shall be made public on the same day as notice thereof is given to the Bondholders of outstanding Bonds, if required in the Trust Agreement, and shall not be made public before the date of such notice. If on any such date, information required to be provided by the Issuer to the Disclosure Agent has not been provided on a timely basis, the Disclosure Agent shall make such information public as soon thereafter as it is provided to the Disclosure Agent.

(D) Means of Making Information Public.

(1) Information shall be deemed to be made public by the Issuer or the Disclosure Agent under this Section if it is transmitted to one or more of the following as provided in subsection (D)(2) of this Section 2:

(a) to the Bondholders of outstanding Bonds, by the method prescribed by the Trust Agreement;

(b) to the MSRB, in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB; and/or;

(c) to the SEC, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Issuer or the Disclosure Agent is authorized to transmit information to a SEC by whatever means are mutually acceptable to the Disclosure Agent, the Issuer and the Board, and the SEC.

(2) Information shall be transmitted to the following:

(a) all Annual Financial Information and Operating Data shall be transmitted to the MSRB;

(b) notice of all Material Events and notice of a failure by the Issuer or the Board to provide Annual Financial Information on or before the date specified in Section 2(B)(1) hereof shall be transmitted to the MSRB;

(c) all information described in clauses (a) and (b) shall be made available to any Bondholder upon request, but need not be transmitted to the Bondholders who do not so request; and

(d) to the extent the Issuer or the Board is obligated to file any Annual Financial Information or Operating Data with the MSRB pursuant to this Agreement, such Annual Financial Information or Operating Data may be set forth in the document or set of documents transmitted to the MSRB, or may be included by specific reference to documents available to the public on the MSRB's Internet Website or filed with the SEC.

Nothing in this subsection shall be construed to relieve the Disclosure Agent, as Paying Agent, of its obligation to provide notices to the holders of all Bonds if such notice is required by the Indenture.

With respect to requests for periodic or occurrence information from Bondholders, the Disclosure Agent may require payment by requesting of holders a reasonable charge for duplication and transmission of the information and for the Disclosure Agent's administrative expenses incurred in providing the information.

Nothing in this Agreement shall be construed to require the Disclosure Agent to interpret or provide an opinion concerning the information made public. If the Disclosure Agent receives a request for an interpretation or opinion, the Disclosure Agent may refer such request to the Issuer for response.

(E) Disclosure Agent Compensation. The Issuer shall pay or reimburse the Disclosure Agent for its fees and expenses for the Disclosure Agent's services rendered in accordance with this Agreement.

(F) Indemnification of Disclosure Agent. In addition to any and all rights of the Disclosure Agent to reimbursement, indemnification and other rights pursuant to the Trust Agreement or under law or equity, the Issuer shall, to the extent permitted by law, indemnify and hold harmless the Disclosure Agent and its respective officers, directors, employees and agents from and against any and all claims, damages, losses, liabilities, reasonable costs and expenses whatsoever (including attorney fees) which such indemnified party may incur by reason of or in connection with the Disclosure Agent's performance under this Agreement; provided that the Issuer shall not be required to indemnify the Disclosure Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Disclosure Agent in such disclosure of information hereunder. The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Agent and payment of the Bonds.

Section 3. Amendment or Waiver.

Notwithstanding any other provision of this Agreement, the Issuer and the Disclosure Agent may amend this Agreement (and the Disclosure Agent shall agree to any reasonable amendment requested by the Issuer) and any provision of this Agreement may be waived, if such amendment or waiver is

supported by an opinion of nationally recognized bond counsel or counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule as well as any change in circumstance.

Section 4. Miscellaneous.

(A) Representations. Each of the parties hereto represents and warrants to each other party that it has (i) duly authorized the execution and delivery of this Agreement by the officer of such party whose signature appears on the execution pages hereto, (ii) that it has all requisite power and authority to execute, deliver and perform this Agreement under its organizational documents and any corporate resolutions now in effect, (iii) that the execution and delivery of this Agreement, and performance of the terms hereof, does not and will not violate any law, regulation, ruling, decision, order, indenture, decree, agreement or instrument by which such party is bound, and (iv) such party is not aware of any litigation or proceeding pending, or, to the best of such party's knowledge, threatened, contesting or questioning its existence, or its power and authority to enter into this Agreement, or its due authorization, execution and delivery of this Agreement, or otherwise contesting or questioning the issuance of the Bonds.

(B) Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State; provided that, to the extent that the SEC, the MSRB or any other federal or state agency or regulatory body with jurisdiction over the Bonds shall have promulgated any rule or regulation governing the subject matter hereof, this Agreement shall be interpreted and construed in a manner consistent therewith.

(C) Severability. If any provision hereof shall be held invalid or unenforceable by a court of competent jurisdiction, the remaining provisions hereof shall survive and continue in full force and effect.

(D) Counterparts. This Agreement may be executed in one or more counterparts, each and all of which shall constitute one and the same instrument.

(E) Termination. This Agreement may be terminated by any party to this Agreement upon thirty days' written notice of termination delivered to the other party or parties to this Agreement; provided the termination of this Agreement is not effective until (i) the Issuer, or its successor, enters into a new continuing disclosure agreement with a disclosure agent who agrees to continue to provide, to each NRMSIR, SID and/or MSRB and the Bondholders of the Bonds, all information required to be communicated pursuant to the rules promulgated by the SEC or the MSRB, (ii) nationally recognized bond counsel or counsel expert in federal securities laws provides an opinion that the new continuing disclosure agreement is in compliance with all State and Federal Securities laws and (iii) notice of the termination of this Agreement is provided to each NRMSIR, the appropriate SID, if any, and/or MSRB.

This Agreement shall terminate when all of the Bonds are or are deemed to be no longer outstanding by reason of redemption or legal defeasance or at maturity.

(F) Defaults: Remedies. A party shall be in default of its obligations hereunder if it fails to carry out or perform its obligations hereunder.

If an event of default occurs and continues beyond a period of thirty (30) days following notice of default given in writing to such defaulting party by any other party hereto or by a beneficiary hereof as identified in Section 4(G), the non-defaulting party or any such beneficiary may (and, at the request of the Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, the non-defaulting party shall), enforce the obligations of the defaulting party under this Agreement; provided, however, the sole remedy available in any proceeding to enforce this Agreement shall be an action in mandamus, for specific performance or similar remedy to compel performance.

(G) Beneficiaries. This Agreement is entered into by the parties hereof and shall inure solely to the benefit of the Issuer, the Disclosure Agent, the Participating Underwriter and Bondholders, and shall create no rights in any other person or entity.

Section 5. Additional Disclosure Obligations.

The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933, the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, may apply to the Issuer, and that under some circumstances compliance with this Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Issuer under such laws.

Section 6. Notices.

Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Issuer: University of Kentucky
Office of the Treasurer
107C Main Building
Lexington, Kentucky 40506-1841
Attention: Treasurer
Telephone/Fax: (859) 257-4758/4805

To the Disclosure Agent: U.S. Bank National Association
Locator CN-KY-0850
One Financial Square
Louisville, Kentucky 40202
Attention: Corporate Trust Department
Telephone/Fax: (502) 562-6436/(502) 562-6371

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

IN WITNESS WHEREOF, the Disclosure Agent and the Issuer have each caused their duly authorized officers to execute this Agreement, as of the day and year first above written.

UNIVERSITY OF KENTUCKY, Issuer

By: _____
Treasurer

U.S. BANK NATIONAL ASSOCIATION,
Disclosure Agent

By: _____

Title: _____

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