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*ADMITTED ONLY IN INDIANA
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 ALL OTHER ATTORNEYS ADMITTED IN KENTUCKY

APR 1987

April 23, 1987

VIA FEDERAL EXPRESS

Mr. Harry Largen, Vice President for
 Business Affairs
 Western Kentucky University
 College Heights Post Office
 Bowling Green, Kentucky 42101

Dear Mr. Largen:

As you know, the State Property and Buildings Commission ("SPBC") is considering a new bond issue to finance the purchase of certain outstanding bonds, issued by each of the state Universities, from the United States Department of Education ("DOE").

We are asking the Boards of each of the state Universities to consider and act upon a resolution requesting the SPBC to issue these new bonds.

Enclosed is a draft of the resolution we are asking your Board to consider and act upon at its upcoming meeting. We regret any inconvenience this may cause from a timing standpoint, but we are trying to move as quickly as possible to consummate the bond issue and particularly to enter into a formal agreement with DOE for the purchase of the Universities' bonds.

Cordially,

WYATT, TARRANT & COMBS

Parker W. Eads
 Parker W. Eads

PWE:yrb
 Enclosure
 cc: Ms. Mary Lassiter (w/enclosure)

RESOLUTION REQUESTING THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY TO AUTHORIZE THE SOLICITATION OF BIDS AND THE USE OF A PRELIMINARY OFFICIAL STATEMENT, BID FORM, OFFICIAL NOTICE OF SALE, AND OTHER ACTIONS, INCLUDING ACTIONS AS TO CONTRACTING WITH THE UNITED STATES DEPARTMENT OF EDUCATION, CREDIT ENHANCEMENT (INCLUDING BOND INSURANCE), INTERIM FINANCING, AND ISSUANCE EXPENSES, WITH RESPECT TO THE OFFERING FOR SALE OF NOT TO EXCEED \$50,000,000 AGGREGATE PRINCIPAL AMOUNT OF REVENUE BONDS TO FINANCE THE PURCHASE OF PREVIOUSLY ISSUED AND OUTSTANDING HOUSING AND DINING SYSTEM REVENUE BONDS AND CONSOLIDATED EDUCATIONAL BUILDINGS REVENUE BONDS OF THE UNIVERSITIES OF THE COMMONWEALTH; AND REQUESTING THE STATE PROPERTY AND BUILDINGS COMMISSION TO ISSUE AND SELL SUCH BONDS.

* * * * *

WHEREAS, the Universities of the Commonwealth including Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, the University of Kentucky, the University of Louisville and Western Kentucky University (collectively, the "Universities") have issued their Housing and Dining System Revenue Bonds and/or Consolidated Educational Buildings Revenue Bonds, in one or more series and from time to time, respectively (collectively, the "Prior Bonds"), as more particularly described in the summary of benefits dated as of March 31, 1987 prepared by PaineWebber Incorporated, New York, New York (the "Summary"); and

WHEREAS, the United States Department of Education ("DOE") has informed the State Property and Buildings Commission (the "Commission") that DOE is currently the holder of the Prior Bonds, which were acquired by DOE through the College Housing and Academic Facilities Loan Program and/or similar programs; and

WHEREAS, DOE has proposed to sell the Prior Bonds to the Commonwealth of Kentucky (the "Commonwealth") at the respective discounted purchase prices more particularly described on Exhibit A hereto; and

WHEREAS, DOE has stated that the purchase price of the Prior Bonds may not be financed with the proceeds of obligations the interest on which is excludable from gross income under the Internal Revenue Code of 1986; and

WHEREAS, PaineWebber Incorporated has prepared financial analyses which appear to demonstrate that the

purchase price of the Prior Bonds may be financed with obligations of the Commission the interest on which is treated as subject to federal income tax taxation, with resulting net present value debt service savings to the Commonwealth, including the Universities; and

WHEREAS, economies of scale, particularly in the context of taxable bond issues, including costs of issuance such as legal and financial advisory fees, credit enhancement and the like, demonstrate that the most efficient manner of financing the purchase of the Prior Bonds is through the issuance of one, large aggregate principal amount of bonds (in one or more series) by the Commission, rather than through smaller individual issues of bonds by each University; and

WHEREAS, pursuant to KRS 56.450 and KRS 58.010 et seq., the Commission therefore proposes to offer for sale not to exceed \$50,000,000 aggregate principal amount of taxable revenue bonds (the "Bonds") of the Commission for the purpose of paying the costs of the purchase of the Prior Bonds and related costs of issuance of the Bonds; and

WHEREAS, the Bonds herein authorized to be issued will be refunding bonds (issued to refund the Prior Bonds), with resulting net debt service savings to the Commonwealth, including the Universities, and such taxable revenue bonds will not constitute an indebtedness of the Commonwealth or the Universities nor shall the payment of such Bonds require any appropriation from the general fund or otherwise, but such Bonds shall be payable from and secured by the debt service payments under the Prior Bonds and from the proceeds of the Prior Bonds (which Prior Bonds are expected to be placed in escrow as security for the Bonds); and

WHEREAS, upon the award of the Commission's bonds to the successful bidder, the Commission intends to authorize the issuance of the bonds pursuant to a resolution, establishing the final principal amount, maturities and rates of interest on the bonds and other terms and conditions of the issuance of the bonds; and

WHEREAS, this Board desires to recommend to the Commission that the proposed issuance of bonds (as herein described and preliminarily approved) by the Commission to purchase the Prior Bonds on behalf of the Commonwealth is necessary and desirable;

NOW, THEREFORE, BE IT AND IT IS HEREBY RESOLVED AND ORDERED BY THE BOARD OF REGENTS OF WESTERN KENTUCKY UNIVERSITY AS FOLLOWS.

Section 1. Authorization to Offer Bonds for Sale. To the extent the Commission finds it to be in the best interest of the University, the Commission is hereby requested to borrow, on behalf of the Universities, the aggregate sum of not more than Fifty Million Dollars (\$50,000,000) and to offer its Bonds therefor in accordance with the provisions of Section 56.450 and Section

58.010 et seq. of the Kentucky Revised Statutes. Such amount of Bonds shall provide for the financing of the purchase of the Prior Bonds as described in the recitals hereto, and may be issued in one or more series of varying principal amounts (not exceeding \$50,000,000 in the aggregate), at various times, as funds are needed for financing of the purchase of the Prior Bonds. The final principal amount, interest rate and maturity of any series of Bonds shall be established upon adoption of the authorizing resolution or resolutions of the Commission.

Section 2. Authorization of Solicitation of Bids and Sale Documents. The solicitation of bids for the purchase of the Bonds, as provided by Section 56.450 and 58.010 et seq. of the Kentucky Revised Statutes is hereby authorized, and the use of an official notice of sale, official bid form and the preliminary official statement, is hereby approved, the content and form of which shall be similar to those used for other recent sales of bonds by the Commission and which shall be used to represent the official conditions of the Commission to offer to sell the Bonds. The execution of such official notice of sale, official bid form and preliminary official statement by an authorized officer of the Commission shall evidence the approval thereof by the Commission.

Section 3. Sale of Bonds. The Bonds shall be offered for sale through the solicitation of sealed bids, as determined by the Commission staff to be in the best interests of the Commission, acting on behalf of the Universities, based on current market conditions, which bids shall be opened and considered by the Commission. The right to reject any or all bids shall be expressly reserved. If an acceptable bid is received, the Commission may award the Bonds in the manner and for the purposes herein provided, establish the final principal amount for such series, establish the maturity date or dates of the respective Bonds and the interest rate or rates which such series of Bonds shall bear, and take all other necessary and proper steps in the issuance of the Bonds, including adoption of an approving resolution.

Section 4. Security. The Bonds herein authorized to be offered for sale are refunding bonds and shall be secured as provided in the recitals to this resolution, and shall not constitute an indebtedness of the Commonwealth or the Universities nor shall the payment of such bonds require any appropriation from the general fund or otherwise.

Section 5. Provisions Relating to Prior Bonds. In order to enhance the marketability of the Bonds there is hereby authorized to be negotiated and approved by the committee of this Board hereinafter identified an agreement (the "Agreement") under which the Universities make certain covenants and waive certain rights with respect to the Prior Bonds, including specifically rights as to the optional redemption of the Prior Bonds.

Section 6. Purchase of Prior Bonds; Interim Financing; Credit Enhancement; and Issuance Expenses. To effectuate the foregoing purposes, and subject to final approval of the Commission upon adoption of the final approving Resolution, the Commission is hereby authorized to [i] negotiate with DOE as to the contractual terms and conditions upon which the Commission will purchase the Prior Bonds and/or to provide for the private placement with others of the contract with DOE as to the foregoing; [ii] secure interim financing pursuant to law (which may be by the solicitation of proposals therefor as provided in KRS 56.513) to the extent necessary to accomplish the purposes of this Resolution; [iii] negotiate with and enter into a commitment for credit enhancement (which may be through private bond insurance) of the Bonds so as to lower the debt service costs of the financing; and [iv] hire financial advisor(s) and bond counsel as provided by law in connection with the issuance of the Bonds, and to deal with one or more rating agencies to secure a favorable rating of the Bonds.

Section 7. Further Acts and Deeds. Appropriate officers and employees of the Commission are hereby authorized and directed to execute, acknowledge and deliver any and all papers, instruments, certificates, affidavits and other documents, and to do and cause to be done any and all acts and things necessary or desirable to effect the transactions authorized above. The Chairman, Vice Chairman, Secretary and Treasurer of this Board and any other appropriate officers and employees of this Board and this University are hereby authorized and directed to execute, acknowledge and deliver any and all papers, instruments, certificates, affidavits and other documents, and to do and cause to be done any and all acts and things necessary or desirable to effect the transactions authorized above.

Section 8. Committee. A committee of this Board, as described on Exhibit B attached to this Resolution and incorporated by reference herein, is hereby authorized to approve and authorize the execution of any and all papers, instruments, certificates, affidavits and other documents (including the Agreement), and any and all acts and things necessary or desirable to effect the transactions authorized above, to the extent that the further approval of this Board may be required for the foregoing purposes and to the extent permitted by law.

Section 9. Recitals Incorporated Herein. The recitals to this Resolution are hereby approved and are incorporated by reference in their entirety.