

MINUTES OF A SPECIAL CALLED MEETING OF THE EXECUTIVE COMMITTEE OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF KENTUCKY HELD ON JULY 29, 1986, AT 11:00 A.M.

The Executive Committee of the Board of Trustees of the University of Kentucky met at 11:00 A.M. (Eastern Daylight Time), on Tuesday, July 29, 1986, in the Board Room on the 18th Floor of the Patterson Office Tower on the campus of the University in Lexington, Kentucky.

A. Meeting Opened and Roll Called

Mr. Robert T. McCowan, Chairman, called the meeting to order at 11:00 a.m. and the invocation was pronounced by Mr. Tracy Farmer.

The following members of the Executive Committee of the Board of Trustees were present: Mr. Robert T. McCowan (Chairman), Mr. Albert G. Clay, and Mr. Tracy Farmer. The following members were absent: Mr. William R. Black and Mr. T. A. Lassetter. The University administration was represented by President Otis A. Singletary; Mr. James O. King, Vice President for Administration; Chancellor Charles T. Wethington; Mr. John C. Darsie, General Counsel (Assistant Secretary of the Board of Trustees); Mr. Henry Clay Owen, Controller and Treasurer; Dr. Paul G. Sears, Special Assistant for Academic Affairs; and Dr. Donald B. Clapp, Executive Vice Chancellor for Administration, Medical Center, representing Chancellor Peter P. Bosomworth.

Members of the various news media were also in attendance. A quorum being present, the Chairman declared the meeting officially open for the conduct of business at 11:03 a.m.

B. Minutes Approved

On motion made by Mr. Clay, seconded by Mr. Farmer and passed, the Minutes of the June 25, 1986 meeting of the Board of Trustees were approved as written.

C. Resolution of the Executive Committee of the Board of Trustees of the University of Kentucky Ratifying, Confirming and Approving the Series A Resolution as Corrected to Reflect the Principal Maturities of the Series A Bonds to be Issued in the Total Principal Amount of \$21,000,000, and Related Clarifying Language (PR 3A)

In accordance with the Series Resolution adopted by the Board of Trustees of the University of Kentucky on June 25, 1986, entitled:

A RESOLUTION AUTHORIZING THE ISSUANCE OF \$25,000,000 OF UNIVERSITY OF KENTUCKY HOSPITAL REVENUE BONDS, SERIES A, OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF KENTUCKY

(the "Series A Resolution") a special called meeting of the Executive Committee was called for the purpose of ratifying, confirming and approving the Series A Resolution as corrected to reflect the principal maturities of the Series A Bonds to be issued in a total principal amount of \$21,000,000, as determined by Executive Order of the President of the University of Kentucky, and the clarifying language as to those provisions affected by the reduction in principal amount of the Series A Bonds to be issued, and also for the acceptance of the bid for the purchase of the Series A Bonds.

Thereupon, a Resolution entitled:

RESOLUTION OF THE EXECUTIVE COMMITTEE OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF KENTUCKY RATIFYING, CONFIRMING AND APPROVING THE SERIES A RESOLUTION AS CORRECTED TO REFLECT THE PRINCIPAL MATURITIES OF THE SERIES A BONDS TO BE ISSUED IN THE TOTAL PRINCIPAL AMOUNT OF \$21,000,000, AND RELATED CLARIFYING LANGUAGE.

having been presented to this Executive Committee for consideration, it was moved by Trustee Clay and seconded by Trustee Farmer, that said Resolution be adopted.

The Resolution was read to the members of the Executive Committee in its entirety and after consideration, a yea and nay vote was taken on the motion to adopt said Resolution, which resulted as follows:

<u>Yeas for the Motion</u>	<u>Nays Against the Motion</u>
Robert T. McCowan Albert G. Clay Tracy Farmer	None

The Chairman declared that the motion had carried and the Resolution as corrected was adopted. (See PR 3A at the end of the Minutes.)

D. Resolution of the Executive Committee of the Board of Trustees of the University of Kentucky Accepting the Successful Bid for the Purchase of the University of Kentucky Hospital Revenue Bonds, Series A, Dated August 1, 1986 (PR 3B)

Mr. King called the attention of the members present to the fact that a Notice of Bond Sale had been published in the LEXINGTON HERALD-LEADER, THE COURIER-JOURNAL (Statewide Edition) and THE DAILY BOND BUYER, fixing the deadline for submitting bids for the purchase of the Series A Bonds for 10:30 a.m. on July 29, 1986. Mr. King declared that the bidding on the Series A Bonds was closed and then produced all the sealed bids which had been received. The bids were then publicly opened, read and referred to the Board's financial advisor, J.J.B. Hilliard, W.L. Lyons Incorporated, and Mr. Henry Clay Owen, Controller and Treasurer of the University, for analysis and report as to which bid offered the lowest net interest cost to the Board of Trustees. (A written report of each of such bids immediately follows the Minutes of this meeting and is attached hereto and made a part hereof.)

The Board's financial advisor having finished his analysis of the bids, his report as to the bid offering the lowest net interest cost to the Board and recommendation as to the best bid was received.

Thereupon, a Resolution entitled:

RESOLUTION OF THE EXECUTIVE COMMITTEE OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF KENTUCKY ACCEPTING THE SUCCESSFUL BID FOR THE PURCHASE OF THE UNIVERSITY OF KENTUCKY HOSPITAL REVENUE BONDS, SERIES A, DATED AUGUST 1, 1986

having been presented to this Executive Committee for consideration, it was moved by Trustee Farmer and seconded by Trustee Clay, that the bid of Smith Barney, Harris Upham & Co., Incorporated for the purchase of such Series A Bonds is hereby accepted and confirmed, said bid being at a price of \$20,536,901.65 at a net interest cost of 7.932090%, for said \$21,000,000 principal amount of Series A Bonds, plus accrued interest from August 1, 1986, to date of delivery of the Series A Bonds. That such bid is hereby determined to be the best bid and with the most favorable net interest cost to the Board, and the maturities, schedule of mandatory redemption dates, if any, and the interest rate or rates on such Series A Bonds are hereby fixed at the rates set out in such successful bid.

The Resolution was read to the members of the Executive Committee in its entirety and after consideration, a yea and nay vote was taken on the motion to adopt said Resolution, which resulted as follows:

Yeas for the Motion

Robert T. McCowan
Albert G. Clay
Tracy Farmer

Nays Against the Motion

None

The Chairman then declared that the motion had carried and said Resolution has been adopted. (See PR 3B at the end of the Minutes.)

E. Report on Self-Insurance Program

Dr. Clapp reported to the Executive Committee on the self-insurance program being proposed for the current year in the Medical Center. Copies of a letter from Chancellor Peter P. Bosomworth to President Singletary setting forth the program were distributed to members of the Board. This was an information item only. (See copy of letter at the end of the Minutes.)

F. Resolution Regarding Mr. George W. Griffin

On motion duly made, seconded and carried, the Executive Committee adopted an oral resolution wishing Mr. George W. Griffin a speedy recovery from his recent surgery.

F. Meeting Adjourned

Thereupon, there being no further business to come before the Executive Committee of the Board of Trustees, the Chairman adjourned the meeting at 11:24 A.M., E.D.T.

Respectfully submitted,

John C. Darsie
Assistant Secretary
Board of Trustees

(PR 3A and PR 3B; a copy of each of the three Bid Forms; and Chancellor Peter P. Bosomworth's letter which follow are official parts of the Minutes of the Meeting.)

1646

Office of the President
July 29, 1986

PR 3A

Members, Executive Committee of the Board of Trustees:

RESOLUTION OF THE EXECUTIVE COMMITTEE OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF KENTUCKY, RATIFYING, CONFIRMING AND APPROVING THE SERIES A RESOLUTION AS CORRECTED TO REFLECT THE PRINCIPAL MATURITIES OF THE SERIES A BONDS TO BE ISSUED IN THE TOTAL PRINCIPAL AMOUNT OF \$21,000,000, AND RELATED CLARIFYING LANGUAGE

Recommendation: That the Executive Committee of the Board of Trustees approve a resolution incorporating the maturity schedule for the authorized principal amount of \$21,000,000 of the University of Kentucky Hospital Revenue Bonds, Series A, and related clarifying language into the Series A Resolution which was adopted by the Board of Trustees on June 25, 1986.

Background: The Series A Resolution was adopted for the issuance of the Series A Bonds in a principal amount of \$25,000,000 or less. It has been determined by Executive Order of the President of the University as authorized by the Board of Trustees that the Series A Bonds should be issued in the amount of \$21,000,000. Therefore, it is now necessary to have the principal maturities for the authorized \$21,000,000 of Series A Bonds and related clarifying text incorporated in the Series A Resolution.

Action: Approved Disapproved Other

Date: July 29, 1986

RESOLUTION OF THE EXECUTIVE COMMITTEE OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF KENTUCKY, RATIFYING, CONFIRMING AND APPROVING THE SERIES A RESOLUTION AS CORRECTED TO REFLECT THE PRINCIPAL MATURITIES OF THE SERIES A BONDS TO BE ISSUED IN THE TOTAL PRINCIPAL AMOUNT OF \$21,000,000, AND RELATED CLARIFYING LANGUAGE.

WHEREAS, the Board of Trustees of the University of Kentucky, on June 25, 1986, adopted a Resolution entitled:

A RESOLUTION AUTHORIZING THE ISSUANCE OF \$25,000,000 OF UNIVERSITY OF KENTUCKY HOSPITAL REVENUE BONDS, SERIES A, OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF KENTUCKY,

(the "Series A Resolution") which Resolution provided that the actual principal amount of Series A Bonds to be issued and the date of sale for said Series A Bonds should be determined by Executive Order of the President; and

WHEREAS, by Executive Order of the President of the University of Kentucky, it has been determined that the Series A Bonds shall be issued in the principal amount of \$21,000,000 and that the date of sale of said Series A Bonds shall be July 29, 1986; and

WHEREAS, it has been determined that the Series A Resolution should be clarified as to those provisions affected by the reduction in the authorized principal amount of the Series A Bonds to be issued.

NOW, THEREFORE, THE EXECUTIVE COMMITTEE OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF KENTUCKY, DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. That the principal maturities of the Series A Bonds in the authorized principal amount of \$21,000,000 be incorporated into the Series A Resolution as shown on the attached Exhibit A.

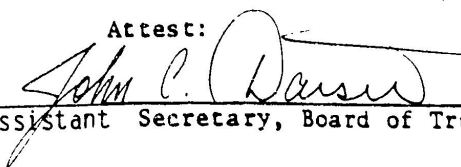
Section 2. That the Series A Resolution be clarified as to those provisions shown on the attached Exhibit A.

Adopted July 29, 1986.

(Seal)


Chairman

Attest:

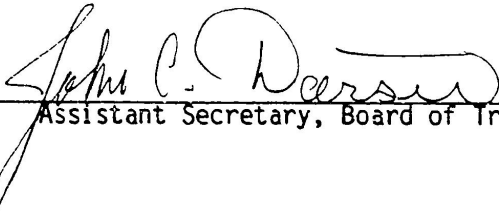

Assistant Secretary, Board of Trustees

CERTIFICATION

I, the undersigned, do hereby certify that I am the duly qualified and acting Assistant Secretary of the Board of Trustees of the University of Kentucky, and as such officer I further certify that the foregoing is a true, correct and complete copy of a Resolution duly adopted by the members of the Executive Committee of the Board of Trustees on July 29, 1986, has been duly executed and is now in full force and effect.

I further certify that said meeting held on July 29, 1986, was held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825, that a quorum was present at said meeting, that said Resolution has not been modified, amended, revoked or repealed, and that same is now in full force and effect.

WITNESS my hand this 29th day of July, 1986.


Assistant Secretary, Board of Trustees

SERIES RESOLUTION
OF THE
BOARD OF TRUSTEES OF THE UNIVERSITY OF KENTUCKY
AUTHORIZING THE ISSUANCE OF
UNIVERSITY OF KENTUCKY HOSPITAL REVENUE BONDS, SERIES A

<u>Year of Maturity</u>	<u>Principal Amount</u>
1990	\$ 625,000
1991	670,000
1992	725,000
1993	785,000
1994	845,000
1995	915,000
1996	990,000
1997	1,065,000
1998	1,150,000
1999	1,245,000
2000	1,345,000
2001	1,450,000
2002	1,565,000
2003	1,690,000
2004	1,830,000
2005	1,975,000
2006	2,130,000

Section 2.04 Place and Manner of Payment of the Bonds.

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

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

Section 2.05. Execution; Limited Obligation.

The Series A Bonds shall be executed in the name and on behalf of the Issuer by the manual or facsimile signature of its Chairman and the seal of

of the Principal Account, an amount equal to the principal of all Outstanding Series A Bonds due on the next ensuing August 1;

(c) (i) beginning on the twenty-fifth day, or if such day is not a Business Day on the next succeeding Business Day, of the month following any month in which money is transferred from the Reserve Account to the Interest Account or the Principal Account to cure a deficiency therein, and on the twenty-fifth day of each month thereafter, to the credit of the Equity Subaccount, one-twelfth (1/12) of the amount or amounts so transferred until the amount then on deposit in the Reserve Account is equal to the Reserve Account Requirement and (ii) beginning in the month following a valuation made in accordance with the Series A Resolution in which a loss resulting from a decline in the value of investments held for the credit of the Reserve Account is computed, and on the twenty-fifth day of each month thereafter, into the Equity Subaccount one-twelfth (1/12) of the amount of such loss until the amount of such loss is reimbursed.

Section 5.03. Application of Money in Reserve Account;
Replenishment of Reserve Account.

Simultaneous with the delivery of the Series A Bonds, an amount equal to the Reserve Account Requirement shall be deposited in the Reserve Account. Any funds contributed by the Board for deposit to the credit of the Reserve Account shall be deposited in the Equity Subaccount, and any of the proceeds of the Series A Bonds deposited to the credit of the Reserve Account shall be deposited to the credit of the Proceeds Subaccount.

The Trustee shall use amounts in the Reserve Account, to the extent necessary to pay interest on and principal (whether at maturity or by acceleration) of the Series A Bonds, whenever and to the extent (i) that the money on deposit in the Interest Account and the Principal Account is insufficient for such purposes or (ii) the funds in the Reserve Account are sufficient to pay all the principal and accrued interest due on the Series A Bonds Outstanding. Amounts on deposit to the credit of the Proceeds Subaccount shall be exhausted prior to the transfer of any amount on deposit to the credit of the Equity Subaccount.

Subject to the provisions of the Master Resolution, the Board shall cause the State Treasurer to transfer from the Revenue Fund to the Equity Subaccount, in twelve (12) equal monthly installments, the amount of any transfer made from the Reserve Account pursuant to the preceding paragraph.

Subject to the provisions of the Master Resolution, the Board shall cause the State Treasurer to transfer from the Revenue Fund to the Equity Subaccount, in twelve (12) equal monthly installments, the amount of any loss resulting from a decline in the value of investments held for the credit of the Reserve Account computed following a valuation made in accordance with the Series A Resolution.

The Board may at any time withdraw amounts on deposit to the credit of the Proceeds Subaccount for its general purposes so long as, simultaneously therewith, it shall deposit an equal amount of its funds to the credit of the Equity Subaccount.

The investments of the Reserve Account shall be valued on August 1 of each year at the lower of cost, market or amortized value exclusive of accrued interest, except that investments with a maturity of one year or less shall be valued at par. Whenever the amount on deposit in the Reserve Account on any August 1 valuation date exceeds the Reserve Account Requirement, such excess amount shall be transferred by the Trustee to the Revenue Fund as soon as practicable.

All Investment Income of the Reserve Account, as and when received, shall be deposited into the Interest Account, except as provided in Section 5.04 hereof.

Section 5.04 Investments.

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

Obligations so purchased as an investment of money in any such fund or account, and any interest bearing time deposits made with respect to such money, shall be deemed at all times to be a part of such fund or account, and the interest received thereon and any profit realized from such investment shall be credited to such fund or account, and any loss resulting from such investment shall be charged to such fund or account; provided, however, that the interest accruing thereon and any profit realized or any loss realized upon the maturity or disposition of such investments prior to the completion of the Series A Hospital Project financed through the issuance of the Series A Bonds, shall be credited to, or charged against, the Series A Construction Account and the Trustee shall remit the net amount thereof no less often than once during each bond year to the State Treasurer for deposit to the Series A Construction Account. The Trustee shall sell at the best price obtainable or present for redemption any obligations so purchased whenever it shall be necessary so to do in order to provide moneys to meet any payment or transfer from any such fund or account. Neither the Trustee nor the Board shall be liable or responsible for any loss resulting from any such investment.

ARTICLE VI. FINANCIAL COVENANTS.

Section 6.01. Limitations on Additional Indebtedness.

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

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

(1) there is delivered to the Trustee and the State Treasurer an Officer's Certificate (accompanied by the report of the Auditor of the Commonwealth or an independent certified

Office of the President
July 29, 1986

PR JB

Members, Executive Committee of the Board of Trustees:

RESOLUTION OF THE EXECUTIVE COMMITTEE OF THE BOARD
OF TRUSTEES OF THE UNIVERSITY OF KENTUCKY, ACCEPTING
THE SUCCESSFUL BID FOR THE PURCHASE OF THE UNIVERSITY
OF KENTUCKY HOSPITAL REVENUE BONDS, SERIES A, DATED
AUGUST 1, 1986

Recommendation: That the Executive Committee of the Board of Trustees approve a resolution accepting the successful bid for the purchase of the Series A Bonds.

Background: On June 25, 1986, the Board adopted a Master Resolution and a Series Resolution authorizing the issuance of the Series A Bonds. Pursuant to Executive Order of the President, as authorized by the Board of Trustees, a Notice of Bond Sale was published on July 21, 1986, as required by law for submission of bids for the \$21,000,000 of University of Kentucky Hospital Revenue Bonds, Series A, on July 29, 1986, at 10:30 a.m.

Three bids were received and tabulated as follows:

Smith Barney, Harris Upham & Co., Incorporated	\$20,536,901.65	7.932090 %
J.J.B. Hilliard, W.L. Lyons, Inc. & Associates	\$20,527,500.00	7.9699916%
Drexel Burnham Lambert Inc.	\$20,535,732.00	8.052360 %

Action: Approved Disapproved Other

Date: July 29, 1986

RESOLUTION OF THE EXECUTIVE COMMITTEE OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF KENTUCKY ACCEPTING THE SUCCESSFUL BID FOR THE PURCHASE OF THE UNIVERSITY OF KENTUCKY HOSPITAL REVENUE BONDS, SERIES A, DATED AUGUST 1, 1986.

WHEREAS, notice of the sale of the \$21,000,000 of University of Kentucky Hospital Revenue Bonds, Series A, dated August 1, 1986, has heretofore been advertised as required by law; and

WHEREAS, all bids received for the purchase of said Series A Bonds from the Board of Trustees of the University of Kentucky have been duly considered; and

WHEREAS, the matter of which bid is the most advantageous and with the most favorable net interest cost to the Board has been sufficiently considered.

NOW, THEREFORE, THE EXECUTIVE COMMITTEE OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF KENTUCKY, DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. That the bid of Smith Barney, Harris Upham & Co., Inc. for the purchase of such Series A Bonds is hereby accepted and confirmed, said bid being at a price of \$ 20,536,901.65 at a net interest cost of 7.932090%, for said \$21,000,000 principal amount of Series A Bonds, plus accrued interest from August 1, 1986, to date of delivery of the Series A Bonds. That such bid is hereby determined to be the best bid and with the most favorable net interest cost to the Board, and the maturities, schedule of mandatory redemption dates, if any, and the interest rate or rates on such Series A Bonds are hereby fixed at the rates set out in such successful bid.

Section 2. That all other bids are hereby rejected, and the Board Clerk is hereby ordered to deposit the good faith check of the successful

bidder in accordance with the published Notice of Bond Sale and the Official Terms and Conditions of Sale of Bonds, and to return the other checks to the respective unsuccessful bidders immediately.

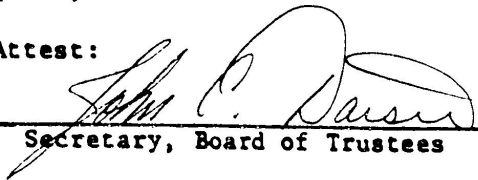
Section 3. That said bid is accepted subject to the condition that such acceptance subjects the Board to no liability if for any reason the Board is unable to obtain the final approving legal opinion of the firm of Rubin & Hays, Municipal Bond Attorneys, Louisville, Kentucky, as to said Series A Bonds, or if said Series A Bonds should be subject to ad valorem taxation by the Commonwealth of Kentucky, or if the receipt of interest on said Series A Bonds should be subject to income taxation by the federal government or the Commonwealth of Kentucky prior to or on the delivery date of said Series A Bonds; and the purchaser shall not be required to take delivery of said Series A Bonds without the final approving opinion of Rubin & Hays, Municipal Bond Attorneys, Louisville, Kentucky, accompanying said Series A Bonds, or if said Series A Bonds or the interest thereon should become so subject to taxation prior to such delivery.

Section 4. That all Resolutions, or parts thereof, in conflict herewith, be and the same are hereby amended or repealed to the extent of such conflict, and this Resolution shall be effective immediately upon its adoption.

Adopted July 29, 1986.

(Seal)

Attest:


Assistant Secretary, Board of Trustees

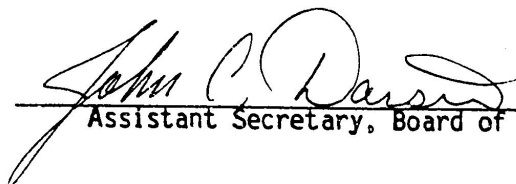

Chairman

CERTIFICATION

I, the undersigned, do hereby certify that I am the duly qualified and acting Assistant Secretary of the Board of Trustees of the University of Kentucky, and as such officer I further certify that the foregoing is a true, correct and complete copy of a Resolution duly adopted by the members of the Executive Committee of the Board of Trustees on July 29, 1986, has been duly executed and is now in full force and effect.

I further certify that said meeting held on July 29, 1986, was held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825, that a quorum was present at said meeting, that said Resolution has not been modified, amended, revoked or repealed, and that same is now in full force and effect.

WITNESS my hand this 29th day of July, 1986.


Assistant Secretary, Board of Trustees

BID FORM

Subject to the terms and conditions set forth in a Resolution of the Board of Trustees of the University of Kentucky, providing for the sale of \$21,000,000 of University of Kentucky Hospital Revenue Bonds, Series A, dated August 1, 1986, and in accordance with the Notice of Bond Sale, as advertised, and in accordance with the Official Terms and Conditions of Sale of Bonds, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase such Bonds.

We hereby bid the total sum of \$20,535,732.00 (not less than \$20,527,500 (97-3/4%) plus accrued interest from August 1, 1986 to the date of the delivery of the Bonds, at the following annual interest rate(s):

Bond Year Ending <u>August 1</u>	Principal Maturing	Interest Rate(s)
1990	\$ 625,000	<u>7.00</u> %
1991	670,000	<u>7.00</u>
1992	725,000	<u>7.50</u>
1993	785,000	<u>7.50</u>
1994	845,000	<u>7.50</u>
1995	915,000	<u>7.50</u>
1996	990,000	<u>7.50</u>
1997	1,065,000	<u>7.70</u>
1998	1,150,000	<u>7.80</u>
1999	1,245,000	<u>7.90</u>
2000	1,345,000	<u>8.00</u>
2001	1,450,000	<u>8.00</u>
2002	1,565,000	<u>8.00</u>
2003	1,690,000	<u>8.00</u>
2004	1,830,000	<u>8.00</u>
2005	1,975,000	<u>8.00</u>
2006	2,130,000	<u>8.00</u>

It is understood that the Bonds are offered for sale on the basis of the interest on the Bonds not being subject to Federal or Kentucky income taxation on the date of delivery of the Bonds and of the principal of the Bonds not being subject to Kentucky ad valorem taxation, and that the Board will furnish the final, approving legal opinion of Rubin & Hays, Suite 300, 209 South Fifth Street, Louisville, Kentucky. A certified or a bank cashier's check in the amount of \$210,000 (1%), payable to the Board of Trustees of the University of Kentucky is enclosed, with the understanding that if we are the successful bidder, such check is to be immediately deposited by the Board of Trustees and credited (without interest) against the purchase price at the time of the delivery of the Bonds.

Respectfully submitted,
Drexel Burnham Lambert Inc.

By Michael Fitzsimons

Total interest cost from August 1, 1986,
to final maturity

\$ 22,865,270.00

~~Less premium~~ or plus discount, if any, bid

\$ 467,268.00

Net interest cost

\$ 23,332,538.00

Net interest rate

8.052860%

The above computation of net interest cost is submitted for information only and is not a part of this Bid. The average interest rate on the Bonds is _____%.

Accepted this _____ day of _____, 1986.

BOARD OF TRUSTEES OF THE
UNIVERSITY OF KENTUCKY

By _____

BID FORM

Subject to the terms and conditions set forth in a Resolution of the Board of Trustees of the University of Kentucky, providing for the sale of \$21,000,000 of University of Kentucky Hospital Revenue Bonds, Series A, dated August 1, 1986, and in accordance with the Notice of Bond Sale, as advertised, and in accordance with the Official Terms and Conditions of Sale of Bonds, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase such Bonds.

We hereby bid the total sum of \$20,527,500 (not less than \$20,527,500 (97-3/4%) plus accrued interest from August 1, 1986 to the date of the delivery of the Bonds, at the following annual interest rate(s):

Bond Year Ending <u>August 1</u>	Principal <u>Maturing</u>	Interest Rate(s)
1990	\$ 625,000	<u>6.00 %</u>
1991	670,000	<u>6.20</u>
1992	725,000	<u>6.40</u>
1993	785,000	<u>6.60</u>
1994	845,000	<u>6.80</u>
1995	915,000	<u>7.00</u>
1996	990,000	<u>7.20</u>
1997	1,065,000	<u>7.40</u>
1998	1,150,000	<u>7.60</u>
1999	1,245,000	<u>7.80</u>
2000	1,345,000	<u>7.90</u>
2001	1,450,000	<u>8.00</u>
2002	1,565,000	<u>8.00</u>
2003	1,690,000	<u>8.05</u>
2004	1,830,000	<u>8.05</u>
2005	1,975,000	<u>8.10</u>
2006	2,130,000	<u>8.10</u>

It is understood that the Bonds are offered for sale on the basis of the interest on the Bonds not being subject to Federal or Kentucky income taxation on the date of delivery of the Bonds and of the principal of the Bonds not being subject to Kentucky ad valorem taxation, and that the Board will furnish the final, approving legal opinion of Rubin & Hays, Suite 300, 209 South Fifth Street, Louisville, Kentucky. A certified or a bank cashier's check in the amount of \$210,000 (1%), payable to the Board of Trustees of the University of Kentucky is enclosed, with the understanding that if we are the successful bidder, such check is to be immediately deposited by the Board of Trustees and credited (without interest) against the purchase price at the time of the delivery of the Bonds.

Respectfully submitted,

J.J.B. Hilliard, W.L. Lyons, Inc. & Associates

By J.R. Bann

Total interest cost from August 1, 1986,
to final maturity
Less premium or plus discount, if any, bid
Net interest cost
Net interest rate

\$ 22,611,170.00
\$ 472,500.00
\$ 23,083,670.00
7.969916%

The above computation of net interest cost is submitted for information only and is not a part of this Bid. The average interest rate on the Bonds is _____%.

Accepted this _____ day of _____, 1986.

BOARD OF TRUSTEES OF THE
UNIVERSITY OF KENTUCKY

By _____

BID FORM

July 29, 1986

Subject to the terms and conditions set forth in a Resolution of the Board of Trustees of the University of Kentucky, providing for the sale of \$21,000,000 of University of Kentucky Hospital Revenue Bonds, Series A, dated August 1, 1986, and in accordance with the Notice of Bond Sale, as advertised, and in accordance with the Official Terms and Conditions of Sale of Bonds, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase such Bonds.

We hereby bid the total sum of \$20,536,901.65 (not less than \$20,527,500 (97-3/4%) plus accrued interest from August 1, 1986 to the date of the delivery of the Bonds, at the following annual interest rate(s):

Bond Year Ending August 1	Principal Maturing	Interest Rate(s) %
1990	\$ 625,000	<u>6.20</u>
1991	670,000	<u>6.40</u>
1992	725,000	<u>6.60</u>
1993	785,000	<u>6.80</u>
1994	845,000	<u>7.00</u>
1995	915,000	<u>7.00</u>
1996	990,000	<u>7.25</u>
1997	1,065,000	<u>7.50</u>
1998	1,150,000	<u>7.625</u>
1999	1,245,000	<u>7.75</u>
2000	1,345,000	<u>7.80</u>
2001	1,450,000	<u>7.90</u>
2002	1,565,000	<u>8.00</u>
2003	1,690,000	<u>8.00</u>
2004	1,830,000	<u>8.00</u>
2005	1,975,000	<u>8.00</u>
2006	2,130,000	<u>8.00</u>

It is understood that the Bonds are offered for sale on the basis of the interest on the Bonds not being subject to Federal or Kentucky income taxation on the date of delivery of the Bonds and of the principal of the Bonds not being subject to Kentucky ad valorem taxation, and that the Board will furnish the final, approving legal opinion of Rubin & Hays, Suite 300, 209 South Fifth Street, Louisville, Kentucky. A certified or a bank cashier's check in the amount of \$210,000 (1%), payable to the Board of Trustees of the University of Kentucky is enclosed, with the understanding that if we are the successful bidder, such check is to be immediately deposited by the Board of Trustees and credited (without interest) against the purchase price at the time of the delivery of the Bonds.

Respectfully submitted,
Smith Barney, Harris Upham & Co.,
Incorporated

By 

Total interest cost from August 1, 1986, to final maturity	\$ 22,516,562.50
Less premium or plus discount, if any, bid	\$ 463,098.35
Net interest cost	\$ 22,979,660.85
Net interest rate	7.932090 %

The above computation of net interest cost is submitted for information only and is not a part of this Bid. The average interest rate on the Bonds is _____%.

Accepted this 29th day of July, 1986.

BOARD OF TRUSTEES OF THE
UNIVERSITY OF KENTUCKY

By _____

UNIVERSITY OF KENTUCKY

LEXINGTON, KENTUCKY 40536-0223

ALBERT B. CHANDLER
MEDICAL CENTER
OFFICE OF THE CHANCELLOR
TELEPHONE
(606) 233-5126



July 16, 1986

Dr. Otis A. Singletary
President
101 Administration Building
University of Kentucky
Campus

Dear President Singletary:

I am writing to provide you with a status report on the medical malpractice insurance program in the Medical Center. After a careful examination of the various options we have determined that a program of total self-insurance is the best option for 1986-87. Of course we can alter our approach in future years depending on the circumstances in the insurance industry.

The statutes (KRS 164.939 to 164.944) under which our self-insurance fund was established in 1976 have provisions for us to operate with or without purchasing excess insurance. They also provide for access to a State fund with an appropriation of up to \$5.5 million per year for judgments against all State agencies. We have purchased the excess insurance each year since the fund was established, but our self-insurance fund has grown each year and currently has in excess of \$3.7 million.

We have had actuarial studies done by Coopers and Lybrand in the Spring of 1985 and in 1986. The amount of money placed in the fund each year has been determined by the actuarial study. In other words, the fund is actuarially sound. The 1986 study indicates that a fund of \$5,350,000 would be required for the fund to be actuarially sound on a total self-insurance basis for 1986-87, and we plan to establish our fund in that amount.

Important factors of consideration and details about the three options available for 1986-87 have been carefully reviewed by the Medical Malpractice Claims Committee. Upon their recommendation these options and the recommendation to totally self-insure was presented to KMSF's Finance Committee and Board of Directors, the Clinical Chiefs of the University Hospital and finally to the faculty by Dr. David Cowen. There has been consistent agreement and approval from all interested parties.

President Otis A. Singletary
July 16, 1986
Page 2

The fact that a decision was pending was presented as an information item to the Finance Committee of the Board of Trustees at the June 24, 1986 meeting. Don Clapp has subsequently discussed our self-insurance approach with those members of the Board of Trustees who are on the Finance Committee and Council of Supervisors, and there seemed to be general understanding of and support for the self-insurance decision. There was no expressed feeling that the Board should meet to consider this matter.

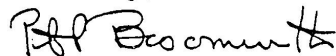
We had two alternatives to a program of total self insurance. The first alternative was based on an insurance quote of \$1,495,500 for the occurrence type of coverage which we have had in the past. However, there were several significant differences. First, it would require us to cover the first \$2.0 million per occurrence and \$6.0 million in the aggregate. These numbers were \$1.5 million and \$4.0 million respectively in 1985-86. Second, this \$2.0/6.0 million deductible excludes legal defense costs which have historically amounted to 30-40% of total costs. Third it would exclude any punitive damages. Fourth, it did provide for \$25 million in coverage as opposed to the \$6.0 million coverage for 1985-86. According to the actuary we would also require a self-insurance fund of \$5,002,700 under this option.

The second alternative is based on a quote of \$414,100 for what is now called claims-made coverage. This is very inferior coverage because it effectively limits coverage to the period of the contract. Claims filed after the contract expired would be covered only if we purchased basic insurance from the same carrier and then only up to three years. This limitation effectively excludes coverage for those most critical areas in which claims normally have an extended period of discovery (i.e., pediatrics and obstetrics cases). The total coverage under this contract would have been \$5,165,000 (80% of first \$5.0 million and 23.5% of second \$5.0 million over the \$1.5/\$4.0 million of self-insurance). According to the actuary we would also require a self-insurance fund of \$4,869,500 under this option.

The other point which I think is relevant is that the excess carriers have never paid a cent in claims under this program. We interpret the fact that the amount of self-insurance varies little whether or not we have the excess insurance to be a reflection of how little exposure the excess insurer would have. Even so the premiums have escalated to very unreasonable levels.

We didn't feel the \$5,165,000 in claims-made coverage was really worth consideration because of the very limited coverage, and the \$25 million occurrence coverage would have required an additional \$1,148,200 over that required for the total self-insurance approach.

Sincerely,



Peter P. Bosomworth
Chancellor

0511Y