PRELIMINARY OFFICIAL STATEMENT DATED APRIL 9, 2003

NEW ISSUE | **RATING: Moody's: A3**
Book-Entry Only | **(See "Rating" herein)**

In the opinion of Bond Counsel for the Series I Bonds, based upon an analysis of laws, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants made by the University, and subject to the conditions and limitations set forth herein under the caption "TAX EXEMPTION," interest on the Series I Bonds (defined below) is excludable from gross income for Federal income tax purposes and is not a specific item of tax preference for purposes of the Federal individual or corporate alternative minimum taxes. Interest on the Series I Bonds (defined below) is exempt from Kentucky income tax and the Series I Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions. See "TAX EXEMPTION" herein.

OFFICIAL STATEMENT RELATING TO

$9,095,000*
KENTUCKY STATE UNIVERSITY
CONSOLIDATED EDUCATIONAL BUILDINGS
REFUNDING REVENUE BONDS
SERIES I

Dated: April 1, 2003 | **Due: May 1, as shown below**

The Series I 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 I Bonds. Purchasers will not receive certificates representing their ownership interest in the Series I Bonds purchased. So long as DTC or its nominee is the registered owner of the Series I Bonds, payments of the principal of and interest due on the Bonds will be made directly to DTC. The Series I Bonds bear interest from their dated date, payable semiannually, on May 1 and November 1, commencing November 1, 2003. Principal of, premium, if any, and interest on the Series I Bonds will be paid directly to DTC by Bank One, Kentucky, NA, Lexington, Kentucky, as Trustee and Paying Agent. The Series I Bonds shall be issued only as fully registered bonds in the denomination of $5,000 or integral multiples thereof, and shall mature on May 1, in accordance with the following schedule:

Year	Amount*	Interest Rate	Price/ Yield	Year	Amount*	Interest Rate	Price/ Yield
2004	$1,650,000			2008	$935,000		
2005	1,690,000			2009	975,000		
2006	885,000			2010	1,005,000		
2007	905,000			2011	1,050,000		

(Plus accrued interest-when issued)

The Series I Bonds are not subject to optional redemption prior to their stated maturities.

The Series I Bonds constitute special obligations of Kentucky State University 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. Principal of and interest on the Series I Bonds are payable solely from the revenues of the Consolidated Educational Buildings Project.

The Series I Bonds are issued subject to the approval of legality by Peck, Shaffer & Williams LLP, Covington, Kentucky, Bond Counsel. Delivery of the Series I Bonds is expected on April 30, 2003 in New York, New York, through the facilities of DTC.

First Kentucky Securities Corporation
Financial Advisor

Dated: ______, 2003

*Preliminary, subject to change.

KENTUCKY STATE UNIVERSITY

BOND COUNSEL

Peck, Shaffer & Williams LLP
Covington, Kentucky

FINANCIAL ADVISOR

First Kentucky Securities Corporation
Frankfort, Kentucky

PAYING AGENT, REGISTRAR AND TRUSTEE

Bank One, Kentucky, NA
Lexington, 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 I Bonds of Kentucky State University identified on the cover page hereof. No person has been authorized by Kentucky State University 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 Kentucky State University 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 I 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 Kentucky State University since the date hereof.

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

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OFFICIAL STATEMENT RELATING TO

$9,095,000*
KENTUCKY STATE UNIVERSITY
CONSOLIDATED EDUCATIONAL BUILDINGS REFUNDING REVENUE BONDS, SERIES I

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page and the Appendices appended hereto, is being distributed by Kentucky State University (the "University") to furnish pertinent information to all who may become owners of its Consolidated Educational Buildings Refunding Revenue Bonds, Series I (the "Series I Bonds") being offered hereby pursuant to the provisions of Sections 162.340, 162.380 and 58.010 to 58.140, inclusive, of the Kentucky Revised Statutes, and pursuant to the terms of a Basic Resolution (the "Resolution") adopted by the Board of Regents of the University (the "Board") on July 6, 1961, and the Series I Resolution (the "Series Resolution") adopted by the Board on March 28, 2003.

The summaries and references to Sections of the Kentucky Revised Statutes, the Basic Resolution and the Series Resolution, 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.

KENTUCKY STATE UNIVERSITY

Kentucky State University is the Commonwealth of Kentucky's unique small liberal studies University. It has the lowest student-faculty ratio of all the state's public universities. The University's five schools and colleges are located on a 308 acre campus in Frankfort, Kentucky. The academic units offer a liberal educational opportunity in a small multicultural environment. The University offers courses of study in more than 30 academic areas through the College of Arts and Sciences, the College of Professional Studies, the School of Business, the Whitney M. Young, Jr. College of Leadership Studies and the School of Public Affairs. A Masters Program in Public Administration is offered through the School of Public Affairs. A Masters Program in Aquaculture is offered through the College of Arts and Sciences. The Whitney M. Young, Jr. College Program is a selective admissions division through which students study the Great Books of Western Civilization. The Whitney Young program is believed to be among the most unique in American public higher education.

The University is an 1890 land grant institution, and as such, offers services to rural areas and small communities in Kentucky through its Cooperative Extension Program and performs related research through its Community Research Service. The University also has a 204 acre farm in rural Franklin County, Kentucky which promotes its land grant efforts. To provide further educational opportunities to state employees working in Frankfort, the University is home of the Governmental Services Center. The University has an Interinstitutional Graduate Center through which graduate courses and programs are offered by the University of Kentucky, University of Louisville, and Eastern Kentucky University.

From its beginning in 1886 with 3 teachers and 55 students, the University has grown to an institution with a racially balanced full-time and part-time enrollment of more than 2,200 students; a splendid faculty with some 148 full-time members; and 31 academic, residential, athletic and service buildings. Though it began as the State Normal School for Colored Persons, the University is today a culturally diverse institution of higher education well into its second century of strengthening and educating tomorrow's leaders.

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*Preliminary, subject to change.

The University is accredited by the Southern Association of Colleges and Schools and holds membership in several educational agencies.

THE SERIES I BONDS

General

The Series I Bonds will be dated the date set forth on the cover page of this Official Statement; will be issued in fully registered form and in denominations of $5,000 or any integral multiples thereof, will mature as to principal and will bear interest as set forth on the cover page. Interest accruing on the Series I Bonds will be payable semiannually on May 1 and November 1 of each year commencing November 1, 2003 to holders of record on the preceding April 15 and October 15, respectively.

Book Entry Only System

The Series I 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 I 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 I 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

The Series I Bonds are not subject to redemption prior to their stated maturities.

DISPOSITION OF BOND PROCEEDS

The Series I Bonds proceeds will be applied as follows:

(a) The amount received from the purchaser(s) representing accrued interest from their dated date to the date of delivery, will immediately be deposited into the Consolidated Educational Buildings Project Bond and Interest Sinking Fund, as defined herein, to be maintained at Bank One, Kentucky, NA, Lexington, Kentucky, the Trustee, Paying Agent, and Bond Registrar.

(b) There will be set aside and deposited to Kentucky State University Consolidated Educational Buildings, Series I Escrow Account (the "Escrow Account"), the amount necessary to be held by the Escrow Agent to effect the refunding of the Series G and Series H Bonds as more fully described in "The Refunding Plan."

(c) There will be set aside an amount into a "Costs of Issuance Account" to be maintained by the Trustee and used to pay all expenses incident to the issuance, sale and delivery of the Series I Bonds, including the fee of the Financial Advisor, the rating fees and such other appropriate expenses as may be approved by the Board.

SECURITY FOR THE SERIES I BONDS

The Series I Bonds, together with the University's outstanding Consolidated Educational Buildings Revenue Bonds and any additional parity bonds, which may hereafter be issued and outstanding under the terms of the Basic Resolution and subsequent Series Resolutions (collectively, "Consolidated Educational Building Revenue Bonds") will be payable from and will constitute a charge upon the revenues to be derived by the University from the operation of its Consolidated Educational Buildings Project. The fees imposed upon and collected from all students using the Consolidated Educational Buildings at the beginning of each semester of the regular academic year and each summer session, including fees imposed for part time students, night school and extension courses, are designated as the source of revenues of the Project. Such revenues are known as the Student Registration Fees and the Board covenants that the same will be fixed (and, if necessary, revised and increased from time to time) at such rates as may be required to pay the interest on and principal of the Consolidated Educational Buildings Revenue Bonds as they respectively mature, to provide reserves therefore and to pay the operating costs of the Consolidated Educational Buildings Project to the extent they are not otherwise provided. All collections of the Student Registration Fees are to be set aside, as received into the Consolidated Educational Buildings Project Revenue Fund, as defined herein, and are made subject to a first lien and paramount charge for the security and source of payment of all outstanding Consolidated Educational Buildings Revenue Bonds.

As further security for these Series I Bonds and said outstanding parity bonds, there is created and granted by Sections 162.350 and 162.200 of the Kentucky Revised Statutes a statutory lien upon the Consolidated Educational Buildings Project of the University on a parity with all Consolidated Educational Buildings Revenue Bonds outstanding.

The Series I Bonds are additionally secured by the reserve fund established with respect to the Consolidated Educational Buildings Revenue Bonds.

THE REFUNDING PLAN

The University previously issued (i) $13,060,000 principal amount of its Consolidated Educational Buildings Revenue Bonds, Series G (the "Series G Bonds") dated October 1, 1991, of which there is currently outstanding $7,935,000 in aggregate principal amount and (ii) $7,690,000 principal amount of its Consolidated Educational Buildings Refunding Revenue Bonds, Series H (the "Series H Bonds", and together with the Series G Bonds, the "Prior Bonds") dated December 1, 1992 of which there is currently outstanding $2,250,000 in aggregate principal amount. The Series G Bonds were originally issued to finance the Health, Physical Education and Recreation Building constituting the Series G Project. The Series H Bonds were originally issued to refund Kentucky State University Consolidated Educational Buildings Revenue Bonds, Series F that were originally issued to finance the construction of a utility tunnel, renovations to Carver Hall, Bradford Hall, Blazer Library and the health center, and exterior work on campus roads, constituting the Series H Project. The Series I Bonds are being issued for the purpose of refunding the Prior Bonds through the deposit in escrow of sufficient funds to redeem the remaining Series G Bonds on May 1, 2003, at a redemption price equal to the principal amount maturing after May 1, 2003 plus a premium of 1.5% and the remaining Series H Bonds on May 1, 2003, at a redemption price equal to the principal amount maturing after May 1, 2003 plus a premium of 1%.

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SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal Amount of Bonds	$
Accrued Interest	
Total Sources of Funds	
Uses of Funds	
Deposit to Escrow Fund	$
Accrued Interest	
Underwriter's Discount	
Costs of Issuance	
Total Uses of Funds	

CERTAIN PROVISIONS OF THE RESOLUTION AND SERIES I RESOLUTION

On July 6, 1961, the Board adopted the Resolution and authorized the issuance of its Consolidated Educational Buildings Revenue Bonds. The Project consists of all existing educational buildings and necessary appurtenances and all such buildings thereafter erected on property owned by the University, excluding housing and dining facilities and facilities used exclusively for athletics.

The following statements are intended to provide only brief summaries of selected pertinent provisions of the Resolution and the Series Resolution. For detailed and complete information, reference is hereby made to the Resolution and the Series Resolution, copies of which are on file with the University and with Bank One, Kentucky, NA, the Trustee for the outstanding Consolidated Educational Buildings Revenue Bonds. For purposes of the description in the following sections under the above styled general heading, previous bonds issued or any future bonds to be issued by the Series Resolutions will be referred to as the "Bonds." Additionally, for purposes of this description, revenues of the Project will be referred to as "Revenues."

Application of Revenues

There has been created and established a special fund known as the Consolidated Educational Buildings Project Revenue Fund in the custody of the Treasurer of the Board, separate and apart from other funds of the University. Such Consolidated Educational Buildings Project Revenue Fund (the "Revenue Fund") will be maintained, so long as any of the Bonds are outstanding and unpaid, as a trust fund in one or more banks which will be members of the Federal Deposit Insurance Corporation and will be expended and used by the Treasurer only in the manner specified in the Resolutions. Upon delivery of any Bonds issued pursuant to the Resolutions, all Revenues derived from the Project will be deposited as collected in the Revenue Fund to be held and administered by the Treasurer of the Board and will be paid out and applied for the uses and purpose set forth below.

Bond and Interest Sinking Fund. There is created and established a special account known as the Consolidated Educational Buildings Project Bond and Interest Sinking Fund (the "Bond Fund") which is maintained by and in the custody of the Trustee so long as any Bonds are outstanding and unpaid. The Bond Fund will be used by the Trustee to pay interest on the Bonds as the same become due from time to time and to pay and retire the Bonds as they become due, or as otherwise provided in the Resolutions. From and after the delivery of any Bonds issued pursuant to the Resolutions, and thereafter commencing on May 1 of each year, the Treasurer will transfer from the Revenue Fund, and deposit to the credit of the

Bond Fund all the Revenues as and when the same are received and deposited into the Revenue Fund, until there has been so deposited and paid into the Bond Fund an amount equal to the total interest and principal becoming due on or prior to the succeeding May 1, on the Bonds then outstanding.

Debt Service Reserve Fund. A debt service reserve in the Bond Fund is required to be maintained in an amount equal to the Maximum Aggregate Principal, Interest and Bond Fund Charges on the Bonds outstanding, as such term is defined below. Initially, and as any Series of Bonds are issued, the amount to be set aside into the Bond Fund will be 125% of the amount set forth above until the required amount is so accumulated and thereafter the same will be resumed and continued whenever and so long as required to restore and maintain such reserve. "Aggregate Principal, Interest and Bond Fund Charges" is defined as "of any particular date of computation and with respect to a particular twelve month period, an amount of money equal to the aggregate of the amounts required by the provisions of the Resolution and all Series Resolutions, to be paid into the Bond Fund in such twelve month period, for account of the interest on all outstanding Bonds becoming due during such twelve month period and to accomplish the retirement of the principal of any Bonds outstanding at or prior to the maturity thereof." Moneys in the Bond Fund in excess of the Aggregate Principal, Interest and Bond Fund Charges and the prescribed reserve may be used to purchase or redeem Bonds in advance of maturity.

When all required payments into the Bond Fund have been made in any particular twelve month period ending May 1, any moneys remaining in the Revenue Fund may be used by the Board in its discretion to pay the operating costs of the Project to the extent that such costs are not otherwise provided, or may be used for the purchase or retirement of Bonds in advance of maturity, or for any other lawful purpose. The reserve fund requirement has been met as set forth above.

Additional Bonds

The Board covenants and agrees that it will not hereafter create or permit the creation of or issue any bonds which will have a priority over the charge on the Revenues or the payments to be made into the Bond Fund.

Additional bonds ranking on a parity with the Bonds outstanding may be issued only for the purpose of erecting and completing educational buildings and necessary appurtenances which will become and constitute a part of the Project provided:

(a) That at the time of the issuance of the additional Bonds there is no deficiency in the amount required to be paid into the Bond Fund, and;

(b) That the average of the annual Revenues from the Project for the two fiscal years immediately preceding the issuance of the additional Bonds, as indicated in a statement by the Treasurer of the Board to be filed with the Trustee, was equal to not less than 1.25 times, the maximum Aggregate Principal, Interest and Bond Fund Charges in any succeeding twelve month period ending May 1 on the Bonds then outstanding and the additional Bonds proposed to be issued. For the purposes of computing average annual Revenues, the Treasurer shall make an adjustment in the amount of annual Revenues to reflect any increase or decrease in the Student Registration Fees being imposed at the time for the services of the Project.

The Board may also issue additional parity Bonds for the purpose of refunding all or any part of Bonds outstanding of one or more Series Resolutions as may be outstanding provided such refunding Bonds issued prior to the maturity of the Bonds to be refunded will not result in an increase in the interest rate or in an acceleration of the maturity dates of the refunded Bonds.

The issuance of such additional Bonds shall be pursuant to the terms of an appropriate Series Resolution by the Board in accordance with the provisions of the Resolution.

Default and Remedies

The Resolution defines an event of default, which includes: failure to pay principal when due or failure to pay any installment of interest when same become due or within 30 days thereafter; the Board being rendered incapable of fulfilling its obligations under the Resolutions; any building representing a part of the Project being destroyed or damaged and not being repaired or replaced and insurance proceeds not being deposited in the Bond Fund; an order or decree being entered appointing a Receiver of all or part of the Project or Revenues therefrom; and failure after written notice by the Trustee (who is required to give such notice at the written request of the owners of 15% in aggregate amount of the outstanding Bonds) to perform any covenant in the Resolution or any Series Resolution, in each case within or for the specified period of grace, if any.

Upon the happening and continuance of any event of default, then and in every such case the Trustee may, and upon the written request of the owners of not less than twenty-five percent (25%) in principal amount of the Bonds then outstanding, give notice in writing to the Board, declaring the principal of all Bonds outstanding to be due and payable immediately, and upon such declaration the same will become and be immediately due and payable, anything contained in the Resolution or any Series Resolution to the contrary notwithstanding; provided, however, that if at any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolutions, moneys will have been accumulated in the Bond Fund sufficient to pay all arrears of interest, if any, upon the Bonds then outstanding (except the interest accrued on such Bonds since the last interest payment date), and the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and all other amounts then payable by the Board under the Resolution will have been paid or a sum sufficient to pay the same will have been deposited with the Trustee, and every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Bonds or in the Resolution or any Series Resolution (other than a default in the payment of the principal of such Bonds then due only because of a declaration of default) shall have been remedied to the satisfaction of the Trustee, then and in every such case the Trustee may, and upon the written request of the owners of not less than twenty-five percent (25%) in principal amount of the Bonds then outstanding shall, by written notice to the Board, rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

Upon the happening and continuance of any event of default, then and in every such case the Trustee may proceed, and upon the written request of the owners of not less than fifteen percent (15%) in principal amount of the Bonds then outstanding under the Resolution shall proceed to protect and enforce its rights and the rights of the bondholders under the laws of the Commonwealth of Kentucky or under the Resolution or any Series Resolution by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant or agreement contained in the Resolution or in aid or execution of any power therein granted or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, will deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Resolution, the Trustee will be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Board for principal, interest, or otherwise under any of the provisions of the Resolution or any Series Resolution or the Bonds and unpaid together with any and all costs and expenses of collection and of all proceedings under the Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against the Board, but solely as provided in the Resolution and in such Bonds for any portion of such amount remaining unpaid, with interest, costs and expenses, and to collect (solely from moneys from the Bond Fund and the Revenues of the Project pledged to the payment of the Bonds by the Resolution) in any manner provided by law, the moneys adjudged or decreed to be payable.

Anything in the Resolution to the contrary notwithstanding, the holders of a majority in principal amount of the outstanding Bonds shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee thereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

No holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for any remedy afforded by the Resolution unless such holder shall have previously given to the Trustee written notice of any event of default as in the Resolution provided, nor unless also the holders of 25% in principal amount of the outstanding Bonds shall have made written request to the Trustee and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Resolution or to institute such action, suit or proceeding in its or their name, nor unless also there shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, it being understood and intended that no one or more holders of Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Resolution except in the manner provided in the Resolution.

Other Covenants of the Board

The Board covenants with the owners of the Bonds outstanding, among other things, the following:

(a) That it will establish, maintain and collect, as long as any Bonds are outstanding, such Student Registration Fees for the services of the Project as may be necessary (i) to pay the interest on and principal of the Bonds as they respectively mature, to provide reserves therefore and (ii) to pay the operating costs of the Project to the extent they are not otherwise provided. In order to assure full and continuous performance of this covenant with a margin for contingencies and temporary unanticipated reduction in Revenues the Board further covenants and agrees to establish, maintain and collect such Student Registration Fees as will produce Revenues, in each twelve month period ending May 1, equal to at least 110% of the current Aggregate Principal, Interest and Bond Fund Charges; and will, except as herein before set forth under "Application of Revenues", pay the current operating costs of the Project from available funds other than the Revenues derived from the Project;

(b) That it will procure and maintain to the extent available, fire and extended coverage insurance on the Project in amount sufficient to provide for not less than full recovery whenever the loss from causes covered by such insurance does not exceed 80% of the full insurable value of the Project. All insurance moneys (except property insurance proceeds in amounts of less than ten thousand dollars ($10,000), which shall be paid over to the Board) received by the Trustee shall be held by the Trustee as substituted security and used for the purpose of paying the reasonable costs or repairing or replacing part or all of the property damaged or destroyed or the reasonable costs of substitute facilities; provided, however, that the Board shall have furnished, in addition to the proceeds of such insurance, such moneys as may be required to complete such repairs, replacements or substitute facilities and said insurance moneys shall be paid out by the Trustee only when the same shall be fully sufficient to complete such repairs, replacement or substitute facilities as shown by a certificate of an architect or engineer. If insurance proceeds shall remain after the completion of the repairs, replacement or substitute facilities, or in the event of a failure to repair or replace the property damaged or destroyed, or to construct substitute facilities, the Trustee shall deposit such moneys in the Bond Fund and such moneys, to the extent of any excess over the required balance in the Bond Fund and the Debt Service Reserve Fund, shall be applied to the retirement of the Bonds;

(c) That unless provision is otherwise made by law for disposition by the Commonwealth of Kentucky of claims made against the University for bodily injury and/or death which may arise from operations of the Board, it will, if such insurance is not already in force, procure and maintain public liability insurance with limits of not less than $50,000/$100,000 to protect the Board from claims for bodily injury and/or death which may arise from the operation of the Board, including any use or occupancy of its grounds, structures, and vehicles;

(d) That it will keep accurate financial records and proper books relating to the Project, that such records and books shall be open to inspection by the Bondholder and their agents and representatives; and that not later than 90 days after the close of each fiscal year it will furnish to the Trustee, and to any bondowners who shall request the same in writing, copies of audit reports prepared by an independent certified public accountant or a firm of such accountants, who shall be satisfactory to the Trustee, or by an appropriate State auditing official, reflecting in reasonable detail the financial condition and record of operation of the University, the Project, and the pledged Revenues during the preceding fiscal year (July 1/June 30);

(e) That it will at all times maintain, preserve and keep the Project and every part thereof in good condition, repair and working order; and will from time to time make all needful and proper repairs, replacements, additions, betterments and improvements so that the operations and business of the Project shall at all times be conducted efficiently, properly and advantageously;

(f) That whenever any portion of the Project shall have been worn out or destroyed or shall have become obsolete, inefficient or otherwise unfit for use, the Board will procure and install substitutes of at least equal value, utility and efficiency, so that the value and efficiency of the Project will at all times be fully maintained; and

(g) That it will faithfully observe, do and perform all of its agreements and obligations provided for by the Bonds and the Resolutions.

BOARD AND ADMINISTRATIVE OFFICERS

Governing Board

The governing body of the University is the Board of Regents consisting of eleven members, eight of whom are appointed by the Governor, one of whom is a member of the Student Body, one member of the University teaching faculty and one member of the University administrative staff. The government of the University is vested in the Board, and the Board has general supervision of lands, buildings and other properties of the University and, subject to the statutes of the Commonwealth of Kentucky, control of all expenses therefor.

Administrative Officers

The administrative officers of the University with primary responsibilities relating to the issuance of the Bonds are as follows:

Dr. William Turner, Interim President

Dr. William Turner is the Interim President for Kentucky State University, having begun this position on January 1, 2003. Dr. Turner is a native of Lynch, Ky. and a 1966 graduate of UK's Southeast Community College. He received a B.S. in Sociology from the University of Kentucky in 1968 and a Master's from the University of Notre Dame in 1971. Dr. Turner went on to earn a PhD. from Notre Dame in Sociology and Anthropology in 1974, before being awarded postdoctoral fellowships at the University of Pennsylvania, George Washington University and Duke University. From 1970 to 1995, Dr. Turner was engaged in teaching, research and administration at Fisk University, Howard University, the University of Kentucky, Kentucky State University, Winston-Salem State University, Berea College and Brandeis University. He is currently President of Turner & Associates Consultants, whose clients include the Appalachian Regional Commission, The Salvation Army, the Kellogg Foundation, Lowe's Company, Sara Lee Corporation, the U.S. Dept. of State, and the Kenneth Kaunda Children of Africa Foundation. Dr. Turner is a prolific writer, having published essays and articles on subjects ranging from Civil Rights issues to the attitudes of college students. Of particular interest to him are the study of African Americans in Appalachia and the desegregation of Historically Black Colleges and Universities.

Mr. William Pennell, Chief Financial Officer

Mr. Pennell is the Chief Financial Officer for Kentucky State University, having begun his university employment in June 2000. Mr. Pennell began his professional experience with Arthur Andersen & Co. in their Chicago world headquarters and spent several years with the management consulting firm of Booz, Allen & Hamilton, Inc. For the next 22 years Mr. Pennell was the senior financial officer of several medical products companies, which ranged in size from entrepreneurial startups to a $100 million division of Pfizer, Inc. He has significant turn-around and transformational company experience. Mr. Pennell graduated from DePauw University in Greencastle, Indiana in 1969 with a BA in Economics and obtained a MBA from Washington University in St. Louis in 1973. In between he served as a sergeant in the army and is a Vietnam veteran.

FUTURE DEBT

The University does not anticipate any new construction in the near future which would result in new debt. However, if resident enrollment were to increase, there may be a need for an additional facility for student housing.

TAX EXEMPTION

General

In the opinion of Bond Counsel for the Series I Bonds, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Series I Bonds is excludable from gross income for Federal income tax purposes and interest on the Series I Bonds is not a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986 (the "Code") for purposes of the Federal individual or corporate alternative minimum taxes. Furthermore, Bond Counsel for the Series I Bonds is of the opinion that interest on the Series I Bonds is exempt from income taxation by the Commonwealth and the Series I Bonds are exempt from ad valorem taxation by the Commonwealth and any of its political subdivisions.

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

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the Series I Bonds. The University has covenanted to comply with certain restrictions designed to ensure that interest on the Series I Bonds will not be includable in gross income for Federal income tax purposes. Failure to comply with these covenants could result in interest on the Series I Bonds being includable in gross income for Federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Series I Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series I Bonds may adversely affect the tax status of the interest on the Series I Bonds.

Certain requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series I Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series I Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Peck, Shaffer & Williams LLP.

Although Bond Counsel for the Series I Bonds has rendered an opinion that interest on the Series I Bonds is excludable from gross income for Federal income tax purposes and that interest on the Series I Bonds is excludable from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series I Bonds may otherwise affect a Bondholder's Federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion and each Bondholder or potential Bondholder is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing the Series I Bonds on the tax liabilities of the individual or entity.

For example, corporations are required to include all tax-exempt interest in determining "adjusted current earnings" under Section 56(c) of the Code, which may increase the amount of any alternative minimum tax owed. Similarly, tax-exempt interest may also increase the amount of any environmental tax owed under Section 59 of the Code, which is based on the alternative minimum taxable income of any corporation subject to that tax. Ownership or disposition of the Series I Bonds may result in other collateral Federal, state or local tax consequence for certain taxpayers, including, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies, under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, and increasing the federal tax liability of certain individual recipients of social security or Railroad Retirement benefits, under Section 86 of the Code. Ownership of any Series I Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of Series I Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky, may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Series I Bonds.

The University has designated the Series I Bonds as "qualified tax-exempt obligations" under Section 265 of the Code.

Original Issue Premium

"Acquisition Premium" is the excess of the cost of a bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next earliest call date. The Series I Bonds maturing on May 1 of the years ____ to ____, inclusive (as shown on the cover page hereof), are being initially offered and sold to the public at an Acquisition Premium (the "Premium Bonds"). For federal income tax purposes, the amount of Acquisition Premium on each bond the interest on which is excludable from gross income for federal income tax purposes ("tax-exempt bonds") must be amortized and will reduce the bondholder's adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining bondholder's taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Bonds, or on any of the Series I Bonds, that must be amortized during any period will be based on the "constant yield" method, using the original bondholder's basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holders of any Series I Bonds, including any Premium Bonds, purchased at an Acquisition Premium should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

Original Issue Discount

The Series I Bonds maturing on May 1 of the years ____ to ____, inclusive, (as shown on the cover page hereof) are being offered and sold to the public at an original issue discount ("OID") from the amounts payable at maturity thereon (the "Discount Bonds"). OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the "issue price" of such bond. The issue price 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 bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of the bond, and for the Discount Bonds, the amount of accretion will be based on a single rate of interest, compounded semiannually (the "yield to maturity"). The amount of OID that accrues during each semi-annual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of a Discount Bond at its issue price, the portion of OID that accrues during the period that such purchaser owns the Discount Bond is added to such purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Bond and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes.

Holders of Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

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 I Bonds are sold (the "Disclosure Agreement"), to be delivered on the date of delivery of the Series I Bonds, to cause the following information to be provided:

(a) to each nationally recognized municipal securities information repository ("NRMSIR") and, if one is established for the Commonwealth, to its state information depository ("SID"), 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, B and C; such information shall be provided on or before 9 months following the fiscal year ending on the preceding June 30, commencing with the fiscal year ending June 30, 2003;

(b) to each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB") and to the SID, notice of the occurrence of certain events, if material, with respect to the Series I Bonds, which events are as follows; and

(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; and
(11) Rating changes.

(c) to each NRMSIR or to the MSRB and to the SID, 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 holder of the Series I Bonds, including beneficial owners of the Series I 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 I 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.

Financial information regarding the University may be obtained from the Vice President for Finance and Administration, Kentucky State University, 400 East Main Street, Frankfort, Kentucky 40601.

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 I Bonds, or in any way contesting or affecting the validity of the Series I 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 I 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 I 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 I Bonds and will contain a statement of tax exemption as represented herein. Bond Counsel has reviewed the information herein pertaining to the Series I Bonds under the headings "The Bonds", "Security for the Bonds", "Certain Provisions of the Resolution and Series I Resolution" and "Tax Exemption", 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 I Bonds.

FINANCIAL ADVISOR

First Kentucky Securities Corporation, Frankfort, Kentucky, has acted as Financial Advisor to the University in connection with the issuance of the Series I 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 I Bonds must be approved by the Kentucky Finance and Administration Cabinet, Office of Financial Management.

FINANCIAL STATEMENTS

The financial statements of the University as of June 30, 2002 are attached as Appendix C.

CERTIFICATE CONCERNING OFFICIAL STATEMENT

Concurrently with the delivery of the Series I Bonds, the Treasurer of the Board of Regents will certify that, to the best of his knowledge, the Official Statement did not as of the date of delivery of the Series I 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 of Regents 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 of Regents and reported in Appendix C herein is represented by the Board to be correct. With respect to Appendix C, 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 their 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 C.

RATING

As noted on the cover page of this Official Statement, Moody's Investors Service, Inc. ("Moody's") has given the Series I Bonds the rating of "A3". Such rating reflects only the view of said organization. Any explanation of the significance of such rating may only be obtained from Moody's at the following address: Moody's Investors Service, Inc. at 99 Church Street, New York, New York 10007, (212) 553-0300.

There is no assurance that such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by Moody's. Any such downward change in or withdrawal of such rating could have an adverse effect on the market price of the Series I 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 First Kentucky Securities Corporation, 305 Ann Street, Suite 400, Frankfort, Kentucky 40602, Attention: Mr. R. Strand Kramer, Jr. (502) 875-4611.

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 I Bonds.

KENTUCKY STATE UNIVERSITY

By: /s/ ______________________________
Chairman, Board of Regents

Attest:

KENTUCKY STATE UNIVERSITY

By: /s/ ______________________________
Secretary

APPENDIX A

Kentucky State University
Consolidated Educational Buildings Refunding Revenue Bonds
Series I

Current Budget
Operations
Coverage of Debt Service Requirements
Outstanding Obligations of Kentucky State University

FISCAL YEAR 2002-03 BUDGET

The 2002-03 fiscal year unrestricted fund budget for Kentucky State University is $35,673,744, an increase of $2,328,816 compared to fiscal year 2001-02. The budget increase is primarily the result of increased tuition and fee revenues, state appropriations and increases in indirect cost recovery on grants and contracts.

OPERATIONS

Enrollment

The following schedule indicates the Fall Semester head count and full-time equivalent enrollment at the University for each of the fiscal academic years 1994-95 through 2003-04. The full-time enrollment calculation is made in accordance with the method used by the Kentucky Council on Postsecondary Education.

Academic Year	Undergraduate	Graduate	Total Head Count	Full-Time[1] Equivalent
1994-95	2,497	67	2,564	1,865.9
1995-96	2,505	74	2,579	1,910.6
1996-97	2,270	76	2,356	1,851.5
1997-98	2,203	85	2,288	1,930.1
1998-99	2,205	98	2,303	1,796.8
1999-00	2,277	116	2,393	1,896.3
2000-01	2,129	125	2,254	1,705.7
2001-02	2,162	150	2,312	1,829.8
2002-03	2,104	149	2,253	1,793.1
2003-04[2]	2,250	150	2,400	1,900.0

[1] Full-time and part-time enrollment equated to full-time enrollment.
[2] Estimated.

Source: Kentucky State University

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Approximately 33% of students enrolled at the University are nonresidents of Kentucky and in the judgment of the University the percentage should remain constant. Using regional and national surveys of future college age population and historic enrollment data, and taking into consideration the policies of the Kentucky Council on Postsecondary Education relating to the enrollment requirements, the University has estimated fiscal 2003-04 through fiscal 2007-08 fall semester full-time student enrollment at the University as follows:

Academic Year	Estimated Fall Semester Student Enrollment (Head Count)
2003-04	2,400
2004-05	2,450
2005-06	2,500
2006-07	2,550
2007-08	2,600

Admissions Information - Fall Semester Undergraduate Admissions

	1998	1999	2000	2001	2002
Number of Applications	1,559	1,362	1,768	2,244	2,174
Number Approved for Enrollment	1,029	607	1,006	1,064	942
Number Enrolled	537	564	660	761	759
Average ACT Scores	17.9	17.5	17.3	17.0	17.0

Student Registration Fees

The Board of Regents, with the approval of the Kentucky Council on Postsecondary Education, has established a schedule of Student Registration Fees to be imposed, charged and collected for services of the Consolidated Educational Buildings Project from all students attending the University. The schedule of fees effective for the fiscal year periods beginning August 15, 2000 through May 1, 2003 are as follows:

	Schedule of Fees FY2000-01	Schedule of Fees FY2001-02	Schedule of Fees FY2002-03
Registration Fee Per Semester Full Time			
Undergraduate			
Resident	$1,220	$1,324	$1,567
Non-Resident	$3,321	$3,604	$4,192
Graduate			
Resident	$1,320	$1,433	$1,692
Non-Resident	$3,623	$3,942	$4,592
Registration Fee Per Hour Summer Term/Part-Time			
Undergraduate			
Resident	$95	$96	$110
Non-Resident	$270	$285	$330
Graduate			
Resident	$135	$139	$160
Non-Resident	$392	$417	$480

State Appropriations

The General Assembly of the Commonwealth of Kentucky, based on an initial request from the Governor, approves a biennial budget for Kentucky State University and for the Commonwealth's other public universities. The current biennium is for fiscal years 2002-03 and 2003-04.

Fiscal Year	Appropriation
1993-94	$18,294,900
1994-95	$18,499,100
1995-96	$19,116,900
1996-97	$19,578,900
1997-98	$19,798,700
1998-99	$20,364,100
1999-00	$20,872,800
2000-01	$22,264,700
2001-02	$22,261,800
2002-03	$22,412,400

The amount of funds so appropriated has been based in part on the debt service on the University's outstanding Consolidated Educational Buildings Refunding Revenue Bonds. 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 IN THE FUTURE, AN OBLIGATION 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. THE BONDS ARE SECURED BY AND PAYABLE SOLELY FROM THE REVENUES FROM THE PROJECT, AND NOT BY ANY APPROPRIATIONS.

The Commonwealth operated under the Governor's Executive Spending Plan until the General Assembly enacted a budget at the conclusion of the 2003 Regular Session, which concluded March 25, 2003.

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COMPARATIVE REPORT OF STUDENT FINANCIAL AID

A summary of the University's student financial aid is presented for the most recent three fiscal year periods:

	FY2000-2001	FY2001-02	FY2002-03
Scholarships & Grants			
Federal Grants			
Pell	$2,296,748	$2,765,197	$3,088,496
Supplemental Educational Opportunity	215,279	178,173	164,898
College Work Study	523,816	523,816	523,816
Institutional Scholarships and Awards			
General	$1,634,632	$1,993,794	$2,195,050
Student Employment	121,661	143,500	130,000
Athletic	399,960	509,342	717,522
State Grants (KHEAA)	411,722	405,867	416,294
Aid from Outside Agencies			
State Grants			
Agency Scholarships			
Subtotal Scholarships and Grants	$5,603,818	$6,519,689	$7,236,076
Loans			
Perkins Student Loans	$ 258,377	$ 334,371	$ 153,100
Guaranteed Student Loans	4,655,758	5,919,479	6,628,676
PLUS Loans	417,560	663,290	1,094,326
Law Access Loans			
Schmidlapp Loans			
Supplemental Loans for Students			
Subtotal Loans	$5,331,695	$6,917,140	$7,876,102
TOTAL STUDENT FINANCIAL AID	$10,935,513	$13,436,829	$15,112,178

FIVE-YEAR HISTORY OF PRIVATE DONATIONS (OR CONTRIBUTIONS)

Fiscal Year	Number of Donors Participating	Total Voluntary Support
1998-99	0	$0
1999-00	48	$293,565
2000-01	51	$806,998
2001-02	300	$858,238
2002-03	183	$892,190

SUMMARY OF INCOME FROM STUDENT TUITION AND FEES

The following table shows student tuition and fees collected by fiscal year, without adjustment for tuition and scholarship discounting required by GASB 34.

Fiscal Year	Fees Collected
1993-94	$5,044,188
1994-95	$5,590,614
1995-96	$6,125,185
1996-97	$6,085,814
1997-98	$6,031,618
1998-99	$6,476,306
1999-00	$7,453,695
2000-01	$7,537,987
2001-02	$9,202,783
2002-03	$10,686,624 (est.)

COVERAGE OF DEBT SERVICE REQUIREMENTS

This calculation of coverage of debt service requirements as set forth below is based on the schedule of annual debt service for the Bonds as shown herein.

2000-01 Adjusted Revenues	$7,537,987
2001-02 Adjusted Revenues	9,202,783
Total	$16,740,770
Average Annual Revenues	$8,370,385
Maximum Annual Debt Service Requirement [1]	$1,872,080
Times Maximum Debt Service Covered	4.47 x

[1] Occurs in fiscal year 2005.

Please refer to the financial statements included in Appendix C for additional obligations of Kentucky State University.

APPENDIX B

Kentucky State University
Consolidated Educational Buildings Refunding Revenue Bonds

Total Estimated Annual Debt Service Requirements

KENTUCKY STATE UNIVERSITY
CONSOLIDATED EDUCATIONAL BUILDINGS REFUNDING REVENUE BONDS

TOTAL ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS

Year Ending June 30	Existing Debt Service[1]	Series I Principal	Series I Interest	Series I Total	Total Debt Service
2004	0	$ 1,650,000	$218,703	$1,868,703	$1,868,703
2005	0	1,690,000	182,080	1,872,080	1,872,080
2006	0	885,000	158,420	1,043,420	1,043,420
2007	0	905,000	142,933	1,047,933	1,047,933
2008	0	935,000	123,475	1,058,475	1,058,475
2009	0	975,000	99,165	1,074,165	1,074,165
2010	0	1,005,000	69,915	1,074,915	1,074,915
2011	0	1,050,000	36,750	1,086,750	1,086,750
Total		$9,095,000	$1,031,441	$10,126,441	$10,126,441

Note: All calculations rounded to nearest dollar.

[1]Excludes Series G and Series H Bonds to be refunded.

Source: Kentucky State University and Financial Advisor

APPENDIX C

Kentucky State University
Consolidated Educational Buildings Refunding Revenue Bonds
Series I

Financial Statements as of June 30, 2002

KENTUCKY STATE UNIVERSITY

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
June 30, 2002

KENTUCKY STATE UNIVERSITY

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
June 30, 2002

CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of Kentucky State University's financial statements provide an overview of the financial position and activities of the University for the year ended June 30, 2002. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section. The financial statements and related notes and this discussion and analysis are the responsibility of management.

Financial Highlights

- The University's financial position at June 30, 2002, reflected assets of $72.0 million and liabilities of $19.8 million. Net assets, which represent the University's residual interest in assets after liabilities are deducted, were $52.2 million or 73% of total assets. Financial operations were in accordance with the revenue expectations and the approved budget plan.

- Total assets increased $7.4 million, or 12%, primarily due to an increase in capital assets.

- Total liabilities decreased $4.3 million, or 19%, primarily due to payments of current year principal maturities on bonds obligations and a reduction in deferred revenues.

- Total net assets increased $11.7 million, or 30%, due to an increase in capital appropriations of $8.8 million and an increase of $1.4 million in restricted net assets.

- Operating revenues were $27.4 million and operating expenditures were $48.3 million, resulting in a loss from operations of $20.9 million. Nonoperating revenues were $23.8 million, including $22.5 million in state appropriations, which, when combined with the loss from operations and capital appropriations of $8.8 million, resulted in an overall increase in net assets of $11.7 million.

- Endowment assets increased $1.3 million or 97% during the year.

Using the Financial Statements

The Financial Statements consist of a Statement of Net Assets (Balance Sheet), a Statement of Revenues, Expenses and Changes in Net Assets (Income Statement), a Statement of Cash Flows, and Notes to the Financial Statements. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.*

The financial statements differ significantly in both the form and the accounting principles utilized for previous financial statements, which focused on the accountability of fund groups. The Financial Statements for fiscal year 2002 focus on the financial condition, results of operations, and cash flows of the University as a whole, with resources classified for accounting and reporting purposes into four net asset categories: invested in capital assets (net of related debt), restricted-nonexpendable, restricted-expendable, and unrestricted.

In addition to the change in emphasis to a University-wide perspective, another significant change is that revenues and expenses are now categorized as either operating or nonoperating. Significant recurring sources of revenues, including state appropriations, gifts and investment income (loss) are now considered nonoperating, as defined by GASB Statement No. 35. Further, depreciation of capital assets is now reported in the financial statements as an operating expense.

The Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows will now provide an entity-wide perspective of the University in a format similar to corporate financial statements.

Reporting Entity

Kentucky State University is a component unit of the Commonwealth of Kentucky.

Statement of Net Assets

The Statement of Net Assets presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities. Net assets, the difference between total assets and total liabilities, is an important indicator of the current financial condition, while the change in net assets is an indicator of whether the overall financial position has improved or worsened during the year. Generally, assets and liabilities are reported using current values. A major exception is capital assets, which are stated at historical cost, less accumulated depreciation. A summary of the University's assets, liabilities and net assets at June 30, 2002 is as follows:

Condensed Statement of Net Assets

ASSETS	
Current assets	$ 18,426,893
Noncurrent assets	53,543,927
Total Assets	71,970,820
LIABILITIES	
Current liabilities	6,857,144
Noncurrent liabilities	12,944,807
Total Liabilities	19,801,951
NET ASSETS	
Invested in capital assets, net of related debt	23,676,069
Restricted	
Expendable	28,189,395
Unrestricted	303,405
Total Net Assets	$ 52,168,869

Assets. As of June 30, 2002, total assets amounted to $72.0 million. Of this amount, investment in capital assets (net of depreciation) of $37.5 million, or 52% of total assets, represented the largest asset class. Investments amounted to $23.3 million or 32% of total assets. During the year, total assets increased by $7.4 million, primarily due to increases in capital assets.

Liabilities. As of June 30, 2002, total liabilities amounted to $19.8 million. Bonds payable for educational buildings and the housing and dining system amounted to $13.8 million, or 70% of total liabilities. During the year total liabilities decreased by $4.3 million primarily due to principal payments on bonds and a reduction in restricted deferred revenues.

Net Assets. The equity of the University of $52.2 million at June 30, 2002 is reported on the Statement of Net Assets in three net asset categories: invested in capital assets, net of related debt, $23.7 million (45%), restricted-expendable, $28.2 million (54%), and unrestricted, $303 thousand (1%).

Restricted net assets are subject to externally imposed restrictions governing their use. Although unrestricted net assets are not subject to externally imposed stipulations, substantially all of the unrestricted net assets have been designated for support of academic and research programs and initiatives, capital projects and working capital requirements.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets is prepared on the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. All items that increase or decrease net assets must appear on the Statement of Revenues, Expenses and Changes in Net Assets as revenues, expenses, gains or losses.

Financial activities are reported as either operating or nonoperating. GASB Statement No. 35 requires state appropriations, gifts and investment and endowment income to be classified as nonoperating revenues. Accordingly, the University reports an operating loss for the year prior to the addition of nonoperating revenues. The utilization of long-lived capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life. Tuition must be reduced by gift scholarships and institutional aid, and is reported net of scholarship allowances in the financial statements.

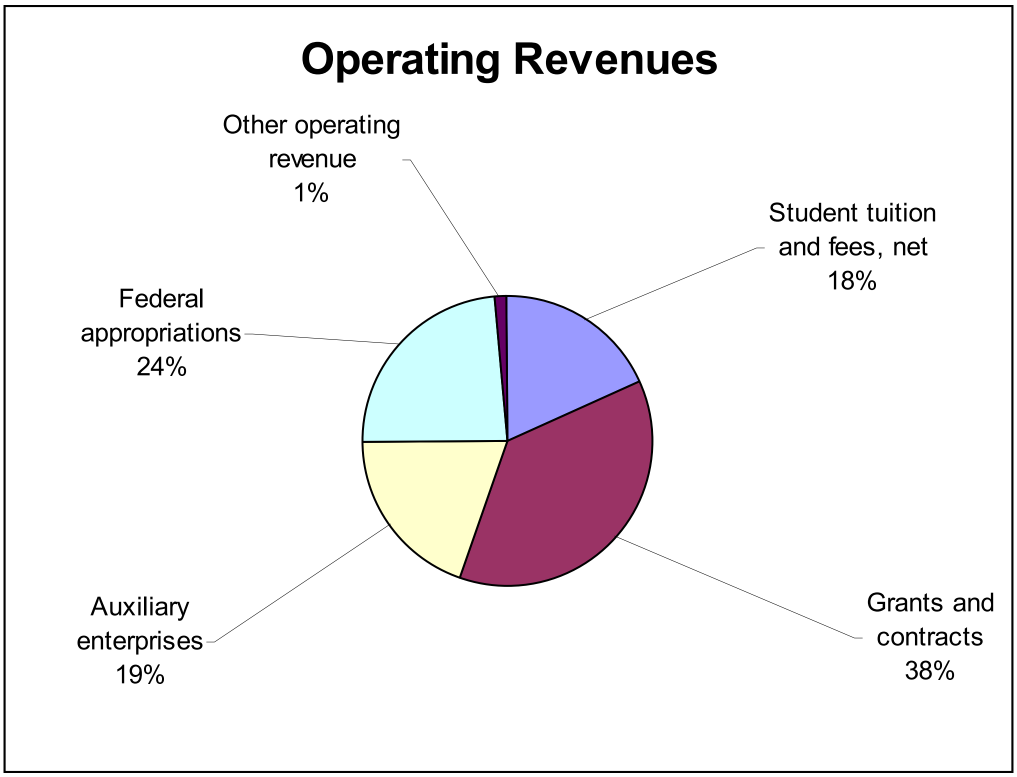
Condensed Statement of Revenues, Expenses and Changes in Net Assets

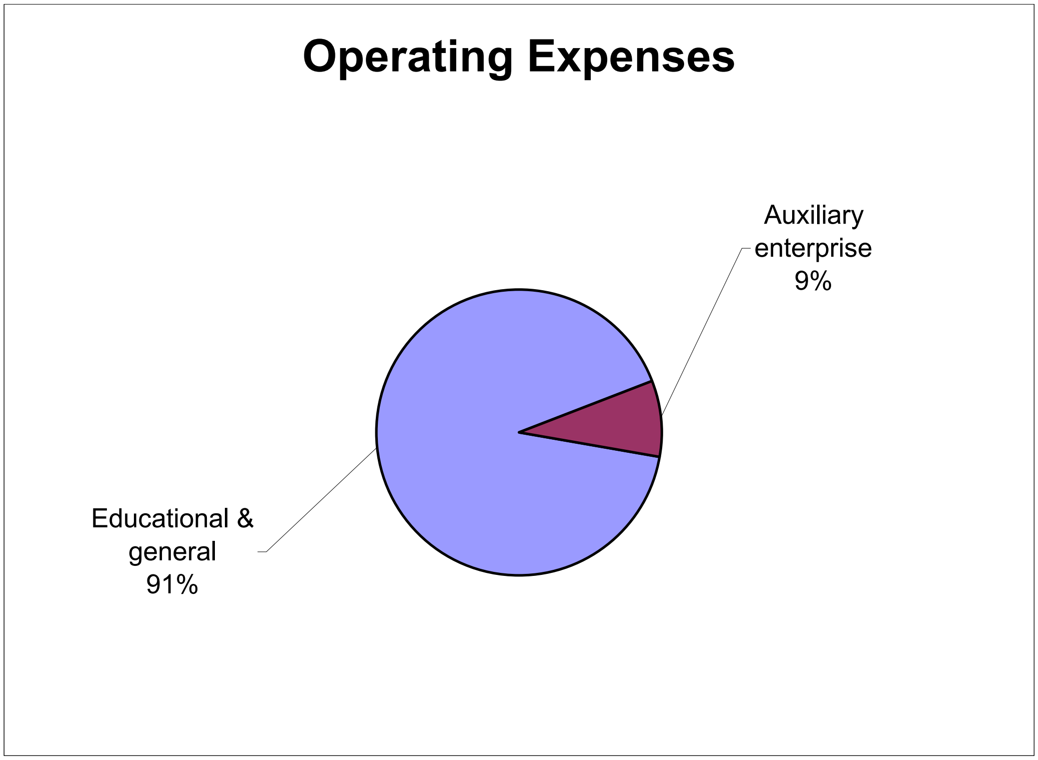
OPERATING REVENUES	
Student tuition and fees, net	$ 5,020,051
Grants and contracts	10,151,601
Federal appropriations	6,542,592
Auxiliary enterprises	5,342,254
Other operating revenue	346,861
Total operating revenues	27,403,359
OPERATING EXPENSES	
Educational and general	43,662,303
Auxiliary enterprises	4,639,402
Total operating expenses	48,301,705
OPERATING LOSS	(20,898,346)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	22,515,300
Gifts and grants	1,372,406
Investment income (loss)	690,387
Interest on capital asset - related debt	(899,384)
Other	97,879
Total nonoperating revenues (expenses)	23,776,588
Income before other revenues, expenses, gains, losses	2,878,242
Capital appropriations	8,796,000
Total net increase in net assets	11,674,242
Net assets, beginning of year as restated	40,494,627
Net assets, end of year	$ 52,168,869

Total operating revenues were $27.4 million for the year ended June 30, 2002, including student tuition and fees of $5.0 million (18%), grants and contracts of $10.2 million (38%), federal appropriations of $6.5 million (24%) and auxiliary services of $5.3 million (19%).

Operating expenses totaled $48.3 million. Of this amount, $43.7 million, or 91% was expended for educational and general programs, including the functions of instruction, research and public service. Auxiliary services amounted to $4.6 million, or 9% of the total expenses.

The net loss from operations for the year amounted to $20.9 million. Nonoperating revenues, net of expenses, amounted to $23.8 million, resulting in an increase in income before other revenues, expenses, gains and losses of $2.9 million for the year. Nonoperating revenues include state appropriations of $22.5 million.





Statement of Cash Flows

The Statement of Cash Flows presents information related to the University's cash inflows and outflows summarized by operating, capital, financing and investing activities. The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and cash payments made by the University during the year that will allow financial statement readers to assess:

- The ability to generate future net cash flows,
- The ability to meet obligations as they become due, and
- The possible need for external financing.

Condensed Statement of Cash Flows

Cash provided/(used by):	
Operating activities	$(17,541,814)
Noncapital financing activities	23,521,187
Capital and related financing activities	348,232
Investing activities	(2,423,774)
Net increase in cash	3,903,831
Cash and cash equivalents, beginning of year	1,915,387
Cash and cash equivalents, end of year	$5,819,218

Major sources of cash received from operating activities are student tuition and fees ($5.0 million), federal appropriations ($6.5 million), grants and contracts ($10.3 million). Major uses of cash for operating activities were payments to employees for salaries and benefits ($30.1 million) and to vendors and contractors ($13.4 million).

Noncapital financing activities includes state appropriations from the Commonwealth of Kentucky of $22.5 million.

Capital and related financing activities include capital appropriations from the Commonwealth of Kentucky of $8.8 million. Cash of $5.8 million was expended for construction and acquisition of capital assets and $2.7 million was expended for principal and interest payments on debt.

Investing activities include interest and dividends on investments of $678 thousand and purchase of investments of $3.1 million.

Capital Asset and Debt Administration

Capital Assets

Capital assets, net of accumulated depreciation, totaled $37.5 million at June 30, 2002, an increase of $4.4 million. Capital assets as of June 30, 2002 and significant changes in capital assets during the year are as follows (in millions):

	Balance June 30, 2002	Net Additions (Reductions) FY 01-02
Land and land improvements	$ 3.4	$ 1.0
Buildings, fixed equipment and infrastructure	92.1	3.0
Equipment, vehicles and capitalized software	9.2	(4.9)
Library materials and art	6.9	.1
Construction in progress	7.5	(.7)
Accumulated depreciation	(81.6)	.3
Total	$ 37.5	$ (1.2)

At June 30, 2002, the University has capital construction projects in progress totaling $7.4 million in scope. Major projects include: the Hill Student Center, Hathaway Hall and Carver Hall.

Debt

At June 30, 2002, bonds payable amounted to $13.8 million, summarized below by trust indenture (in millions):

Consolidated Educational Buildings Revenue Bonds	$ 10.2
Housing and Dining System Revenue Bonds	3.6
Total	$ 13.8

Bonds payable decreased approximately $1.8 million during the year due to payments of current year bond maturities.

Economic Factors Impacting Future Periods

The following are known facts and circumstances that will affect future financial results:

- The General Assembly of the Commonwealth of Kentucky has not adopted a budget for the 2002-04 biennium. Governor Paul Patton implemented, by executive order, an emergency-spending plan for fiscal year 2003. The Board of Regents of the University has approved an operating budget for fiscal year 2003.

- Tuition rates for fiscal year 2003 were increased approximately 15% for resident and nonresident undergraduate and graduate students. The increase is expected to generate additional operating revenues of approximately $1.9 million.

- The University outsourced the management of its Bookstore operations to Follett Higher Education Group, Inc. This agreement will be effective on November 20, 2002.

CROWE CHIZEK

REPORT OF INDEPENDENT AUDITORS

Board of Regents
Kentucky State University of the
Commonwealth of Kentucky

We have audited the statement of net assets of Kentucky State University as of June 30, 2002, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kentucky State University as of June 30, 2002, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the University adopted the provisions of Governmental Accounting Standards Board Statement No. 35 "Basic Financial Statements – and Management's Discussion and Analysis – for Public College and Universities", as of July 1, 2001. In addition, as described in Note 1, the University changed its method of accounting for the capitalization of certain assets.

The Management's Discussion and Analysis (MD&A) on pages 1 through 8 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Crowe, Chizek and Company LLP

Crowe, Chizek and Company LLP

Louisville, Kentucky
November 1, 2002

KENTUCKY STATE UNIVERSITY
STATEMENT OF NET ASSETS
June 30, 2002

ASSETS	
Current assets	
Cash and cash equivalents	$ 5,819,218
Accounts, grants and loans receivable, net	4,168,816
Investments	7,909,467
Inventory	503,132
Other current assets	26,260
Total current assets	18,426,893
Noncurrent assets	
Accounts, grants and loans receivable, net	679,181
Investments	15,408,677
Capital assets, net	37,456,069
Total noncurrent assets	53,543,927
Total assets	71,970,820
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	2,626,639
Accrued compensated absences	870,057
Deferred revenue	500,314
Deposits	436,601
Other current liabilities	568,533
Bonds payable, current portion	1,855,000
Total current liabilities	6,857,144
Noncurrent liabilities	
Accrued compensated absences	414,851
Bonds payable, noncurrent portion	11,925,000
Federal grants refundable	604,956
Total noncurrent liabilities	12,944,807
Total liabilities	19,801,951
NET ASSETS	
Invested in capital assets, net of related debt	23,676,069
Restricted	
Nonexpendable	-
Expendable	28,189,395
Unrestricted	303,405
Total net assets	$ 52,168,869

See accompanying notes.

REVENUES	
Operating revenues	
Student tuition and fees (net of scholarship allowances of $4,182,732)	$ 5,020,051
Federal grants and contracts	8,137,165
Federal appropriations	6,542,592
State and local grants and contracts	1,940,229
Nongovernmental grants and contracts	74,207
Auxiliary enterprises	
Residence halls and dining	3,804,489
Bookstore	1,122,974
Other auxiliaries	414,791
Other operating revenues	346,861
Total operating revenues	27,403,359
EXPENSES	
Operating expenses	
Educational and general	
Instruction	12,696,381
Research	4,516,266
Public service	2,523,442
Academic support	3,033,543
Student services	4,849,554
Institutional support	8,189,712
Operation and maintenance of plant	4,014,097
Depreciation	1,931,915
Student aid	1,852,178
Auxiliary enterprises	
Residence halls and dining	2,342,115
Bookstore	1,214,617
Other auxiliaries	717,848
Depreciation	364,822
Other operating expenses	55,215
Total operating expenses	48,301,705
Operating loss	(20,898,346)

(Continued)

NONOPERATING REVENUES (EXPENSES)	
State appropriations	$ 22,515,300
Gifts	1,372,406
Investment income (net of investment expense)	690,387
Interest on capital asset-related debt	(899,384)
Other nonoperating revenues	97,879
Net nonoperating revenues	23,776,588
Income before other revenues, expenses, gains or losses	2,878,242
Capital appropriations	8,796,000
Increase in net assets	11,674,242
Net assets, beginning of year	127,469,027
Cumulative effect of changes in accounting principle	(86,974,400)
Net assets, beginning of year, as restated	40,494,627
Net assets, end of year	$ 52,168,869

See accompanying notes.

KENTUCKY STATE UNIVERSITY
STATEMENT OF CASH FLOWS
Year ended June 30, 2002

Cash flows from operating activities	
Tuition and fees	$ 4,998,252
Grants and contracts	16,833,067
Payments to suppliers	(13,369,131)
Payments employees	(30,128,995)
Loans issued to students	(335,715)
Collection of loans issued to students	192,436
Auxiliary enterprises:	
Residence halls and dining	3,468,981
Bookstore	1,122,974
Other auxiliaries	414,791
Other payments	(738,474)
Net cash from operating activities	(17,541,814)
Cash flows from noncapital financing activities	
State appropriations	22,515,300
Gifts for other than capital purposes	1,372,406
Student organization agency receipts	571,909
Student organization agency disbursements	(602,768)
Other payments	(335,660)
Net cash from noncapital financing activities	23,521,187
Cash flows from capital financing activities	
Capital appropriations	8,796,000
Purchases of capital assets	(5,777,086)
Principal paid on capital debt and leases	(1,755,000)
Interest paid on capital debt and leases	(915,682)
Net cash flows from capital financing activities	348,232
Cash flows from investing activities	
Interest received on investments	677,687
Purchases of investments	(3,101,461)
Net cash flows from investing activities	(2,423,774)
Net increase in cash and cash equivalents	3,903,831
Cash and cash equivalents at beginning of year	1,915,387
Cash and cash equivalents at end of year	$ 5,819,218

(Continued)

Reconciliation of net operating revenues (expenses) to net cash from operating activities	
Operating income (loss)	$ (20,898,346)
Adjustments to reconcile net income (loss) to net cash from operating activities:	
Depreciation expense	2,296,737
Changes in assets and liabilities:	
Receivables, net	560,353
Inventory	42,055
Accounts payable	(130,090)
Accrued liabilities	694,720
Accrued compensated absences	40,859
Deferred revenue	(148,102)
Net cash from operating activities	$ (17,541,814)

See accompanying notes.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Kentucky State University (the University) is a component unit of the Commonwealth of Kentucky and is included in the general-purpose financial statements of Commonwealth.

Basis of Presentation: The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed the by Governmental Accounting Standards Board (GASB). The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The University reports as a Business Type Activity (BTA) as defined by GASB Statement No. 35. BTAs are those activities that are financed in whole or in part by fees charged to external parties for goods and services.

Effective July 1, 2001, the University adopted GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statement No. 37. The University also adopted GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, on July 1, 2001. GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net assets categories:

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- **Restricted:**

    Nonexpendable– Net assets subject to externally imposed stipulations that they be maintained permanently by the University. Such assets include the University's permanent endowment funds.

    Expendable– Net assets whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

- **Unrestricted:** Net assets whose use by the University is not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

(Continued)

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The financial statement presentation required by GASB Statement No. 35 is intended to provide a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows. It replaces the fund group perspective previously required.

Beginning of the year fund balances have been restated to reflect the application of the provisions of GASB Statement No. 35, as follows:

Combined fund balances, as previously reported	$ 127,469,027
GASB Statement No. 35 adjustments:	
Accumulated depreciation, beginning of year	(81,914,628)
Loan fund balances required to be reported as other liabilities by GASB No. 35	(604,956)
Grants and contracts restricted fund balances required to be reported as deferred revenue by GASB No. 35	996,165
Total GASB Statement No. 35 adjustments	(81,523,419)
Combined fund balances, restated as net assets for GASB Statement No. 35	45,945,608
Cumulative effect of changes in accounting principle, Capitalization policy change	(5,450,981)
Net assets, beginning of year, as restated	$ 40,494,627

Allowance for Doubtful Accounts: The allowance for doubtful accounts is established through a provision for doubtful accounts charged to expense. The allowance represents an amount which, in management's judgment, will be adequate to absorb probable losses on existing accounts that may become uncollectible.

Investments: The University values investments at fair value based on quoted market prices.

Capital Assets: Capital assets are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of gift. Equipment with a unit cost of $2,000 or more and having an estimated useful life of greater than one year, is capitalized. Renovations to buildings and infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

(Continued)

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation of capital assets is computed on a straight-line basis over the estimated useful lives of the respective assets. The University capitalizes, but does not depreciate, works of art and historical treasures that are held for exhibition, education, research and public service. Estimated lives used for depreciation purposes are as follows:

Classification	Estimated Life
Improvements	20 years
Buildings	40 years
Transportation equipment	5-15 years
Equipment	5-20 years
Library holdings	10 years

Deferred Revenue: Deferred revenue includes amounts received for tuition and fees prior to the end of the fiscal year but related to the subsequent reporting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Restricted Asset Spending Policy: The University's policy is that restrictions on assets cannot be fulfilled by the expenditure of unrestricted funds for similar purposes. The determination on whether restricted or unrestricted funds are expended for a particular purpose is made on a case-by-case basis. Restricted funds remain restricted until spent for the intended purpose.

Operating Activities: The University defines operating activities, as reported on the statement of revenues, expenses and changes in net assets, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for services and goods received. Nearly all of the University's expenses are from exchange transactions. Certain significant revenues relied upon for operations, such as state appropriations, gifts and investment income, are recorded as nonoperating revenues, in accordance with GASB Statement No. 35.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

The statement of net assets classification "cash and cash equivalents" includes all readily available sources of cash such as petty cash, demand deposits, certificates of deposit and temporary investments in marketable securities with original maturities less than three months.

At June 30, 2002 the University had deposits as reflected by bank balances as follows:

Insured, commercial banks	$ 100,000
Uninsured, commercial banks; collateral held by pledging institution's agent in the University's name	1,879,941
Maintained by Commonwealth of Kentucky	4,118,109
	$ 6,098,050

The difference in the cash carrying amount per the statement of net assets and the above bank balances represented items in transit.

The University's investments are categorized to give an indication of the risk assumed by the University at year-end. Category 1 indicates investments insured or registered for which the securities are held by the University or its agent in the University's name. Category 2 indicates investments uninsured or unregistered, with securities held by the counter party's trust department or agent in the University's name. Category 3 indicates investments uninsured or unregistered with securities held by the counter party, or its trust department or agent, but not in the University's name.

A summary of investments at June 30, 2002 follows:

Mutual funds and money market funds	$ 7,741,600
Investment in the Commonwealth's investment pool	15,576,544
	$ 23,318,144

At June 30, 2002, all of the University's investments were in Category 1.

(Continued)

NOTE 3 – ACCOUNTS, GRANTS AND LOANS RECEIVABLE

Accounts, grants and loans receivable consist of the following as of June 30, 2002:

Student tuition and fees	$ 1,896,661
Student loans	2,352,284
Grants and contracts	2,738,972
Other	263,950
	7,251,867
Less: allowance for doubtful accounts	(2,403,870)
	$ 4,847,997

NOTE 4 – INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out method) or market. A summary of inventories at June 30, 2002 follows:

Physical plant	$ 137,524
University bookstore, net of reserve for obsolescence	365,608
Total	$ 503,132

NOTE 5 – CAPITAL ASSETS, NET

Capital assets as of June 30, 2002, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Cost				
Land and improvements	$ 2,427,142	$ 996,168	$ -	$ 3,423,310
Buildings	89,093,144	3,978,323	993,170	92,078,297
Equipment	12,413,529	553,050	5,418,311	7,548,268
Library holdings	6,766,975	234,466	67,555	6,933,886
Transportation equipment	1,642,505	15,079	32,670	1,624,914
Construction in progress	8,236,927	3,218,212	3,983,601	7,471,538
	120,580,222	8,995,298	10,495,307	119,080,213

(Continued)

NOTE 5 – CAPITAL ASSETS, NET (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance
Accumulated depreciation				
Buildings	67,957,020	1,390,179	-	69,347,199
Equipment	6,842,273	597,526	2,587,221	4,852,578
Library holdings	5,906,472	224,937	-	6,131,409
Transportation equipment	1,208,863	84,095	-	1,292,958
	81,914,628	2,296,737	2,587,221	81,624,144
Capital assets, net	$ 38,665,594	$ 6,698,561	$ 7,908,086	$ 37,456,069

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2002, are as follows:

Payable to vendors and contractors	$ 516,565
Accrued compensated absences	1,284,908
Accrued salaries and other liabilities	2,110,074
	$ 3,911,547

NOTE 7 – DEFERRED REVENUE

Deferred revenue consists of the following as of June 30, 2002:

Unearned summer school tuition and fees	$ 368,352
Unearned grants and contracts	131,962
	$ 500,314

(Continued)

NOTE 8 – LONG-TERM LIABILITIES

Long-term liabilities as of June 30, 2002, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Consolidated Educational Building Revenue Bonds	$ 11,490,000	$ -	$ 1,305,000	$ 10,185,000	$ 1,370,000	$ 8,815,000
Housing and Dining Bonds	4,045,000	-	450,000	3,595,000	485,000	3,110,000
Total bonds payable	15,535,000	-	1,755,000	13,780,000	1,855,000	11,925,000
Accrued compensated absences	1,244,049	156,685	115,826	1,284,908	870,057	414,851
Federal grants refundable	604,956	-	-	604,956	-	604,956
Total long-term liabilities	$ 17,384,005	$ 156,685	$ 1,870,826	$ 15,669,864	$ 2,725,057	$ 12,944,807

The outstanding Consolidated Educational Buildings Revenue Bonds Series are G and H with interest rates ranging from 5.0 percent 6.25 percent and various maturity dates through 2011. The reserve requirements for these issues have been fully funded as of June 30, 2002.

The outstanding Housing and Dining System Revenue Bonds Series are F and G with interest rates ranging from 4.8 percent to 5.6 percent and various maturity dates through 2014. The reserve requirements for these issues have been fully funded as of June 30, 2002.

All bonds are collateralized by University property and the pledge of certain revenues, tuition and fees.

The principal and interest repayment requirements relating to the outstanding bonds payable at June 30, 2002, are as follows:

	Principal	Interest	Total
Year ending June 30,			
2003	$ 1,855,000	$ 783,960	$ 2,638,960
2004	1,960,000	677,071	2,637,071
2005	2,085,000	563,637	2,648,637
2006	1,000,000	454,125	1,454,125
2007	1,060,000	393,624	1,453,624
Thereafter	5,820,000	984,362	6,804,362
Total	$ 13,780,000	$ 3,856,779	$ 17,636,779

(Continued)

NOTE 9 – EMPLOYEE BENEFITS

Kentucky Teachers Retirement System: All faculty and exempt employees required to hold a degree and occupying full-time positions, defined as seven-tenths (7/10) of normal full-time service on a daily or weekly basis, are required by state law to participate in the Kentucky Teachers Retirement System (KTRS). KTRS, a cost sharing, multiple-employer, public employee retirement system, provides retirement benefits based on an employee's final average salary and number of years service. Benefits are subject to certain reductions if the employee retires before reaching age sixty, unless the employee has twenty-seven or more years of participation in the plan. The plan also provides for disability retirement, death and survivor benefits, and medical insurance.

The Kentucky Teachers Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Teachers Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601-3868 or by calling (502) 573-5120.

Funding for the plan is provided from eligible employees who contribute 6.16% of their salary through payroll deductions and the Commonwealth of Kentucky, which also indirectly contributes 13.84% of current eligible employees' salaries to the KTRS through appropriations to the University. Contribution requirements of the plan members and the University are established by Kentucky Revised Statute and the KTRS Board of Trustees. The University's contributions to KTRS for the year ending June 30, 2002 was $1,551,255 equaled the required contribution for that year.

Kentucky Employee Retirement System: Substantially all other full-time University employees are required by law to participate in the Kentucky Employees Retirement System (KERS), a cost sharing multiple-employer, public employee retirement system. KERS provides retirement benefits based on an employee's final average salary and number of years of service. Benefits are subject to certain reductions if the employee retires before reaching age sixty-five, or less than twenty-seven years of service. The plan also provides for disability retirement, death and survivor benefits and medical insurance.

The Kentucky Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Employees Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky 40601 or by calling (502) 564-4646.

(Continued)

NOTE 9 – EMPLOYEE BENEFITS (Continued)

Funding for the plan is provided from eligible employees who contribute 5.00% of their salary through payroll deductions and the Commonwealth of Kentucky, which also indirectly contributes 5.89% of current eligible employees' salaries to the KERS through appropriations to the University. University contribution rates are determined by the Kentucky Revised Statute and the Board of Trustees of the Kentucky Retirement System each biennium. The University's contributions to KERS for the year ending June 30, 2002 were $317,523 and equaled the required contribution for that year.

Health care and life insurance benefits are provided for eligible retired employees through the above pension plans.

Expenditures for all employee benefits are included as expenditures within the appropriate functional areas.

NOTE 10 - KENTUCKY STATE UNIVERSITY FOUNDATION, INC.

The financial statements do not include the assets, liabilities, net assets and revenues and expenses of the Kentucky State University Foundation, Inc. (the Foundation). The Foundation is a not-for-profit Kentucky corporation formed to receive, invest, and expend funds for the enhancement and improvement of the University. The Foundation has a Board of Trustees independent from that of the University. At June 30, 2002, the University has a receivable from the Foundation of approximately $97,000.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The estimated cost to complete construction of various projects at June 30, 2002 approximates $6 million. The projects are principally financed by appropriations from the Commonwealth of Kentucky and proceeds from bonds.

The University is a party to various litigations and other claims in the ordinary course of business. University officials are of the opinion, based upon the advice of legal counsel, that the ultimate resolution of these matters will not have a material effect on the financial statements of the University.

(Continued)

NOTE 12 – RISK MANAGEMENT

The University is exposed to various risks of loss from torts; theft of, damage to, destruction of assets; business interruption; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from these risks. Settled claims have not exceeded this commercial coverage in any of the three preceding years. As a sovereign entity of the Commonwealth of Kentucky, the Kentucky Board of Claims handles tort claims on behalf of the University.

The Commonwealth of Kentucky operates a public entity risk pool operating as a common risk management and insurance program for its members. The University pays an annual premium to the pool for its workers' compensation insurance coverage. The pool's governing agreement specifies that the pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop loss amounts.

NOTE 13 - SEGMENT INFORMATION

A segment is an identifiable activity reported as a stand-alone entity for which one or more revenue bonds are outstanding. A segment has a specifically identifiable revenue stream pledged in support of revenue bonds and has related expenses, gains and losses, assets, and liabilities, that are required by an external party to be accounted for separately. The University has one segment that meets the reporting requirements of GASB Statement No. 35, which is the Kentucky State University Housing and Dining System.

The Housing and Dining System is an organizational unit of the University that manages the University's student dormitory housing units. The gross revenues from the dormitory housing units are pledged for retirement of the Housing and Dining System Revenue Bonds.

(Continued)

NOTE 13 - SEGMENT INFORMATION (Continued)

Condensed Statement of Net Assets at June 30, 2002

	Housing and Dining
Assets	
Current assets	$ 7,249,734
Capital assets, net	3,366,421
Total assets	$ 10,616,155
Liabilities	
Current liabilities	$ 688,133
Noncurrent liabilities	3,125,154
Total liabilities	3,813,287
Net assets	
Invested in capital, net of related debt	(228,579)
Unrestricted	7,031,447
Total net assets	$ 6,802,868

Condensed Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30, 2002

	Housing and Dining
Operating revenues	$ 5,152,166
Operating expenses	(3,909,692)
Operating income	1,242,474
Nonoperating revenue	783,018
Nonoperating expenses	(204,984)
Excess of revenues over expenses	1,820,508
Net assets, beginning of year	4,982,360
Net assets, end of year	$ 6,802,868

(Continued)

NOTE 13 - SEGMENT INFORMATION (Continued)

Condensed Statement of Cash Flows for the year ended June 30, 2002

	Housing and Dining
Net cash flows from operating activities	$ 1,242,474
Net cash flows from investing activities	126,914
Net cash flows from capital and related financing activities	(204,984)
Net increase in cash and cash equivalents	1,164,404
Cash and cash equivalents, beginning of year	3,750,334
Cash and cash equivalents, end of year	$ 4,914,738

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APPENDIX D

Kentucky State University
Consolidated Educational Buildings Refunding Revenue Bonds
Series I

Form of Bond Counsel Opinion

[Date of Delivery]

Kentucky State University
Frankfort, Kentucky

Re: $_________ Kentucky State University Consolidated Educational Buildings Refunding Revenue Bonds, Series I, dated April 1, 2003

Gentlemen:

We have acted as bond counsel in connection with the issuance by the Board of Regents of Kentucky State University, a public body corporate and educational institution and agency of the Commonwealth of Kentucky (the "Issuer") of $9,095,000 of Kentucky State University Consolidated Educational Buildings Refunding Revenue Bonds, Series I, dated April 1, 2003 (the "Series I Bonds") pursuant to Sections 162.340 to 162.380, inclusive, of the Kentucky Revised Statutes, as amended (the "Act"), a Resolution adopted by the Issuer on July 6, 1961 (the "Resolution"), and a Series I Resolution adopted by the Issuer on March 28, 2003 (the "Series I Resolution"), for the purpose of financing the cost, not otherwise provided, of the Series I Project, as described in the Series I Resolution, as part of the Consolidated Educational Buildings Project of the Issuer. We have examined the law and the transcript of proceedings pursuant to which the Series I 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 Karen Powell, Esq., as General Counsel to the Issuer, representations of the Issuer contained in the Resolution, the Series I Resolution 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 Issuer 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 Resolution and the Series I Resolution, perform the agreements on its part contained therein and issue the Series I Bonds.

2. The Resolution and the Series I Resolution have been duly adopted by the Issuer and constitute valid and binding obligations of the Issuer enforceable upon the Issuer.

3. The Series I Bonds have been duly authorized, executed and delivered by the Issuer and constitute valid and binding obligations and commitments of the Issuer payable solely from the sources provided therefore in the Resolution and the Series I Resolution.

4. The Series I Bonds and any additional parity bonds heretofore and hereafter issued and outstanding under the terms of the Resolution are and will be payable from and constitute a paramount charge upon the defined Revenues (student registration fees from all students attending Kentucky State University) derived by the Issuer from the operation of its Consolidated Educational Buildings Project, which consists of all the educational buildings and appurtenant facilities of the Issuer now in existence and hereafter acquired, excluding housing facilities and facilities used exclusively for athletics and excluding educational buildings which are leased rather than owned by the Issuer. As further security for the Series I Bonds and any parity bonds heretofore or hereafter issued pursuant to the Resolution, there is created and granted by Sections 162.200 and 162.350 of the Kentucky Revised Statutes, as amended, a statutory mortgage lien upon the Consolidated Educational Buildings Project of the Issuer.

5. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest, including original issue discount, on the Series I Bonds is excludible from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Series I Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax for individuals and corporations. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Series I Bonds.

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

7. The Issuer has designated the Series I Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Code.

It is to be understood that the rights of the owners of the Series I Bonds and the enforceability of the Series I Bonds, the Resolution and the Series I Resolution 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,

APPENDIX E

Book Entry Only System

The Series I 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 I 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 I Bonds under the Resolution and Series Resolution.

The following information about the book-entry only system applicable to the Series I 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 I 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 I Bond certificate will be issued for in the aggregate principal amount of the Series I Bonds and will be deposited with DTC.

DTC, the world's largest 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 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, 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.

Purchases of Series I Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series I Bonds on DTC's records. The ownership interest of each actual purchaser of each Series I Bond ("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 I 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 I Bonds, except in the event that use of the book-entry system for the Series I Bonds is discontinued.

To facilitate subsequent transfers, all Series I 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 I 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 I Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series I 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 I Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series I Bond documents. For example, Beneficial Owners of Series I Bonds may wish to ascertain that the nominee holding the Series I 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 I 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 I Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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 I 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 I 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 City 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 I 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 I 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 I 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 I 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 SERIES I 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 SERIES I BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES I 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 SERIES I 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 I 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 I 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 I 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 I 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 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:

$__________
KENTUCKY STATE UNIVERSITY
CONSOLIDATED EDUCATIONAL BUILDINGS
REFUNDING REVENUE BONDS, SERIES I

Dated as of: April 1, 2003

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This Continuing Disclosure Agreement (the "Agreement") dated as of April 1, 2003 by and between the Kentucky State University (the "Issuer") and Bank One, Kentucky, NA, Lexington, Kentucky (the "Trustee") under a bond resolution adopted by the Issuer on March 28, 2003 (the "Series I Resolution"), is executed and delivered in connection with the issuance of the Issuer's Consolidated Educational Buildings Refunding Revenue Bonds, Series I (the "Bonds"). Capitalized terms used in this Agreement which are not otherwise defined in the Series I Resolution or the Resolution, as defined in the Series I Resolution, shall have the respective meanings specified above or in Article IV hereof. The parties agree as follows:

ARTICLE I

THE UNDERTAKING

Section 1.1. Purpose. This Agreement shall constitute a written undertaking for the benefit of the Holders of the Bonds, and is being executed and delivered solely to assist the Purchasers in complying with subsection (b)(5) of the Rule.

Section 1.2. Annual Financial Information. (a) The Issuer shall provide Annual Financial Information with respect to each fiscal year of the Issuer, commencing with fiscal 2002, by no later than 9 months after the end of the respective fiscal year, but in any event shall provide Audited Financial Statements of the Issuer as soon as practicable, and within 15 business days, if possible, after the final publication date of such Audited Financial Statements, to each NRMSIR and the SID.

(b) The Issuer shall provide, in a timely manner, notice of any failure of the Issuer to provide the Annual Financial Information by the date specified in subsection (a) above to (i) either the MSRB or each NRMSIR, and (ii) the SID.

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof, the Issuer shall provide Audited Financial Statements of the Issuer, when and if available, to each NRMSIR and the SID.

Section 1.4. Notices of Material Events. (a) If a Material Event occurs, the Issuer shall provide, in a timely manner, a Material Event Notice to (i) either the MSRB or each NRMSIR, (ii) the SID, and (iii) the Trustee.

(b) The Trustee shall promptly advise the Issuer whenever, in the course of performing its duties as Trustee under the Series I Resolution or the Resolution, the Trustee has actual notice of an occurrence which, if material, would require the Issuer to provide a Material Event Notice hereunder; provided, however, that the failure of the Trustee so to advise the Issuer shall not constitute a breach by the Trustee of any of its duties and responsibilities under this Agreement.

Section 1.5. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, 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.

ARTICLE II

OPERATING RULES

Section 2.1. References to Other Documents. It shall be sufficient for purposes of Section 1.2 hereof if the Issuer provides Annual Financial Information by specific reference to documents previously either (i) provided to each NRMSIR existing at the time of such reference and the SID, or (ii) filed with the SEC. If such a document is the Official Statement, it also must be available from the MSRB.

Section 2.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 2.3. Material Event Notices. Each Material Event Notice shall be so captioned and shall prominently state the title, date and CUSIP numbers of the Bonds.

Section 2.4. Transmission of Information and Notices. Unless otherwise required by law and, in the Issuer's sole determination, subject to technical and economic feasibility, the Issuer shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of the Issuer's information and notices.

Section 2.5. Fiscal Year. Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The Issuer's current fiscal year is July 1 - June 30, and the Issuer shall promptly notify (i) each NRMSIR, (ii) the SID and (iii) the Trustee of each change in the Issuer's fiscal year.

ARTICLE III

TERMINATION, AMENDMENT AND ENFORCEMENT

Section 3.1. Termination. (a) The Issuer's and the Trustee's obligations under this Agreement shall terminate upon a legal defeasance pursuant to Section 10.02 of the Resolution, prior redemption or payment in full of all of the Bonds.

(b) This Agreement, or any provision hereof, shall be null and void in the event that the Issuer (i) delivers to the Trustee an opinion of Peck, Shaffer & Williams LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer and Trustee, to the effect that those portions of the Rule which require the provisions of this Agreement, or any of such provisions, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (ii) delivers copies of such opinion to each NRMSIR and the SID.

Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the Holders of the Bonds, (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have delivered to the Trustee an opinion of Peck, Shaffer & Williams LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer and the

Trustee, to the same effect as set forth in clause (2) above and, (4) either (i) the Issuer shall have delivered to the Trustee an opinion of Peck, Shaffer & Williams LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer and the Trustee, to the effect that the amendment does not materially impair the interests of the Holders of the Bonds, or (ii) the Holders of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Resolution with consent of Holders of bonds pursuant to Article VIII of the Resolution as in effect on the date of this Agreement, and (5) the Issuer shall have delivered copies of such opinion and amendment to each NRMSIR and the SID.

(b) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(c) If an amendment is made to the basis on which financial statements are prepared, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall inure solely to the benefit of the Holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Agreement.

(b) Except as provided in this subsection (b), the provisions of this Agreement shall create no rights in any person or entity. The obligations of the Issuer to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any Holder of Outstanding Bonds, or by the Trustee on behalf of the Holders of Outstanding Bonds, or (ii), in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the Holders of Outstanding Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. The Holders' and Trustee's rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Issuer's obligations under this Agreement. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be Holders of Bonds for purposes of this subsection (b) unless and until the respective Holder exercises any rights pursuant to this subsection (b).

(c) Any failure by the Issuer or the Trustee to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State.

ARTICLE IV

DEFINITIONS

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

"Annual Financial Information" means the financial information or operating data with respect to the Issuer, for each fiscal year of the Issuer, as set forth under the heading "OPERATIONS" in the Official Statement and Audited Financial Statements, if available, or Unaudited Financial Statements.

"Audited Financial Statements" means the annual financial statements, if any, of the Issuer, audited by such auditor as shall then be required or permitted by state law. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that the Issuer may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. Notice of any such modification shall be provided to each NRMSIR and the SID, and shall include a reference to the specific federal or state law or regulation describing such accounting basis.

"GAAP" means generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board.

"Material Event" means any of the following events with respect to the Bonds, whether relating to the Issuer or otherwise, if material:

(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 in the case of a mandatory, scheduled redemption, not otherwise contingent upon the occurrence of an event, if the terms under which the redemption is to occur are set forth in detail in the Official Statement and the only open issue is which Bonds will be redeemed in the case of a partial redemption, provided notice of the redemption is given to the bondholders and the public; see Exchange Act Release No. 23856, Dec. 3, 1986);

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the securities; and

(xi) rating changes.

"Material Event Notice" means written or electronic notice of a Material Event.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to § 15B(b)(1) of the Securities Exchange Act of 1934.

"NRMSIR" shall mean any nationally recognized municipal securities information repository, as such term is used in the Release.

"Official Statement" means the "final official statement", as defined in paragraph (f)(3) of the Rule, relating to the Bonds.

"Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CRF Part 240, § 240.15c2-12), as in effect on the date of this Agreement, including any official interpretations thereof.

"Release" means Securities and Exchange Commission Release No. 34-34961.

"SEC" means the United States Securities and Exchange Commission.

"SID" means the state information depository, as such term is used in the Release, if and when a SID is created for the State. As of the date of this Agreement, there is no SID in the State.

"State" means the Commonwealth of Kentucky.

"Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

ARTICLE V

MISCELLANEOUS

Section 5.1. Duties, Immunities and Liabilities of Trustee. Article V of the Resolution is hereby made applicable to this Agreement as if this Agreement were (solely for this purpose) contained in the Resolution.

Section 5.2. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives, all as of the date first above written.

KENTUCKY STATE UNIVERSITY

By: ______________________________

Title: ______________________________

BANK ONE, KENTUCKY, NA, as Trustee

By: ______________________________

Title: ______________________________

APPENDIX G

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

Re: Kentucky State University Consolidated Educational Buildings Refunding Revenue Bonds, Series I, dated April 1, 2003, in the principal amount of $9,095,000*

The Vice President for Finance and Administration, on behalf of the Board of Regents of the Kentucky State University, Frankfort, Kentucky (the "Board"), will until April 16, 2003, at 10:00 A.M., E.D.S.T., receive in the office of the Vice President for Finance and Administration, 400 East Main Street, Kentucky State University Campus, Frankfort, Kentucky 40601, sealed, competitive bids for the purchase of the above-identified Bonds (the "Series I Bonds"). To be considered, a bid for the purchase of said Bonds must be submitted on an Official Bid Form and must be delivered to such office no later than the date and hour indicated. Electronic bids may also be received via PARITY, as described below. Proposals for the purchase of the Bonds will be considered by the Vice President for Finance and Administration and a decision regarding the acceptance will be made by the Vice President for Finance and Administration on that date.

DESCRIPTION AND MATURITIES OF BONDS

The Series I Bonds will be issued only as fully registered bonds in the denomination of $5,000 principal amount or any multiple of $5,000 within a single maturity (as designated by the Purchasers), will bear interest payable semiannually on May 1 and November 1 of each year to maturity (first interest payment date, November 1, 2003), and will mature on May 1 of the years and in the principal amounts, as follows:

Year	Amount*	Year	Amount*
2004	$1,650,000	2008	$935,000
2005	1,690,000	2009	975,000
2006	885,000	2010	1,005,000
2007	905,000	2011	1,050,000

*The principal maturities are subject to change as provided in the Series I Resolution pursuant to which the Series I Bonds will be issued.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series I Bonds. The Series I Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series I Bond certificate will be issued for each maturity of the Series I Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

Purchases of the Series I Bonds under the DTC system must be made by or through securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (the "Direct Participants"), which will receive a credit for the Series I Bonds on DTC's records. The ownership interest of each actual purchaser of each Series I Bond (a "Beneficial Owner") is in turn to be recorded on the records of Direct Participants or securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant (the "Indirect Participants"). Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are 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 I Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners.

Beneficial Owners will not receive certificates representing their ownership interests in the Series I Bonds, except in the event that use of the book-entry system for the Series I Bonds is discontinued.

The Series I Bonds shall be lettered and numbered from R-1 upward, or such numbering shall be made in such other appropriate manner as may be determined by Bank One, Kentucky, NA, Lexington, Kentucky, the Trustee, Bond Registrar, Transfer Agent, Payee Bank and Depository Bank.

The person in whose name any Series I Bond is registered on the Record Date (April 15 or October 15) with respect to an interest payment date shall be entitled to receive the interest payable on such interest payment date.

The Series I Bonds are not subject to optional redemption prior to their maturities.

AUTHORITY AND PURPOSE OF BONDS

These Bonds are issued in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Sections 162.340-162.380, and 58.010-58.140 of the Kentucky Revised Statutes, and under and pursuant to the Resolution adopted by the Board on July 6, 1961 (the "Basic Resolution"), and to the Resolution adopted on March 28, 2003, authorizing these Bonds (the "Series I Resolution"), for the purpose of refunding its (i) Consolidated Educational Buildings Revenue Bonds, Series G (the "Series G Bonds") dated October 1, 1991, of which there is currently $7,935,000 in aggregate principal amount outstanding and (ii) Consolidated Educational Buildings Refunding Revenue Bonds, Series H (the "Series H Bonds") dated December 1, 1992, of which there is currently $2,250,000 in aggregate principal amount outstanding. The Series G Bonds were originally issued to finance the Health, Physical Education and Recreation Building constituting the Series G Project and the Series H Bonds were issued to refund the Kentucky State University Consolidated Educational Buildings Revenue Bonds, Series F that were originally issued to finance the construction of a utility tunnel, renovations to Carver Hall, Bradford Hall, Blazer Library and the health center, and exterior work on campus roads constituting the Series H Project.

SECURITY

These Series I Bonds, together with all outstanding bonds issued for the Consolidated Educational Buildings Project, as defined in the Basic Resolution, and any additional parity bonds which may hereafter be issued and outstanding under the terms of the Basic Resolution and any subsequent Resolutions, are and will be payable from and will constitute a pledge, charge and lien upon the Revenues to be derived by the University from the operation of its Consolidated Educational Buildings Project. The fee imposed upon and collected from all students of the University at Frankfort, Kentucky, as an incident to registration at the beginning of each semester of the regular academic year and each summer session, including fees imposed for part-time students, night school and extension courses, is designated as the source of Revenues of the Consolidated Educational Buildings Project. Such fees are known as the Student Registration Fees (the "Registration Fee") and the Board covenants that the same will be fixed and if necessary revised and increased from time to time at such rates as may be required to pay the interest on and principal of the Bonds as they respectively mature, to provide reserves therefor, and to pay the operating costs of the Project to the extent that such costs are not otherwise provided. All collections of the Student Registration Fee are to be set aside as received into the Consolidated Educational Buildings Project Revenue Fund and are made subject to a first lien and paramount charge for the security and source of payment of all outstanding Consolidated Educational Buildings Revenue Bonds.

As further security for the Bonds, a statutory mortgage lien upon the Project is created and granted by the Series I Resolution pursuant to Sections 162.350 and 162.200 of the Kentucky Revised Statutes, in favor of the Series I Bonds and all parity bonds, including those heretofore issued and those hereafter issued.

BIDDING CONDITIONS AND RESTRICTIONS

The Public offering of the Series I Bonds is made up on the following specific conditions and provisions:

A. A minimum price is required for the entire issue of not less than $9,004,050 (99.00% of par), plus accrued interest from the date of the Bonds (April 1, 2003) to the date of delivery, payable in Federal Funds.

B. The successful bidder will be required to deposit, with Farmers Bank & Capital Trust Company, Frankfort, Kentucky, by federal wire transfer, ABA No. 0839-0061-9, the amount of 2% of the par amount of Bonds awarded, representing the good faith deposit, by the close of business on April 17, 2003. The amount of the good faith deposit, without interest, will be deducted from the purchase price at the time of delivery of the Series I Bonds.

C. The determination of the best bid will be made on the basis of the lowest net interest cost calculated by computing the total interest payable on the Bonds from April 1, 2003, through the Final Maturity Date, plus discount or less premium, as set forth in the Official Bid Form, for exactly $9,095,000 of Series I Bonds under the terms and conditions therein specified. Upon determination of the lowest net interest cost, the Board shall immediately proceed to adjust such principal amounts of the Series I Bonds to determine the maturities of its final bond issue. The successful bidder will be required to accept the final bond issue as so computed, whether the principal amount has been increased or decreased by up to $910,000, and to pay the percentage purchase price based upon the aggregate amount of the final bond issue.

D. Bidders must state an interest rate or rates in multiples of 1/8, 1/10 or 1/20 of 1%, or both.

E. There is no limit on the number of different rates which may be specified in any bid.

F. All Bonds of the same maturity shall bear the same and a single interest rate from the date thereof to maturity.

G. Interest rates must be on an ascending scale, in that the interest rate for Bonds of any maturity may not be less than the interest rate stipulated for any preceding maturity.

H. Bidders may require that a portion of the Series I Bonds be term bonds maturing on one or more dates (the "Term Bonds"); provided, however, that such Term Bonds will be subject to mandatory redemption by lot at a redemption price of 100% of the principal amount thereof plus accrued interest to the date of redemption on May 1 of the years and in the principal amounts set forth in the maturity schedule above.

I. The right to reject bids for any reason deemed advisable by the Vice President for Finance and Administration of the University and the right to waive any possible informalities, irregularities, or defects in any bid which, in the judgment of the Vice President for Finance and Administration of the University, with the advice of the Financial Advisor, shall be minor or immaterial, is expressly reserved.

J. Bids must be made on forms which, together with a Preliminary Official Statement, may be obtained from the Financial Advisor, First Kentucky Securities Corporation, 305 Ann Street, Suite 400, Frankfort, Kentucky 40602 or P.O. Box 554, Frankfort, Kentucky 40602, Attention Mr. R. Strand Kramer, Jr. (502) 875-4611. Bids must be enclosed in sealed envelopes marked "Bid for Kentucky State University Consolidated Educational Buildings

Refunding Revenue Bonds, Series I, dated April 1, 2003," and bids must be received by the Vice President for Finance and Administration prior to the date and hour set for the sale. It is also possible to submit a bid by the delivery (including by facsimile) of a signed bid form to the Financial Advisor or University officials prior to the sale and completing the bid by telephone prior to the deadline for submitting bids. Bids may alternatively be submitted electronically via PARITY. For further information about PARITY, potential bidders may contact the Financial Advisor or Dalcomp at 40 West 23rd Street, 5th Floor, New York, NY 10010, tel: (212) 404-8102.

K. The purchasers of the Bonds shall pay the CUSIP Service Bureau charge for the assignment of CUSIP numbers, which numbers will be printed on the Bonds at no expense or cost to the purchasers. Neither the failure to print a CUSIP number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchasers thereof to accept delivery of and pay for the Bonds.

L. Delivery will be made at the Depository Trust Company, New York, New York, at no additional cost or expense to the purchasers. The Board will pay for the printing of the Bonds, which will contain the opinion of Bond Counsel. Delivery is expected on April 30, 2003.

M. Upon wrongful refusal of the purchasers to take delivery of and pay for the Bonds in Federal Funds when tendered for delivery, the good faith deposit shall be forfeited by such purchasers, and such amount shall be deemed liquidated damages for such default; provided, however, if the Bonds are not ready for delivery and payment within forty-five (45) days from the date of sale herein provided for, said purchasers shall be relieved of any liability to accept the Bonds hereunder. However, it is contemplated that the Bonds will be delivered on a date during such period as may be designated by representatives of the Board, and the purchasers will be required to accept delivery of and pay for the Bonds on any designated date within such 45 day period upon notice being given at least five (5) business day prior to the designated delivery date.

N. If the successful bidder desires to obtain insurance guaranteeing the payment of the principal and/or interest on the Bonds, the University agrees that it will cooperate with the successful bidder in obtaining such insurance, but all of the expenses and charges in connection therewith shall be borne by such bidder and the University shall not be liable to any extent therefor. The University has applied for a rating on the Series I Bonds from Moody's Investors Service, Inc. and will pay the fees associated therewith.

O. The successful bidder shall promptly advise the Financial Advisor to the Board of Regents of (i) the reoffering price for each maturity of the Series I Bonds, and (ii) the principal amount sold to the public of each principal maturity of the Series I Bonds on the reoffering date.

P. Bidders are advised that First Kentucky Securities Corporation, of Frankfort, Kentucky, has been employed as Financial Advisor in connection with the issuance of these Series I Bonds. Their fee for services rendered with respect to the sale of the Series I Bonds is contingent upon the issuance and delivery of the Series I Bonds. They may submit a bid for the purchase of the Series I Bonds at the time of the advertised public sale of the Series I Bonds, either individually or as members of a syndicate organized to submit a bid for the purchase of the Series I Bonds.

The Board of Regents has agreed in the Series I Resolution to provide or cause to be provided, in accordance with the requirements of Rule 15c2-12, as amended and interpreted from time to time (the "Rule") promulgated by the Securities and Exchange Commission (the "Commission"), (i) on or prior to 270 days after the end of each fiscal year, certain annual financial information and operating data, including audited financial statements for the preceding fiscal year, generally consistent with the information contained in the Official Statement, and (ii) timely notice of the occurrence of certain material events with respect to the Series I Bonds.

The purchaser's obligation to purchase the Series I Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Series I Bonds, in form and substance reasonably satisfactory to the purchaser, evidence that the Board of Regents has made the continuing disclosure undertaking set forth above for the benefit of the holders of the Series I Bonds.

The Board of Regents shall provide to the successful purchaser a final Official Statement in accordance with the Rule. Arrangements have been made with the printer, upon submission of completion text, to print a reasonable quantity of final Official Statements in sufficient time to meet the delivery requirements of the successful bidder under SEC or Municipal Securities Rulemaking Board Delivery Requirements, which Official Statements will be provided at the expense of the Board.

The Board of Regents will furnish to the purchasers the customary No Litigation Certificate and the final, approving Legal Opinion of Peck, Shaffer & Williams LLP, Covington, Kentucky, without expense to the purchasers.

Concurrently with the delivery of the Series I Bonds, the Vice President for Finance and Administration will certify that, to the best of his knowledge, the Official Statement did not, as of its date, and does not, as of the date of delivery of the Bonds, contain any untrue statement 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 the light of the circumstances under which they were made, not misleading in any material respect.

TAX EXEMPTION

In the opinion of Bond Counsel for the Series I Bonds, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Series I Bonds is excludable from gross income for Federal income tax purposes and interest on the Series I Bonds is not a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986 (the "Code") for purposes of the Federal individual or corporate alternative minimum taxes.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the Series I Bonds. The University has covenanted to comply with certain restrictions designed to ensure that interest on the Series I Bonds will not be includable in gross income for Federal income tax purposes. Failure to comply with these covenants could result in interest on the Series I Bonds being includable in gross income for Federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Series I Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series I Bonds may adversely affect the tax status of the interest on the Series I Bonds.

Certain requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series I Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series I Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Peck, Shaffer & Williams LLP.

Although Bond Counsel for the Series I Bonds has rendered an opinion that interest on the Series I Bonds is excludable from gross income for Federal income tax purposes and that interest on all Series I

Bonds is excludable from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series I Bonds may otherwise affect a Bondholder's Federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any tax consequences other than what is set forth in its opinion and each Bondholder or potential Bondholder is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing the Series I Bonds on the tax liabilities of the individual or entity.

For example, corporations are required to include all tax-exempt interest in determining "adjusted current earnings" under Section 56(c) of the Code, which may increase the amount of any alternative minimum tax owed. Similarly, tax-exempt interest may also increase the amount of any environmental tax owed under Section 59 of the Code, which is based on the alternative minimum taxable income of any corporation subject to that tax. Ownership or disposition of the Series I Bonds may result in other collateral Federal, state or local tax consequence for certain taxpayers, including, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies, under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, and increasing the federal tax liability of certain individual recipients of social security or Railroad Retirement benefits, under Section 86 of the Code. Ownership of any Series I Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of Series I Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky, may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Series I Bonds.

The University has designated the Series I Bonds as "qualified tax-exempt obligations" under Section 265 of the Code.

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

If, prior to the delivery of the Series I Bonds, any event shall occur which alters the tax-exempt status of the Series I Bonds, the purchaser shall have the privilege of voiding the purchase contract by giving immediate written notice to the Board of Regents, whereupon the amount of the good faith deposit of the purchaser will be returned to the purchaser, and all respective obligations of the parties will be terminated.

Bond Counsel has reviewed the Official Statement with regard to all matters pertaining to the legality and tax exemption of the Series I Bonds, including statements concerning the Board and the purpose and security of the Series I Bonds; but Bond Counsel has not reviewed any of the financial statements or other financial information in the Official Statement, and expresses no opinion thereon and assumes no responsibility in connection therewith.

/s/ William Pennell
Chief Financial Officer

APPENDIX H

OFFICIAL BID FORM

$9,095,000*
KENTUCKY STATE UNIVERSITY
CONSOLIDATED EDUCATIONAL BUILDINGS REFUNDING REVENUE BONDS
SERIES I
DATED APRIL 1, 2003

Subject to the terms and conditions set forth in the Official Terms and Conditions of Sale of Bonds, providing for the sale of $9,095,000* of Kentucky State University Consolidated Educational Buildings Refunding Revenue Bonds, Series I, dated April 1, 2003 (the "Bonds"), and in accordance with the notice of sale of the Bonds as advertised, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase the Bonds.

We hereby bid for said $9,095,000 principal amount of Bonds the sum of $_________________ (not less than $9,004,050), plus accrued interest from April 1, 2003, to the date of delivery, at the following annual interest rates:

SCHEDULE OF PRINCIPAL AMOUNTS AND INTEREST RATES

Maturity May 1	Principal Amount	Serial Bond Rate	Term* Bond Rate	Maturity May 1	Principal Amount	Serial Bond Rate	Term* Bond Rate
2004	$1,650,000	_________	__________	2008	$935,000	__________	_________
2005	1,690,000	_________	__________	2009	975,000	__________	_________
2006	885,000	_________	__________	2010	1,005,000	__________	_________
2007	905,000	_________	__________	2011	1,050,000	__________	_________

*Bidders may elect to structure the maturities to include term bonds with mandatory sinking fund redemptions. To bid Term Bonds, put interest rate in Term Bond Rate column.

We understand that this bid may be accepted for as much as $10,005,000 of Bonds and for as little as $8,185,000 of Bonds, at the same price per $1,000 of Bonds as the price bid per $1,000 of Bonds by the undersigned with the variation in such amount being adjusted as determined by the Board of Regents at the time of acceptance of the best bid.

We understand that the Board of Regents will furnish the final, approving legal opinion of Peck, Shaffer & Williams LLP, Covington, Kentucky. We agree that if we are the successful bidder, immediately available funds in the amount of 2% of the par amount of Bonds awarded, payable to the Kentucky State University will be deposited in Farmers Bank & Capital Trust Company, Frankfort, Kentucky, by federal wire transfer, ABA No. 0839-0061-9, prior to the end of the business day on April 17, 2003, in accordance with the Notice of Bond Sale and the Official Terms, with the understanding that the amount thereof, without interest, will be deducted from the purchase price of the Bonds when tendered to us for delivery. If we are the successful bidder, we agree to accept and make payment for the Bonds in accordance with the terms of sale.

Respectfully submitted,

By: ______________________________
Bidder

Title: ______________________________

____
Address

Total interest cost from April 1, 2003, to final maturity	$________________
Less premium bid or plus discount, if any	$________________
Net interest cost	$________________
Net interest cost (%)	________________

The above computations of net interest cost and of average interest rate or cost, submitted for information only and are not part of this Bid.

ACCEPTANCE OF BID WITH ADJUSTMENT OF MATURITY AMOUNTS

Accepted by the Vice President for Finance and Administration of Kentucky State University, with the change in maturities of Bonds being as follows:

SCHEDULE OF PRINCIPAL AMOUNTS AND INTEREST RATES

Maturity May 1	Principal Amount	Maturity May 1	Principal Amount
2004	________	2008	________
2005	________	2009	________
2006	________	2010	________
2007	________	2011	________

Accepted this 16th day of April, 2003.

BOARD OF REGENTS OF THE KENTUCKY STATE UNIVERSITY

By: ______________________________
Chief Financial Officer

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