

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 26, 2003

**NEW ISSUE
BOOK-ENTRY ONLY
BANK QUALIFIED**

**RATING: S&P: _____
(See "Rating" herein)**

In the opinion of Bond Counsel for the Series H (Second Series) 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 H (Second Series) 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 H (Second Series) Bonds (defined below) is exempt from Kentucky income tax and the Series H (Second Series) Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions. See "TAX EXEMPTION" herein.

\$2,855,000*
MURRAY STATE UNIVERSITY
CONSOLIDATED EDUCATIONAL BUILDINGS REFUNDING REVENUE BONDS
SERIES H (SECOND SERIES)

Dated: September 1, 2003

Due: May 1, as shown below

The Series H (Second Series) 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 H (Second Series) Bonds. Purchasers will not receive certificates representing their ownership interest in the Series H (Second Series) Bonds purchased. So long as DTC or its nominee is the registered owner of the Series H (Second Series) Bonds, payments of the principal of and interest due on the Bonds will be made directly to DTC. The Series H (Second Series) Bonds bear interest from their dated date, payable semiannually, on May 1 and November 1, commencing May 1, 2004. Principal of, premium, if any, and interest on the Series H (Second Series) Bonds will be paid directly to DTC by J.P. Morgan Trust Company, National Association, Louisville, Kentucky, as Trustee and Paying Agent. The Series H (Second Series) 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:

<u>Year</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Price/Yield</u>	<u>Year</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Price/Yield</u>
2004	\$235,000			2009	\$330,000		
2005	295,000			2010	340,000		
2006	300,000			2011	355,000		
2007	310,000			2012	370,000		
2008	320,000						

(Plus Accrued Interest-when issued)

The Series H (Second Series) Bonds are not subject to optional redemption prior to their stated maturities.

The Series H (Second Series) Bonds constitute special obligations of Murray 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 H (Second Series) Bonds are payable solely from the revenues of the Consolidated Educational Buildings Project.

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

FIRST KENTUCKY SECURITIES CORPORATION
Financial Advisor

Dated: _____, 2003

*Preliminary, subject to change.

This Preliminary Official Statement and information contained herein are subject to change, completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MURRAY STATE UNIVERSITY

PRESIDENT

Dr. F. King Alexander

BOARD OF REGENTS

Mr. Sid Easley, Chairman
Mrs. Beverly J. Ford, Vice Chairman
Mrs. Marilyn Reed Buchanon, Member
Mrs. Olivia Burr, Member
Mr. Wells T. Lovett, Member
Ms. Peggy Hays, Member

Mr. Michael Miller, Member
Mr. Don Sparks, Member
Dr. Terry Strieter, Faculty Member
Mrs. Lori Dial, Staff Member
Mr. Josh Rose, Student Member

OFFICERS

Mr. Sid Easley, Chairman
Mrs. Beverly J. Ford, Vice Chairman

Mrs. Sandra M. Rogers, Secretary
Mr. Thomas W. Denton, Treasurer

BOND COUNSEL

Peck, Shaffer & Williams LLP
Covington, Kentucky

FINANCIAL ADVISOR

First Kentucky Securities Corporation
Frankfort, Kentucky

TRUSTEE

J.P. Morgan Trust Company, National Association
Louisville, Kentucky

REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Series H (Second Series) Bonds of Murray State University identified on the cover page hereof. No person has been authorized by Murray 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 Murray 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 H (Second Series) 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 Murray State University since the date hereof.

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

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OFFICIAL STATEMENT RELATING TO
APPROXIMATELY
\$2,855,000*
MURRAY STATE UNIVERSITY
CONSOLIDATED EDUCATIONAL BUILDINGS REFUNDING REVENUE BONDS, SERIES H
(SECOND SERIES)

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page and the Appendices appended hereto, is being distributed by Murray State University (the "University") to furnish pertinent information to all who may become owners of its Consolidated Educational Buildings Refunding Revenue Bonds, Series H (Second Series) (the "Series H (Second Series) 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 April 28, 1961, and the Series H (Second Series) Resolution (the "Series Resolution") adopted by the Board on December 14, 2001.

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.

MURRAY STATE UNIVERSITY

The University, which is located in Murray, Calloway County, Kentucky, was established in 1922 as Murray Normal School by act of the General Assembly of Kentucky. In 1966, the General Assembly of Kentucky established its present name, Murray State University. The University's main campus is on a 232 acre site in Murray, Kentucky. Two agricultural farms totaling 351 acres are within one mile of the campus.

The governing body of the University is the Board of Regents, consisting of eight members appointed by the Governor of the Commonwealth of Kentucky; one faculty member, one staff member, and one student member. Pursuant to Section 164.350 of the Kentucky Revised Statutes, the Board of Regents is a body corporate with the powers usually vested in corporations and, as such, subject to the statutes of the Commonwealth, has control and management of the University, together with the properties and funds thereof.

From an enrollment of 87 students in 1923, the University has grown to more than 9,100 students with a teaching faculty of 371. The University is a comprehensive institution comprised of five colleges and one school: College of Business and Public Affairs; College of Education; College of Health Sciences and Human Services; College of Humanities and Fine Arts; College of Science, Engineering and Technology; and School of Agriculture.

Pre-professional curricula are provided in medicine, dentistry, veterinary medicine, engineering, pharmacy, law, architecture, and physical therapy. Additionally, the University offers interactive television and web distance learning, extended campus, correspondence and evening classes.

The University confers 24 different degrees. These include four Associate Degrees, 11 Baccalaureate Degrees, 9 Masters Degrees and one Specialist Degree. Degrees offered are the Associate of Arts, Associate of Science, Associate of Applied Science, and Associate of Science in Vocational-

*Preliminary, subject to change.

Technical Education; Bachelor of Arts, Bachelor of Arts in Business, Bachelor of Fine Arts, Bachelor of Independent Studies, Bachelor of Music, Bachelor of Science, Bachelor of Science in Agriculture, Bachelor of Science in Business, Bachelor of Science in Vocational-Technical Education, Bachelor of Science in Nursing, and Bachelor of Social Work; Master of Arts, Master of Arts in Education, Master of Arts in Teaching, Master of Business Administration, Master of Music Education, Master of Public Administration, Master of Science, Master of Professional Accountancy, and Master of Science in Nursing; and Specialist in Education.

Murray State University was designated by the Kentucky Council on Postsecondary Education for a Center of Excellence in Reservoir Research and an Endowed Chair for Applied Ecosystem Ecology, as well as funding for a Program of Distinction in telecommunications systems management. The University is the official transfer agent of NASA Lansat technology in Kentucky.

THE SERIES H (SECOND SERIES) BONDS

General

The Series H (Second Series) 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 H (Second Series) Bonds will be payable semiannually on May 1 and November 1 of each year commencing May 1, 2004 to holders of record on the preceding April 15 and October 15, respectively.

Redemption Provisions

The Series H (Second Series) Bonds are not subject to redemption prior to their stated maturities.

DISPOSITION OF BOND PROCEEDS

The Series H (Second Series) 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 J.P. Morgan Trust Company, National Association, Louisville, Kentucky, the Trustee, Paying Agent, and Bond Registrar.

(b) There will be set aside and deposited to Murray State University Consolidated Educational Buildings - Series H Escrow Deposit Fund (the "Escrow Account"), the amount necessary to be held by the Escrow Agent to effect the refunding of the 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 H (Second Series) 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 H (SECOND SERIES) BONDS

The Series H (Second Series) 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 Resolution and subsequent Series Resolutions (collectively, 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 Bonds as they respectively mature, to provide reserves therefor 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 Bonds.

As further security for these Series H (Second Series) 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 Bonds outstanding.

The Series H (Second Series) Bonds are additionally secured by the reserve fund established with respect to the Bonds.

THE REFUNDING PLAN

The University previously issued \$4,625,000 principal amount of its Consolidated Educational Buildings Revenue Bonds, Series H (the "Series H Bonds") dated March 1, 1992 of which there is currently outstanding \$2,765,000 in aggregate principal amount. The Series H Bonds were originally issued to finance (i) renovations to the Fine Arts Building and (ii) the replacement of underground steam lines and all necessary appurtenances on the Murray State University campus in Murray, Kentucky constituting the Series H Project. The Series H (Second Series) Bonds are being issued for the purpose of refunding the Series H Bonds through the deposit in escrow of sufficient funds to redeem on November 1, 2003 the \$2,765,000 outstanding principal amount of Series H Bonds at a redemption price equal to the principal amount thereof plus a premium of 1.5%.

SOURCES AND USES OF FUNDS

The sources and uses of funds in connection with the issuance of the Series H (Second Series) Bonds are as follows:

Sources of Funds

Principal Amount of Bonds	\$
Accrued Interest	
Total Sources of Funds	<u>\$</u>

Uses of Funds

Deposit to Escrow Fund	\$
Accrued Interest	
Underwriter's Discount	
Costs of Issuance	
Total Uses of Funds	<u>\$</u>

CERTAIN PROVISIONS OF THE RESOLUTION AND SERIES RESOLUTION

On April 28, 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 and excluding educational buildings which are leased rather than owned by the University.

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 J.P. Morgan Trust Company, National Association, 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 therefor 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 staff. Pursuant to Section 164.350 of the Kentucky Revised Statutes, the Board is a body corporate with the powers usually vested in corporations and as such subject to the statutes of the Commonwealth, has control and management of the University, together with the properties and funds thereof. The current membership of the Board of Regents is as follows:

Sid Easley, Chairman
Murray, Kentucky

Beverly J. Ford, Vice-Chairman
Benton, Kentucky

Marilyn Reed Buchanon, Member
Grand Rivers, Kentucky

Olivia Burr, Member
Paducah, Kentucky

Wells T. Lovett, Member
Louisville, Kentucky

Peggy Hays, Member
Hopkinsville, Kentucky

Michael Miller, Member
Benton, Kentucky

Don Sparks, Member
Mayfield, Kentucky

Terry Strieter, Faculty Member
Murray, Kentucky

Lori Dial, Staff Member
Murray, Kentucky

Josh Rose, Student Member
Murray, Kentucky

Administrative Officers

The President of the University is Dr. F. King Alexander; Dr. Gary Brockway is Provost and Vice President for Academic Affairs; Mr. Thomas W. Denton is Vice President for Finance and Administrative Services; Mr. Jim Carter is Vice President for Institutional Advancement; and Dr. Don Robertson is Vice President for Student Affairs. Their biographies are as follows:

Dr. F. King Alexander, President

Dr. F. King Alexander received his B.A. in Political Science from St. Lawrence University in New York, his M.S. in Comparative Education Policy from the University of Oxford in England, and his Ph.D. in Higher Education Administration from the University of Wisconsin-Madison. Prior to becoming President of Murray State University, Dr. Alexander served as Director/Coordinator of the Graduate Education Program in the study of Higher Education Governance, Leadership and Policy Development in the Department of Educational Organization and Leadership at the University of Illinois at Urbana-Champaign. In addition, he held a faculty position in the University's Institute of Government and Public Affairs, an interdisciplinary public policy "think tank" consisting of faculty members from three University of Illinois campuses. Dr. Alexander's career has encompassed positions at two research and one doctoral university, faculty membership in a governmental institute, a fund-raising directorship, and management in a 28-branch commercial banking operation. Dr. Alexander's academic publications include edited books, book chapters, refereed articles, applied research studies, monographs, book reviews, and reports. He currently serves on the editorial boards for The Journal of Education Finance and The Journal of College Student Retention. Most recently, Dr. Alexander was appointed to the advisory committee of the American Council on Education (ACE) Center for Policy Analysis in Washington, D.C. ACE's Center for Policy Analysis includes 18 committee members from such

prominent institutions as Harvard, the University of Michigan and UCLA. Dr. Alexander is one of only four university presidents in the nation serving on the committee.

Dr. Gary Brockway, Provost and Vice President for Academic Affairs and Professor of Marketing

Dr. Brockway received his B.S. in Business Administration-Marketing from Rochester Institute of Technology and his M.B.A. and Ph.D. in Business Administration-Marketing from the University of Arkansas. Dr. Brockway joined the faculty in 1976 and served as Chairman of the Department of Management and Marketing from July 1, 1994 until July 1, 1998. In addition, Dr. Brockway was the 1988 recipient of the Max G. Carman Outstanding Teacher Award and the 1995 recipient of the J.C. Penney Professor Internship Program. Dr. Brockway has been very active in the international business seminars as faculty leader and MSU program coordinator since 1984. Dr. Brockway has authored numerous publications and served on various university committees.

James F. Carter, Vice President for Institutional Advancement

Mr. Carter received his B.S. in Journalism in 1979 and M.S. in Communications in 1986 from Murray State University. Mr. Carter previously served as Director of Student Activities at Murray State from 1981 to 1986 and Director of the Curris Center at Murray State from 1986 to 1989. Mr. Carter has also held the position of Vice President of Pricing and Quality at Paschall Truck Lines from 1992 to 1996. Mr. Carter served as Director of University Relations for Murray State University from 1996 to 2000, and has also served as the Executive Director of the Murray State Alumni Association Board of Governors since 1996. Mr. Carter has held the position of Vice President for Institutional Advancement at Murray State University since the Fall of 2000. He served on the Board for the Murray/Calloway County Chamber of Commerce from 1996 to 1999 and has served as the Treasurer for the Murray Tourism Commission since 1998.

Mr. Thomas W. Denton, Vice President for Finance and Administrative Services

Mr. Denton received his B.S. in Accounting from Arkansas State University and his M.B.A. from Murray State University; and is a Certified Public Accountant. He previously served as Comptroller of Mississippi County Community College in Arkansas. He also served in managerial and accounting positions in industry and public accounting. Mr. Denton was employed as Director of Accounting and Finance in 1989 and was appointed Director of Financial Management and Planning in 1992. He serves as treasurer to the Murray State University Board of Regents. Effective July 1996, Mr. Denton assumed the position of Associate Vice President for Administrative Services and Chief Financial Officer and since October of 1997 has served as Vice President for Finance and Administrative Services.

Dr. Don Robertson, Vice President for Student Affairs

Dr. Robertson received his B.S. in Business Administration from the University of North Carolina; his M.S. in Counseling from the University of Tennessee; and his Ed.D. in Higher Education Administration from West Virginia University. He has served at Murray State University since 1992 as Associate Vice President for Student Affairs and Assistant Professor of Business Administration. Effective July 1996, Dr. Robertson assumed the position of Vice President for Student Affairs.

FUTURE DEBT

It is anticipated that Murray State will obtain lease financing for several deferred maintenance projects with a combined total of approximately \$1.4 million for various non-residential building upgrades or renovations and for an upgrade/replacement of an electrical substation.

Further, MSU has received Housing and Dining bonding authorization for the 2002-2004 biennium in the amount of \$806,000 for an additional life safety project.

On December 1, 2002, the City of Murray sold \$10,000,000 in General Obligation Bonds on behalf of the University to fund construction of the Student Recreation and Wellness Center. Murray State University has assumed the debt for this bond issue, and the proceeds will go toward construction of the facility. On October 8, 2001, the Board of Regents approved a \$3 per credit hour increase in the Mandatory Fee specifically to cover debt service for a Student Recreation and Wellness Center.

Construction is underway for Phase I of the College of Science Building. The 2000-02 biennial budget provided bonding authorization from the state bond fund in the amount of \$13,000,000 for this project. The institution will continue to request additional funds for Phase II of the complex in future state biennial budget requests. If the bond issuance is authorized, state appropriations would be the source of funds for payment of the debt. Additionally, the University is exploring alternative financing options for expansion and replacement of as many as two dormitories.

TAX EXEMPTION

General

In the opinion of Bond Counsel for the Series H (Second Series) Bonds, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Series H (Second Series) Bonds is excludable from gross income for Federal income tax purposes and interest on the Series H (Second Series) 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 H (Second Series) Bonds is of the opinion that interest on the Series H (Second Series) Bonds is exempt from income taxation by the Commonwealth and the Series H (Second Series) 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 H (Second Series) 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 H (Second Series) Bonds. The University has covenanted to comply with certain restrictions designed to ensure that interest on the Series H (Second Series) 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 H (Second Series) 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 H (Second Series) 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 H (Second Series) Bonds may adversely affect the tax status of the interest on the Series H (Second Series) Bonds.

Certain requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series H (Second Series) 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 H (Second Series) 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 H (Second Series) Bonds has rendered an opinion that interest on the Series H (Second Series) Bonds is excludable from gross income for Federal income tax purposes and that interest on the Series H (Second Series) 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 H (Second Series) 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 H (Second Series) 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 H (Second Series) 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 H (Second Series) 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 H (Second Series) 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 H (Second Series) Bonds.

The University has designated the Series H (Second Series) 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 H (Second Series) 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 H (Second Series) 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 H (Second Series) 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 H (Second Series) 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 H (Second Series) Bonds are sold (the "Disclosure Agreement"), to be delivered on the date of delivery of the Series H (Second Series) 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 180 days 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 H (Second Series) 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;
- (11) Rating changes; and
- (12) The cure, in the manner provided under the Resolution, of any payment or nonpayment related default under the Resolution; and

(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 H (Second Series) Bonds, including beneficial owners of the Series H (Second Series) 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 H (Second Series) 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 Treasurer, Murray State University, 120 Jones Building, Murray, Kentucky 40475-3101.

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 H (Second Series) Bonds, or in any way contesting or affecting the validity of the Series H (Second Series) 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 H (Second Series) 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 H (Second Series) 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 H (Second Series) Bonds and will contain a statement of tax exemption as represented herein. Bond Counsel has reviewed the information herein pertaining to the Series H (Second Series) Bonds under the headings "The Bonds", "Security for the Bonds", "Certain Provisions of the Resolution and Series 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 H (Second Series) 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 H (Second Series) 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 H (Second Series) Bonds must be approved by the Kentucky Finance and Administration Cabinet, Office of Financial Management.

VERIFICATION OF MATHEMATICAL CALCULATIONS

Rubin & Hays, Louisville, Kentucky, will verify, from information provided to them, the mathematical accuracy as of the date of the closing on the Series H (Second Series) Bonds of (i) the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in the provided schedules, to be held in escrow, is sufficient to pay, when due, the principal, interest and call premium payment requirements of the Series H Bonds to be refunded, and (2) the computations of yield on both the securities and the Series H (Second Series) Bonds

contained in the provided schedules used by the Bond Counsel in its determination that the interest on the Series H (Second Series) Bonds is exempt from income tax. Rubin & Hays has expressed no opinion on the assumptions provided to them, nor as to the exemption from income taxation of interest on the Series H (Second Series) Bonds.

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 H (Second Series) 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 H (Second Series) 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 Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") has assigned a municipal bond rating of "___" to the Series H (Second Series) Bonds. Such rating reflect only the view of said organization. Any explanation of the significance of such rating may only be obtained from the rating agency at the following address: Standard & Poor's Rating Services at 55 Water Street, New York, New York 10041-0003, (212) 438-2124.

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 the rating agency. Any such downward change in or withdrawal of such rating could have an adverse effect on the market price of the Series H (Second Series) 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, Frankfort, Kentucky 40601, Attention: Mr. Stan Kramer (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 H (Second Series) Bonds.

MURRAY STATE UNIVERSITY

By: /s/ _____
Chairman, Board of Regents

Attest:

MURRAY STATE UNIVERSITY

By: /s/ _____
Secretary

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APPENDIX A

**Murray State University
Consolidated Educational Buildings Refunding Revenue Bonds
Series H (Second Series)**

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

FISCAL YEAR 2003-2004 BUDGET

The 2003-04 fiscal year unrestricted general fund budget for Murray State University is \$103,414,643, an increase of \$3,391,677 compared to fiscal year 2002-03. The budget increase is primarily the result of increased tuition and fee revenues, housing and dining fees, and bookstore revenues.

OPERATIONS

Enrollment

The following schedule indicates the Fall Semester headcount and full-time equivalent enrollment at the University for each of the last five academic years. The full-time enrollment calculation is made in accordance with the method used by the United States Department of Education.

Academic Year	Undergraduate	Graduate	Total Headcount	Full-Time Equivalent*
1998-99	7,347	1,556	8,903	7,263
1999-00	7,297	1,617	8,914	7,194
2000-01	7,492	1,649	9,141	7,226
2001-02	7,775	1,873	9,648	7,666
2002-03	8,088	1,832	9,920	7,845

*These figures are fall term figures for listed academic year.

Approximately 28 percent of the students enrolled in the University are non-residents of Kentucky and it is anticipated that the percentage of non-resident enrollments will remain at this level in future years. 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 projected 2003-04 through 2006-07 fall semesters headcount enrollment at the University as follows:

<u>Academic Year</u>	<u>Estimated Fall Semester Student Enrollment (Headcount)</u>
2003-04	10,200
2004-05	10,400
2005-06	10,600
2006-07	10,800

The University's freshmen admissions for the last five years are as follows:

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Number of Applications	3,115	2,179	2,502	2,743	2,742
Number Approved for Enrollment	2,165	2,078	2,174	2,411	2,421
Number Enrolled	1,268	1,229	1,300	1,428	1,425
Enhanced ACT Scores	21.8	21.8	21.5	21.3	21.3

Student Fee Schedule

The Board of Regents, with approval of the Kentucky Council on Postsecondary Education, has established a schedule of Student Registration Fees to be imposed, charged and collected for the services of the Project from all students attending the University. The schedule of fees for the last four years is as follows:

Student Fee Schedule

	1999-00	2000-01	2001-02	2002-03
<u>Registration Fee Per Semester</u>				
<i>Full Time</i>				
Undergraduate				
Resident	\$1,200	\$1,278	\$1,377.00	\$1,516.00
Non-Resident	3,220	3,450	3,711.00	4,056.00
Graduate				
Resident	\$1,300	\$1,337	1,439.50	1,579.50
Non-Resident	3,520	3,723	4,003.50	4,369.50
<u>Registration Fee Per Credit Hour</u>				
<i>Summer Term/Part-Time</i>				
Undergraduate				
Resident	\$88	\$111	119.50	131.50
Non-Resident	257	292	314.50	343.50
Graduate				
Resident	\$130	\$156	168.50	184.50
Non-Resident	374	418	449.50	490.50

Reciprocity Students

As of the fall term of 1990, the Commonwealth of Kentucky and the State of Tennessee began a reciprocity agreement that allows students from selected counties in both states to attend designated colleges at in-state tuition rates. The counties affected for Murray State University are the Tennessee counties of Henry, Obion, Stewart, and Weakly. For the fall term of 2002, there were 522 students in the Reciprocity Program.

State Appropriations

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

Murray State University's General Fund State Appropriations

1991-92	\$38,366,000
1992-93	36,699,723
1993-94	37,629,749
1994-95	38,955,400
1995-96	39,945,600
1996-97	41,800,200
1997-98	43,292,924
1998-99	46,753,300
1999-00	45,024,100
2000-01	47,914,700
2001-02	51,673,740

The amount of funds so appropriated has been based in part on the debt service on the University's outstanding Consolidated Educational Buildings 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.

Student Financial Aid

1991-92	\$10,071,412
1992-93	15,091,052
1993-94	19,603,999
1994-95	21,934,338
1995-96	25,342,119
1996-97	28,629,025
1997-98	28,017,580
1998-99	29,912,402
1999-00	30,859,706
2000-01	33,244,893
2001-02	36,619,599

Grants & Contracts

1991-92	\$2,754,097
1992-93	2,683,694
1993-94	2,963,993
1994-95	3,858,642
1995-96	4,697,417
1996-97	4,783,902
1997-98	4,635,846
1998-99	5,492,533
1999-00	7,714,453
2000-01	8,893,356
2001-02	8,762,619

Comparative Report of Student Financial Aid

A summary of the University's student financial aid is presented for the most recent two year period available:

	<u>2000-01</u>	<u>2001-2002</u>
Scholarships & Grants	7,710,895	8,375,278
Federal Grants		
Pell	4,714,382	5,786,907
Supplemental Educational Opportunity Grant (SEOG)	360,150	320,522
College Work Study	430,818	515,096
Financial Aid from Outside Agencies		
State Grants	2,325,995	3,288,553
Agency Scholarships	410,347	609,415
Loans		
National Direct Student Loans (Perkins)	795,259	867,761
Health Professions	77,700	82,600
Guaranteed Student Loans –		
Outside Agencies	16,342,491	16,688,407
Other Loans	76,856	85,060
Other		
Total Program Expenditures	33,244,893	36,619,599

ESTIMATED 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 requirements for the Consolidated Educational Buildings Refunding Revenue Bonds as shown herein.

Calculation for Parity Bonds¹
(Minimum Allowable Coverage - 1.25x):

Average of Adjusted Revenues, 2000-2001/2001-2002	\$32,144,262
Maximum Annual Debt Service Requirement	\$1,969,733
Times Maximum Debt Service Covered ⁽²⁾	16.32x

¹Certified by Treasurer of the University

²Occurs in fiscal year 06-07

OUTSTANDING BONDS OF THE UNIVERSITY

All Housing and Dining System Bonds and Consolidated Educational Buildings Revenue Bonds issued and outstanding, as of September 1, 2003, are presented below:

<u>Housing and Dining System Revenue Bonds (1)</u>	<u>Year of Issue</u>	<u>Amount of Issue</u>	<u>Principal Outstanding</u>	<u>Year Of Final Maturity</u>
Series I	1965	\$2,250,000	\$77,000	2004
Series J	1965	510,000	20,000	2004
Series L	1968	2,000,000	885,000	2008
Series M	1997	825,000	655,000	2017
Series N	1999	6,370,000	5,490,000	2019
Series O	2001	1,610,000	1,595,000	2021
Series P	2003	<u>2,500,000</u>	<u>2,500,000</u>	2023
TOTAL		\$16,065,000	\$11,222,000	

(1) Annual debt service payable from Housing and Dining revenues.

<u>Consolidated Educational Buildings Revenue Bonds (1)</u>	<u>Year of Issue</u>	<u>Amount of Issue</u>	<u>Principal Outstanding</u>	<u>Year Of Final Maturity</u>
Series H (2)	1992	<u>\$4,625,000</u>	<u>\$2,765,000</u>	2012
Series G (Second Series)	1993	<u>11,660,000</u>	<u>5,560,000</u>	2007
TOTAL		<u>\$16,285,000</u>	<u>\$8,325,000</u>	

(1) Annual debt service payable from Student Registration Fees received from students and not pledged as security for the Housing and Dining System Bonds.

(2) These Bonds will be retired by the Series H (Second Series) Bonds.

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

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APPENDIX B

**Murray State University
Consolidated Educational Buildings Refunding Revenue Bonds**

Estimated Total Annual Debt Service Requirements

**MURRAY STATE UNIVERSITY
CONSOLIDATED EDUCATIONAL BUILDINGS REFUNDING REVENUE BONDS
SERIES H (SECOND SERIES)**

Estimated Total Annual Debt Service Requirements

Fiscal Year	Existing Debt Service ⁽¹⁾	Series H (Second Series)			Total
		Principal	Interest	Total	
2004	\$1,665,520	\$235,000	\$53,102	\$288,102	\$1,953,622
2005	1,587,260	295,000	75,893	370,893	1,958,153
2006	1,589,360	300,000	71,172	371,172	1,960,532
2007	1,594,560	310,000	65,173	375,173	1,969,733
2008	0	320,000	57,423	377,423	377,423
2009	0	330,000	48,622	378,622	378,622
2010	0	340,000	38,392	378,392	378,392
2011	0	355,000	26,832	381,832	381,832
2012	0	370,000	13,875	383,875	383,875
Totals	\$6,436,700	\$2,855,000	\$450,484	\$3,305,484	\$9,742,184

Note: All calculations have been rounded to the nearest dollar.

⁽¹⁾ Existing Debt Service does not include the portion of the debt service requirements of the Series H Bonds that will be refunded by the Series H (Second Series) Bonds.

Source: Financial Advisor

APPENDIX C

**Murray State University
Consolidated Educational Buildings Refunding Revenue Bonds
Series H (Second Series)**

Financial Statements as of June 30, 2002

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The audited financial statements of the University are located at the following web site:

http://www.murraystate.edu/administration/financial_statements/treasurer

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APPENDIX D

**Murray State University
Consolidated Educational Buildings Refunding Revenue Bonds
Series H (Second Series)**

Form of Bond Counsel Opinion

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Murray State University
Murray, Kentucky

Re: \$ _____ Murray State University Consolidated Educational Buildings Refunding
Revenue Bonds, Series H (Second Series)

Gentlemen:

We have acted as bond counsel in connection with the issuance by the Board of Regents of Murray State University, a public body corporate and educational institution and agency of the Commonwealth of Kentucky (the "Issuer") of \$ _____ of Murray State University Consolidated Educational Buildings Refunding Revenue Bonds, Series H (Second Series), dated September 1, 2003 (the "Series H (Second Series) 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 April 28, 1961 (the "Resolution"), and a Series H (Second Series) Resolution adopted by the Issuer on December 14, 2001 (the "Series H (Second Series) Resolution"), for the purpose of financing the cost, not otherwise provided, of the Series H (Second Series) Project, as described in the Series H (Second Series) 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 H (Second Series) 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 John Rall, Esq., as General Counsel to the Issuer, representations of the Issuer contained in the Resolution, the Series H (Second Series) 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 H (Second Series) Resolution, perform the agreements on its part contained therein and issue the Series H (Second Series) Bonds.

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

3. The Series H (Second Series) 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 therefor in the Resolution and the Series H (Second Series) Resolution.

4. The Series H (Second Series) 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 Murray State University, Murray, Kentucky) 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 H (Second Series) 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 H (Second Series) 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 H (Second Series) 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 H (Second Series) Bonds.

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

7. The Issuer has designated the Series H (Second Series) 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 H (Second Series) Bonds and the enforceability of the Series H (Second Series) Bonds, the Resolution and the Series H (Second Series) 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

**MURRAY STATE UNIVERSITY
HOUSING AND DINING SYSTEM REVENUE BONDS, SERIES H (SECOND SERIES)**

Book Entry Only System

BOOK ENTRY ONLY SYSTEM

The Series H (Second Series) 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 H (Second Series) 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 H (Second Series) Bonds under the Resolution and Series Resolution.

The following information about the book-entry only system applicable to the Series H (Second Series) 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 H (Second Series) 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 H (Second Series) Bond certificate will be issued for in the aggregate principal amount of the Series H (Second Series) 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 H (Second Series) Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series H (Second Series) Bonds on DTC's records. The ownership interest of each actual purchaser of each Series H (Second Series) 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 H (Second Series) 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 H (Second Series) Bonds, except in the event that use of the book-entry system for the Series H (Second Series) Bonds is discontinued.

To facilitate subsequent transfers, all Series H (Second Series) 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 H (Second Series) 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 H (Second Series) Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series H (Second Series) 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 H (Second Series) 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 H (Second Series) Bond documents. For example, Beneficial Owners of Series H (Second Series) Bonds may wish to ascertain that the nominee holding the Series H (Second Series) 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 H (Second Series) 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 H (Second Series) Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the University as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series H (Second Series) 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 H (Second Series) Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the University or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Series H (Second Series) 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 H (Second Series) 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 H (Second Series) 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 H (Second Series) 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 H (SECOND SERIES) 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 H (SECOND SERIES) BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES H (SECOND SERIES) 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 RESOLUTION 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 H (SECOND SERIES) 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 H (Second Series) 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 H (Second Series) 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 H (Second Series) 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 H (Second Series) 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 section 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.

APPENDIX F

**MURRAY STATE UNIVERSITY
CONSOLIDATED EDUCATIONAL BUILDINGS REFUNDING REVENUE BONDS, SERIES H
(SECOND SERIES)**

Official Terms and Conditions of Bond Sale

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OFFICIAL TERMS AND CONDITIONS OF BOND SALE

Re: Murray State University Consolidated Educational Buildings Refunding Revenue Bonds, Series H (Second Series), dated September 1, 2003, in the principal amount of \$2,855,000*

The President of Murray State University, Murray, Kentucky will until 10:00 A.M. C.D.S.T., September 4, 2003, in the office of the President of the University in Murray, Kentucky, receive competitive, sealed bids for the purchase of the above-identified Bonds (the "Series H (Second Series) Bonds").

DESCRIPTION AND MATURITIES OF BONDS

The Series H (Second Series) Bonds bear interest from September 1, 2003, payable semiannually, on May 1 and November 1, commencing May 1, 2004, will be in the denomination of \$5,000 or any multiple thereof within the same maturity, are numbered R-1 and upward, and will mature and/or be subject to mandatory redemption on May 1 on each of the respective years, as follows:

Maturity Date	Principal*	Maturity Date	Principal*
<u>May 1</u>	<u>Amount</u>	<u>May 1</u>	<u>Amount</u>
2004	\$235,000	2009	\$330,000
2005	295,000	2010	340,000
2006	300,000	2011	355,000
2007	310,000	2012	370,000
2008	320,000		

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

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

Purchases of the Series H (Second Series) 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 H (Second Series) Bonds on DTC's records. The ownership interest of each actual purchaser of each Series H (Second Series) 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 H (Second Series) 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 H (Second Series) Bonds, except in the event that use of the book-entry system for the Series H (Second Series) Bonds is discontinued.

* Preliminary; subject to adjustment

The Series H (Second Series) 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 J.P. Morgan Trust Company, National Association, Louisville, Kentucky, the Trustee, Bond Registrar, Transfer Agent, Payee Bank and Depository Bank.

The person in whose name any Series H (Second Series) 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 H (Second Series) Bonds are not subject to optional redemption prior to their maturities.

AUTHORITY AND PURPOSE OF BONDS

These Series H (Second Series) Bonds are being issued pursuant to the authority of Sections 162.340 through 162.380, inclusive, of the Kentucky Revised Statutes, a Resolution of the Board of Regents (the "Board") of Murray State College (now known as Murray State University) adopted on April 28, 1961, establishing the Consolidated Educational Buildings Project for the University (the "Resolution"), and a Series H (Second Series) Resolution adopted on December 14, 2001, for the purpose of (i) refunding its outstanding Consolidated Educational Buildings Revenue Bonds, Series H dated March 1, 1992, and (ii) paying the costs of issuance of the Series H (Second Series) Bonds.

SECURITY

The Series H (Second Series) Bonds, and any additional parity bonds 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) derived by the University from the operation of its Consolidated Educational Buildings Project. The Consolidated Educational Buildings Project may be described generally as all of the educational buildings and appurtenant facilities of the University.

As further security for the Series H (Second Series) Bonds there is created and granted by Sections 162.350 and 162.200 of the Kentucky Revised Statutes a statutory mortgage lien upon the Consolidated Educational Buildings Project of the University.

BIDDING CONDITIONS AND RESTRICTIONS

The public offering of the Series H (Second Series) 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 \$2,833,587.50 (99.25% of par), plus accrued interest from the date of the Bonds (September 1, 2003) to the date of delivery, payable in Federal Funds.

B. The successful bidder will be required to deposit with J.P. Morgan Trust Company, National Association, Louisville, Kentucky, for the account of Murray State University immediately available funds in the amount of 2% of the principal amount of Bonds awarded, representing the good faith deposit, by the close of business on the day following the sale. The amount of the good faith deposit, without interest, will be deducted from the purchase price at the time of delivery of the Series H (Second Series) 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 Series H (Second Series) Bonds from September 1, 2003, through the Final Maturity Date, plus discount or less premium, as set forth in the Official Bid Form, for exactly \$2,855,000 of Series H (Second Series) 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 H (Second Series) 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 up to a maximum of \$3,230,000 or decreased down to a minimum of \$2,640,000, 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 Series H (Second Series) 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 Series H (Second Series) 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 H (Second Series) 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 Special Committee of the Board and the right to waive any possible informalities, irregularities, or defects in any bid which, in the judgment of the Board, 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 at the office of the Financial Advisor, First Kentucky Securities Corporation, 305 Ann Street, Frankfort, Kentucky 40601, Attention Mr. Stan Kramer (502) 875-4611. Bids must be enclosed in sealed envelopes marked "Bid for Murray State University Consolidated Educational Buildings Refunding Revenue Bonds, Series H (Second Series)" and bids must be received by the President of the University prior to the date and hour stated above. It is also possible to submit a bid by the delivery (including by facsimile) of a signed bid form to the Financial Advisor (502-227-2320) or University officials (270-762-3774) 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 Series H (Second Series) Bonds shall pay the CUSIP Service Bureau charge for the assignment of CUSIP numbers, which numbers will be printed on the Series H (Second Series) Bonds at no expense or cost to the purchasers. Neither the failure to print a CUSIP number on any Series H (Second Series) 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 Series H (Second Series) 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 September 30, 2003.

M. Upon wrongful refusal of the purchasers to take delivery of and pay for the Series H (Second Series) 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 Series H (Second Series) 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 Series H (Second Series) Bonds hereunder. However, it is contemplated that the Series H (Second Series) 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 Series H (Second Series) 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 Series H (Second Series) 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, with the exception of a rating from Standard & Poor's Ratings Services, shall be borne by such bidder and the University shall not be liable to any extent therefor.

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 H (Second Series) Bonds, and (ii) the principal amount sold to the public of each principal maturity of the Series H (Second Series) 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 H (Second Series) Bonds. Their fee for services rendered with respect to the sale of the Series H (Second Series) Bonds is contingent upon the issuance and delivery of the Series H (Second Series) Bonds. They may submit a bid for the purchase of the Bonds at the time of the advertised public sale of the Series H (Second Series) Bonds, either individually or as members of a syndicate organized to submit a bid for the purchase of the Series H (Second Series) Bonds.

The Board has agreed in the Series H (Second Series) 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 180 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, (ii) timely notice of the occurrence of certain material events with respect to the Series H (Second Series) Bonds and (iii) notice of the failure to provide certain annual financial information and operating data.

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

The Board 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 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 H (Second Series) Bonds, the Treasurer of the Board 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 H (Second Series) Bonds, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Series H (Second Series) Bonds is excludable from gross income for Federal income tax purposes and interest on the Series H (Second Series) 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 H (Second Series) Bonds. The University has covenanted to comply with certain restrictions designed to ensure that interest on the Series H (Second Series) 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 H (Second Series) 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 H (Second Series) 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 H (Second Series) Bonds may adversely affect the tax status of the interest on the Series H (Second Series) Bonds.

Certain requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series H (Second Series) 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 H (Second Series) 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 H (Second Series) Bonds has rendered an opinion that interest on the Series H (Second Series) Bonds is excludable from gross income for Federal income tax purposes and that interest on all Series H (Second Series) 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 H (Second Series) 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 H (Second Series) 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 H (Second Series) 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 H (Second Series) 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 H (Second Series) 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 H (Second Series) Bonds.

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

If, prior to the delivery of the Series H (Second Series) Bonds, any event shall occur which alters the tax-exempt status of the Series H (Second Series) Bonds, the purchaser shall have the privilege of voiding the purchase contract by giving immediate written notice to the Board, 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.

/s/ Sandra M. Rogers
Secretary, Board of Regents,
Murray State University

APPENDIX G

**MURRAY STATE UNIVERSITY
CONSOLIDATED EDUCATIONAL BUILDINGS REFUNDING REVENUE BONDS,
SERIES H (SECOND SERIES)**

Official Bid Form

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OFFICIAL BID FORM

\$2,855,000*

MURRAY STATE UNIVERSITY
 CONSOLIDATED EDUCATIONAL BUILDINGS REFUNDING REVENUE BONDS
 SERIES H (SECOND SERIES)
 DATED SEPTEMBER 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 \$2,855,000* of Murray State University Consolidated Educational Buildings Refunding Revenue Bonds, Series H (Second Series), dated September 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 \$2,855,000* principal amount of Bonds the sum of \$ _____ (not less than \$2,833,587.50), plus accrued interest from September 1, 2003, to the date of delivery, at the following annual interest rates:

SCHEDULE OF PRINCIPAL AMOUNTS AND INTEREST RATES

Maturity	Principal*	Serial Bond	Term ¹ Bond	Maturity	Principal*	Serial Bond	Term ¹ Bond
<u>May 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Rate</u>	<u>May 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Rate</u>
2004	\$235,000	_____	_____	2009	\$330,000	_____	_____
2005	295,000	_____	_____	2010	340,000	_____	_____
2006	300,000	_____	_____	2011	355,000	_____	_____
2007	310,000	_____	_____	2012	370,000	_____	_____
2008	320,000	_____	_____				

¹ 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 \$3,230,000 of Bonds and for as little as \$2,640,000 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 an amount equal to 2% of the principal amount of Bonds awarded, payable to the Murray State University will be deposited in J.P. Morgan Trust Company, National Association, Louisville, Kentucky, by federal wire transfer, ABA #021000021, prior to the end of the business day on September 5, 2003, in accordance with the Notice of Bond Sale and the Official Terms and Conditions of Bond Sale, 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.

*Preliminary, subject to change.

Respectfully submitted,

By _____

Title _____

Total interest cost from September 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 Board of Regents of Murray State University, with the change in maturities of Bonds being as follows:

Maturity	Principal	Maturity	Principal
<u>May 1</u>	<u>Amount</u>	<u>May 1</u>	<u>Amount</u>
2004	\$ _____	2009	\$ _____
2005	_____	2010	_____
2006	_____	2011	_____
2007	_____	2012	_____
2008	_____		

Accepted this 4th day of September, 2003.

BOARD OF REGENTS OF MURRAY STATE UNIVERSITY

By: _____
Authorized Officer

APPENDIX H

**MURRAY STATE UNIVERSITY
CONSOLIDATED EDUCATIONAL BUILDINGS REFUNDING REVENUE BONDS,
SERIES H (SECOND SERIES)**

Form of Continuing Disclosure Agreement

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CONTINUING DISCLOSURE AGREEMENT

Relating to:

\$ _____
MURRAY STATE UNIVERSITY
CONSOLIDATED EDUCATIONAL BUILDINGS
REFUNDING REVENUE BONDS, SERIES H (SECOND SERIES)

Dated as of: September 1, 2003

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THIS CONTINUING DISCLOSURE AGREEMENT (the "Agreement") is made and entered into as of the 1st day of August, 2003, between J.P. Morgan Trust Company, National Association, as disclosure agent (the "Disclosure Agent") and Murray State University (the "Issuer").

RECITALS

WHEREAS, the Issuer has issued or will issue its Housing and Dining System Revenue Bonds, Series H (Second Series) in the original aggregate principal amount of \$ _____ (the "Bonds") pursuant to a Basic Resolution (the "Resolution") adopted by the Board of Regents of the University (the "Board") on April 26, 1961, and the Series H (Second Series) Resolution (the "Series Resolution") adopted by the Issuer on December 14, 2001, for the purpose of refunding the Issuer's outstanding Consolidated Educational Buildings Revenue Bonds, Series H, the proceeds of which originally financed (i) renovations to the Fine Arts Building and (ii) the replacement of underground steam lines and all necessary appurtenances on the Murray State University campus in Murray, Kentucky (the "Project"); and

WHEREAS, the Bonds have been offered and sold pursuant to a Preliminary Official Statement, dated August 28, 2003, and a final Official Statement, dated September 4, 2003 (the "Offering Document"); and _____ has agreed to purchase the Bonds based on its competitive bid pursuant to the Issuer's Notice of Bond Sale) as to the Bonds (the "Original Purchaser"); and

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

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

Section 1. Definitions; Scope of this Agreement.

(A) All terms capitalized but not otherwise defined herein shall have the meanings assigned to those terms in the Resolution, as amended and supplemented from time to time. Notwithstanding the foregoing, the term "Disclosure Agent" shall originally mean the Trustee, or any successor trustee under the Resolution; any such successor disclosure agent shall automatically succeed to the rights and duties of the Disclosure Agent hereunder, without any amendment hereto. The following capitalized terms shall have the following meanings:

"Annual Financial Information" shall mean a copy of the annual audited financial information prepared for the Issuer which shall include, if prepared, a balance sheet, a statement of revenue and expenditure and a statement of changes in fund balances. All such financial information shall be prepared using generally accepted accounting principles, provided, however, that the Issuer may change the accounting principles used for preparation of such financial information so long as the Issuer includes as information provided to the public, a statement to the effect that different accounting principles are being used, stating the reason for such change and how to compare the financial information provided by the differing financial accounting principles.

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

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

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

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

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

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

"Release" shall mean Securities and Exchange Commission Release No. 34-34961.

"SEC" shall mean the Securities and Exchange Commission.

"SID" shall mean the state information depository ("*SID*"), as such term is used in the Release, if and when a *SID* is created for the State.

"State" shall mean the Commonwealth of Kentucky.

"*Turn Around Period*" shall mean (i) five (5) business days, with respect to Annual Financial Information and Operating Data delivered by the Issuer to the Disclosure Agent; (ii) two (2) business days with respect to Material Event occurrences disclosed by the Issuer to the Disclosure Agent; or (iii) two (2) business days with respect to the failure, on the part of the Issuer, to deliver Annual Financial Information and Operating Data to the Disclosure Agent which period commences upon notification by the Issuer of such failure, or upon the Disclosure Agent's actual knowledge of such failure.

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

(C) The Disclosure Agent shall have no obligation to make disclosure about the Bonds or the Project except as expressly provided herein; provided that nothing herein shall limit the duties or obligations of the Disclosure Agent, as Trustee, under the Resolution. The fact that the Disclosure Agent or any affiliate thereof may have any fiduciary or banking relationship with the Issuer, apart from the relationship created by the Resolution, shall not be construed to mean that the Disclosure Agent has actual knowledge of any event or condition except in its capacity as Trustee under the Resolution or except as may be provided by written notice from the Issuer. The Disclosure Issuer acknowledges that it and not the Disclosure Agent is solely responsible for the accuracy, completeness and timeliness of its Annual Financial Information and Operating Data.

Section 2. Disclosure of Information.

(A) General Provisions. This Agreement governs the Issuer's direction to the Disclosure Agent, with respect to information to be made public. In its actions under this Agreement, the Disclosure Agent is acting not as Trustee but as the Issuer's agent; provided that the Disclosure Agent shall be entitled to the same protection in so acting under this Agreement as it has in acting as Trustee under the Resolution.

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

(1) Annual Financial Information and Operating Data. Annual Financial Information and Operating Data at least annually not later than December 31 of each year for the fiscal year ending on the preceding June 30 beginning with the fiscal year ending June 30, 2003 and continuing with each fiscal year thereafter, for which the information is provided, taking into account the Turn Around Period, and, in addition, all information with respect to the Bonds required to be disseminated by the Trustee pursuant to the Resolution.

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

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

(C) Information Provided by Disclosure Agent to Public.

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

- (a) the Annual Financial Information and Operating Data;
- (b) Material Event occurrences;
- (c) the notices of failure to provide information which the Issuer has agreed to make public pursuant to subsection (B)(3) of this Section 2;
- (d) such other information as the Issuer shall determine to make public through the Disclosure Agent and shall provide to the Disclosure Agent in the form required by subsection (C)(2) of this Section 2. If the Issuer chooses to include any information in any Annual Financial Information report or in any notice of occurrence of a Material Event, in addition to that which is specifically required by this Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Financial Information report or notice of occurrence of a Material Event; and

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

- (a) as to all notices, reports and financial statements to be provided to the Disclosure Agent by the Issuer, in the form required by the Resolution or other applicable document or agreement; and
- (b) as to all other notices or reports, in such form as the Disclosure Agent shall deem suitable for the purpose of which such notice or report is given.

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

(D) Means of Making Information Public.

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

- (a) to the Bondholders of outstanding Bonds, by the method prescribed by the Resolution;
- (b) to each NRMSIR, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Issuer or the Disclosure Agent is authorized to transmit information to a NRMSIR by whatever means are mutually acceptable to the Disclosure Agent or the Issuer, as applicable, and the NRMSIR;
- (c) to the SID (if a SID is established for the State), by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first

class mail, postage prepaid; provided that the Issuer or the Disclosure Agent is authorized to transmit information to a SID by whatever means are mutually acceptable to the Disclosure Agent or the Issuer, as applicable, and the SID;

(d) to the MSRB, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Issuer or the Disclosure Agent is authorized to transmit information to a MSRB by whatever means are mutually acceptable to the Disclosure Agent or the Issuer, as applicable, and the MSRB; and/or

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

(2) Information shall be transmitted to the following

(a) all Annual Financial Information and Operating Data shall be made available to each NRMSIR and to the SID (if a SID is established for the State);

(b) notice of all Material Event occurrences and all notices of the failure to provide Annual Financial Information or Operating Data within the time specified in Section 2(B)(1) hereof shall be made available to each NRMSIR or the MSRB and to the SID (if a SID is established for the State); and

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

(d) to the extent any Annual Financial Information or Operating Data is included in a document filed with each NRMSIR and SID (if a SID is established for the State) or the SEC, the Issuer shall have been deemed to have provided that information if a statement specifically referencing the filed document is filed with each NRMSIR and SID (if a SID is established for the State) as part of the Issuer's obligation to file Annual Financial Information and Operating Data pursuant to this Agreement. Additionally, if the referenced document is a final official statement (as that term is defined in Rule 15c2-12(f)(3)), it must be available from the MSRB.

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

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

Nothing in this Agreement shall be construed to require the Disclosure Agent to interpret or provide an opinion concerning the information made public.

If the Disclosure Agent receives a request for an interpretation or opinion, the Disclosure Agent may refer such request to the Issuer for response.

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

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

Section 3. Amendment or Waiver.

Notwithstanding any other provision of this Agreement, the Issuer and the Disclosure Agent may amend this Agreement (and the Disclosure Agent shall agree to any reasonable amendment requested by the Issuer) and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel or counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule as well as any change in circumstance.

Section 4. Miscellaneous.

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

(B) Agents; Successors. The Disclosure Agent may execute any of the powers hereof and perform the duties required of it hereunder by or through its affiliates or agents. Any corporation, association or other entity into which the Disclosure Agent may be converted or merged, or with which it may be consolidated, or to which it may sell or otherwise transfer all or substantially all of its corporate trust assets and businesses or any corporation, association or other entity resulting from any such conversion, sale, merger, consolidation or other transfer to which it is a party ipso facto, shall be and become successor Disclosure agent hereunder, vested

with all other matters as was its predecessor, without the execution or filing of any instrument or any further act on the part of the parties hereto, notwithstanding anything herein to the contrary.

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

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

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

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

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

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

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

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

Section 5. Additional Disclosure Obligations.

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

Section 6. Notices.

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

To the Issuer: Murray State University
Office of Vice President for Administrative Services
Sparks Hall, Third Floor
Murray, Kentucky 42071
Attention: Thomas Denton
Telephone/Fax: (270) 762-3774/3497

To the Trustee/
Disclosure Agent: J.P. Morgan Trust Company, National Association
Corporate Trust Dept.
220 West Main Street, Suite 1750
Louisville, Kentucky 40202
Attention: Teresa A. Law
Telephone/Fax: (502) 566-6907/6954

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

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

MURRAY STATE UNIVERSITY, Issuer

By: _____
Vice President for Administrative Services

J.P. MORGAN TRUST COMPANY, NATIONAL ASSOCIATION, Disclosure Agent

By: _____

Title: _____