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January 6, 2005

Ms. Jo Carole Ellis  
Executive Director  
Kentucky's Affordable Prepaid Tuition  
100 Airport Road, P.O. Box 798  
Frankfort, KY 40601

Dear Ms. Ellis:

You have requested us to perform a valuation of KAPT's liabilities as of December 31, 2004 in order to determine the financial effects of the new enrollment group and the transfer of moneys from the Unclaimed Property Fund to the KAPT Fund.

After the transfer from the Unclaimed Property Fund, the surplus associated with the contracts that were sold in prior years' is \$409,352, while the surplus associated with contracts sold during the recently concluded enrollment period is \$1,028,962.

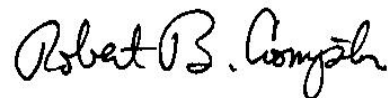
Our analysis is summarized in the table on the following page.

<b>Progression of Surplus/(Deficit)</b>	
Deficit at June 30, 2004	(\$ 13,700,051)
Projected Increase to December 31, 2004	(440,752)
Gain due to Favorable Investment Experience	1,520,979
Miscellaneous Gains & Losses **	52,858
Gain From Sale of New Contracts	
Before consideration of premiums	(1,031,874)
Effects of premiums	2,060,836
Total gains from new contracts	1,028,962
Transfer from Unclaimed Property Fund	13,700,051
Surplus at December 31, 2004	\$ 2,162,047

\*\* Miscellaneous gains & losses include differences in actual and projected cash flows over the six-month period plus variances between projected contract cancellations and actual contract cancellations.

We appreciate the opportunity to serve the Commonwealth of Kentucky. Any questions about the report should be directed to me at (770) 752-5656.

Very truly yours,



Robert B. Crompton, FSA, MAAA