

**PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 31, 2005**

**(Bonds to be sold September 14, 2005, 11:00 a.m. E.D.S.T.)**

*This Official Statement is in a form "deemed final" by the Issuer for the purpose of SEC Rule 15c2-12(b)(1), but is subject to revision or amendment.*

*Interest exempt, in the opinion of Bond Counsel, from all present Federal and Kentucky income taxes, and principal exempt from Kentucky ad valorem taxes except as to certain recipients. See "Tax Exemption."*

New Issue

Moody's:

**ELECTRONIC BIDDING VIA PARITY**

**BOOK-ENTRY-ONLY SYSTEM**

**\$280,000\***

**CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT  
FINANCE CORPORATION  
SCHOOL BUILDING REVENUE BONDS, SERIES OF 2005**

**Dated: September 1, 2005**

**Due: As shown below**

The Bonds will be issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, ("DTC"). DTC will act as securities depository for the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds. Accordingly, principal, interest and premium, if any, on the Bonds will be paid by The Huntington National Bank, Cincinnati, Ohio, as Paying Agent and Registrar, directly to DTC or Cede & Co., its nominee. DTC will in turn remit such principal, interest or premium to the DTC Participants (as defined herein) for subsequent distribution to the Beneficial Owners (as defined herein) of the Bonds. The Bonds will be issued in denominations of \$1,000 each or integral multiples thereof, and will bear interest payable initially on March 1, 2006 and thereafter semiannually on each September 1 and March 1.

The Bonds shall be subject to optional redemption prior to maturity as stated herein. See "The Bonds".

**MATURITY SCHEDULE  
\$280,000\* Bonds**

<u>Due</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>134515</u>	<u>Due</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>134515</u>
9-01-06	\$10,000				9-01-16	\$14,000			
9-01-07	10,000				9-01-17	14,000			
9-01-08	10,000				9-01-18	15,000			
9-01-09	11,000				9-01-19	16,000			
9-01-10	11,000				9-01-20	16,000			
9-01-11	11,000				9-01-21	17,000			
9-01-12	12,000				9-01-22	18,000			
9-01-13	12,000				9-01-23	18,000			
9-01-14	13,000				9-01-24	19,000			
9-01-15	13,000				9-01-25	20,000			

(Accrued interest to be added)

**BANK INTEREST DEDUCTION ELIGIBLE**

\* Subject to Permitted Adjustment

The Bonds are offered when, as and if issued, subject to the final approving legal opinion of Henry M. Reed III, Reed & Johnson, Bond Counsel, Louisville, Kentucky. Delivery of the Bonds is expected on or about September 28, 2005.

**DUPREE AND COMPANY, INC./FIRST KENTUCKY SECURITIES CORPORATION  
Fiscal Agents**

No dealer, broker, salesman or other person has been authorized by the Board of Education of the Campbellsville Independent School District, or the Fiscal Agent to give any information or to make any representations, other than those contained in this Official Statement. Moreover, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell, or the solicitation of any offer to sell, or the solicitation of any offer to buy; nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Information contained herein was obtained from the Campbellsville Independent School District Board of Education, Kentucky State Department of Education, and other sources considered reliable; however, the accuracy thereof is not guaranteed. The Board and the Corporation have approved this Official Statement and authorized its distribution in connection with the sale of the Bonds. The delivery of this Official Statement at any time does not imply the information herein is correct as of any time subsequent to this date.

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**CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT OFFICIALS**

**BOARD OF EDUCATION**

Joe Walters  
**Chairperson**

Vicki Mullins  
**Vice-Chairperson**

Barkley Taylor  
Angie Johnson  
Ron McMahan  
**Members**

Diane Woods-Ayers  
**Superintendent, Secretary and Treasurer**

**CAMPBELLSVILLE INDEPENDENT SCHOOL  
DISTRICT FINANCE CORPORATION**

Joe Walters, President  
Vicki Mullins, Vice President  
Angie Johnson, Director  
Barkley Taylor, Director  
Ron McMahan, Director  
Diane Woods-Ayers, Secretary

**Financial Advisors**

Dupree & Company, Inc.  
Lexington, KY

First Kentucky Securities Corporation  
Frankfort, KY

**Bond Counsel**

Henry M. Reed, III  
Reed & Johnson  
Louisville, KY

**Registrar, Transfer Agent  
And Paying Agent**

The Huntington National Bank  
Cincinnati, OH

**Construction Depository**

Taylor County Bank  
Campbellsville, KY

## OFFICIAL STATEMENT

Relating to  
\$280,000\*

### CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION SCHOOL BUILDING REVENUE BONDS, SERIES OF 2005

Dated: September 1, 2005

The Campbellsville Independent School District Finance Corporation (the "Corporation") is distributing this Official Statement to furnish pertinent information regarding \$280,000\* Campbellsville Independent School District Finance Corporation School Building Revenue Bonds, Series of 2005 (the "Bonds"), as described on the cover of this Official Statement, which is considered a part hereof.

### CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION

The Campbellsville Independent School District Finance Corporation (the "Corporation") was formed in accordance with the provisions of Section 162.120 through 162.290 and 162.385 of the Kentucky Revised Statutes ("KRS"), and KRS Chapter 273 and KRS 58.180, as a non-profit, non-stock corporation for the purpose of financing necessary school building facilities for and on behalf of the Board of Education of Campbellsville Independent School District, Campbellsville, Kentucky (the "Board"). Under the provisions of existing Kentucky law, the Corporation is permitted to act as an agency and instrumentality of the Board for financing purposes.

The Board of Directors of the Corporation is made up of the incumbent members of the Board of Education.

### AUTHORITY AND PURPOSE

These Bonds have been duly authorized by a Resolution duly passed by the Corporation, pursuant to the authority of Sections 162.120 through 162.290, inclusive, and 162.385, and 58.010 through 58.140, inclusive and Section 58.180 of the Kentucky Revised Statutes. The proceeds of the Bonds, after payment of issuing costs, will be used to pay the cost, not otherwise provided, of Phase I of a roof replacement at the Campbellsville Middle School ("the Project").

### BOOK ENTRY

The following information regarding DTC and Cede & Co. will be applicable to the Bonds as long as a book entry system is utilized. The Corporation does not assume any responsibility for the accuracy or completeness of the information set forth under this caption "Book Entry", and the Corporation is not required to supervise, and will not supervise, the operation of the book entry system described herein.

DTC is a limited purpose trust company organized under the laws of the State of New York, 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, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need of physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the "Indirect Participants").

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\*The Corporation reserves the right to increase or decrease the total principal amount of the Bonds sold to the best bidder in an amount not exceeding \$28,000 (the "Permitted Adjustment").

Upon issuance of the Bonds, DTC Participants shall receive a credit balance in the records of DTC. ***The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") will be recorded through the records of the applicable DTC Participant.*** Beneficial Owners will receive a written confirmation of their purchase provided by the applicable DTC Participant, providing details of the Bonds acquired. Transfers of ownership interests in the Bonds ("Beneficial Ownership Interests") will be accomplished by book entries made by DTC and, in turn, by the DTC Participants who act on behalf of the Beneficial Owners. Beneficial Owners will **not** receive certificates representing their ownership interest in the Bonds, except as specifically provided in the Resolution of the Corporation.

The Corporation has no responsibility or liability for any aspects of the records relative to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership.

Principal and interest payments on the Bonds will be made to DTC or its nominee, as registered owner of the Bonds. Upon receipt of moneys, DTC's current practice is to immediately credit the accounts of the DTC Participants in accordance with their respective holdings shown on the records of DTC. Payments by DTC Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such DTC Participant or Indirect Participant and not of DTC or the Agency, subject to any statutory and regulatory requirements as may be in effect from time to time.

A Beneficial Owner shall give notice to elect to have its Beneficial Ownership Interests purchased or tendered, through its DTC Participant, to the Paying Agent and Registrar, and shall effect delivery of such Beneficial Ownership Interests by causing the Direct Participant to transfer the DTC Participant's interest in the Beneficial Ownership Interests, on DTC's records, to the purchaser or the Paying Agent and Registrar, as appropriate. The requirements for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records.

The Paying Agent and Registrar, so long as a book entry method is used for the Bonds, will send only to DTC any notice of redemption or other notices required to be sent to Bondholders. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption or of any other action premised on such notice.

Conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants, and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time.

The Corporation and the Paying Agent and Registrar cannot and do not represent or give any assurances that DTC, the DTC Participants or Indirect Participants or others will distribute payments of debt service charges on the Bonds paid 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 will serve and act in the manner described in this Official Statement.

## **THE BONDS**

### ***Terms***

The Bonds will be issued in the aggregate principal amount of \$280,000, will be dated September 1, 2005, will bear interest payable March 1, 2006, and thereafter semiannually on each September 1 and March 1 at the rates established upon acceptance of a bid for said Bonds and will mature on the dates and in the amounts set forth on the cover page.

The Corporation reserves the right to increase or decrease the total principal amount of the Bonds sold to the best bidder, in an amount not exceeding \$28,000 with such increase or decrease to be made in any of the principal maturities. The total amount of the Bonds sold to the best bidder may be a minimum of \$252,000 up to a maximum of \$308,000

**Optional Redemption Provision**

The Bonds maturing on or after September 1, 2016, are subject to redemption at the option of the Corporation prior to their stated maturities on any date falling on or after September 1, 2015, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent by regular United States Mail to the Registered Owners of the Bonds so selected not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without a redemption premium.

The Bonds are to be issued in fully registered form (both principal and interest). The Huntington National Bank, Cincinnati, Ohio, Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co., as nominee of The Depository Trust Company. Please see "Book-Entry Only System" above.

**ESTIMATED SOURCES AND USES OF FUNDS**

**Sources of Funds:**

Bond Issue	\$280,000.00
Less Underwriter's Discount	- 5,600.00
Total Sources of Funds	\$274,400.00

**Uses of Funds:**

Construction Cost including a Contingency Reserve	\$262,832.33
Issuing Costs and Surplus	11,567.67
Total Uses of Funds	\$ 274,400.00

**SECURITY**

The Board has obligated itself to pay to the Corporation, under the Contract, Lease and Option, (the "Lease") annual rentals sufficient to pay the principal of and interest on all of the Bonds as the same become due; provided, however, that the Board is obligated only for the initial period ending June 30, 2006, with an exclusive option to renew its lease from year to year until the Bonds are retired. The rentals must also be sufficient to meet additional costs of the Project including insurance, maintenance, depreciation and administrative expenses. Under the Resolution authorizing the Bonds, the Corporation has pledged the rental revenue due from the Board to the payment of the Bonds.

In addition to the aforesaid pledge of the revenue created for the benefit of the bondowners, a statutory mortgage lien has been created on the project property in favor of the bondowners, and said school building property and any appurtenances thereto will remain subject to such statutory mortgage lien until the payment in full of the principal of and interest on this bond issue; provided however, that said statutory mortgage lien (together with such revenue pledge) is and will be restricted in its application to the Project financed by the Bonds, and to such easements and rights of way for ingress, egress, and the rendering of services thereto as may be necessary for the proper use and maintenance of the same. The right is expressly reserved to erect or construct upon any unimproved portion(s) of the property associated with the Project, other independently financed school building projects free and clear of said statutory mortgage lien, which other independently financed school building projects may or may not have a party wall or walls with and may adjoin the property which is subject to said statutory mortgage lien. The statutory mortgage and pledge of revenues securing these Bonds are inferior to similar liens and pledges securing the Corporation's outstanding School Building Revenue Bonds (the "Prior Lien Bonds") issued to construct or improve the original Project.

Although the Board is obligated to pay to the Corporation annual rentals in the full amount of the principal and interest requirements on the Bonds for each year in which the Lease is renewed, the Board has entered into the Lease in reliance upon a certain Participation Agreement by and between the Board and the Kentucky School Facilities Construction Commission ("SFCC"). Under the terms of the Participation Agreement, the SFCC has agreed to pay annually, directly to the Paying Agent for the Bonds, a stated Agreed Participation, subject to the constitutional restrictions limiting the commitment to the biennial budget period of the Commonwealth which expires on June 30, 2006, and on June 30th of each even numbered year thereafter. Said annual amount is to be applied only to the principal and interest requirements of the Bonds so long as the Board renews the Lease. The Commission has agreed to pay 100% of the annual principal and interest requirements of the Bonds (the "Agreed Participation"). Under the Lease the Board has pledged and assigned all of its rights under the Participation Agreement to the Corporation in order to secure the Bonds.

Under the terms of the Lease, and any renewal thereof, the Board has agreed so long as the Bonds remain outstanding, and in conformance with the intent and purpose of Section 157.627(5) of the Act and KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the Lease and Participation Agreement to the Corporation and the Commission the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

The right has been reserved by the Corporation, at the request of the Board, to withdraw any unimproved portion of the Project property site from the property encumbered by the Bonds, and to convey such portion to the Board, for any purpose whatever, if the Board shall certify that such withdrawal and conveyance does not adversely affect the Board's usage of the property or adversely affect the security of the bondowners. Also, the right has been reserved to grant easements and rights-of-way through the property for roads, utilities, drainage, and other public purposes, free and clear of the lien and pledge securing the Bonds; provided (a) no such release shall be made which would interfere with the ownership and efficient operation of the Project, or of any other school buildings and appurtenances securing any other outstanding bonds, or with the use of the surrounding premises for school purposes; (b) no such release may be made which would impair ingress to and egress from any school buildings; and (c) any such release shall not effect any reduction in the rental otherwise required by the Lease approved in the Resolution.

The Board has also reserved the right to obtain the release of the property site from the statutory mortgage lien and revenue pledge securing these Bonds by redeeming or defeasing the then outstanding Bonds.

#### **KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION**

The SFCC is an independent corporate agency and instrumentality of the Commonwealth of Kentucky established pursuant to the provisions of Sections 157.611 through 157.640 of the Kentucky Revised Statutes (the "Act") for the purpose of assisting local schools in a manner which will ensure an equitable distribution of funds based upon unmet needs.

Pursuant to the provisions of the Act and the Regulations of the Kentucky Board of Education and the SFCC, the SFCC has determined that the Board was eligible for participation by the SFCC in meeting the costs of construction of the Project and entered into a Participation Agreement with the Board whereunder the SFCC agrees to pay 100% to be applied to the payment of the annual principal and interest requirements of the Bonds provided, however, that the contractual commitment of the SFCC to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2006. The right is reserved by the SFCC to terminate the commitment to pay the Agreed Participation every two years thereafter. The obligation of the SFCC to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the SFCC shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by the execution of the Participation Agreement, the SFCC has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period until the retirement of all the Bonds, but such execution of the Participation Agreement does not obligate the SFCC to do so.

## STATE SUPPORT OF EDUCATION

Section 157.330 of the Kentucky Revised Statutes ("KRS") establishes the fund to Support Education Excellence in Kentucky ("SEEK") funded from biennial appropriations from the General Assembly for distribution to school districts. The base funding level guaranteed to each school district by SEEK for operating and capital expenditures is determined for each fiscal year by dividing the total annual SEEK appropriation by the state-wide total of pupils in average daily attendance ("ADA") in the preceding fiscal year; the ADA for each district is subject to adjustment to reflect the number of at risk students (approved for free lunch programs under state and federal guidelines), numbers and types of exceptional children, and transportation costs. A \$100 capital outlay allotment per each ADA pupil is included within the guaranteed amounts.

KRS 157.420(4) provides that the per pupil capital outlay allotment from state and local sources be segregated into a Capital Outlay Fund which may be used only for (1) direct payment of construction costs; (2) debt service on voted and funding bonds; (3) lease rental payments in support of bond issues; (4) reduction of deficits resulting from over-expenditures for emergency capital construction; and (5) a reserve for each of the categories enumerated in 1 through 4 above.

KRS 160.470(12)(a) requires that each school district shall levy a minimum equivalent tax rate of \$.30 for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes levied by the district (including utilities gross receipts license and special voted) for school purposes is divided by the total assessed value of property, plus the assessment for motor vehicles certified by the Revenue Cabinet of the Commonwealth. Any school district board of education that fails to comply with the minimum equivalent tax rate levy shall be subject to removal from office.

KRS 157.440 provides that each school district may levy an equivalent tax rate which will produce up to 15% of those revenues guaranteed by the SEEK program. Any such increase beyond the 4% annual limitation imposed by KRS 132.017 is not subject to the recall provisions of that Section. Revenue generated by the 15% levy will be equalized at 150% of the state-wide average per pupil-equalized assessment.

KRS 157.440 also permits school districts, upon submission to the voters of the District and approval thereof by a majority of those voting, to levy up to 30% of the revenue guaranteed by the SEEK program, plus the revenue produced by the 15% levy, but said additional tax will not be equalized with state funds.

KRS 157.620 provides that in order to be eligible for participation from the Kentucky School Facilities Construction Commission for debt service on bond issues the district must levy a tax that will produce revenues equivalent to \$.05 per \$100 of the total assessed value of all property in the district (including tangible and intangible property and motor vehicles). A district having a special voted tax that is equal to or higher than the required \$.05 tax must commit and segregate for capital purposes at least an amount equal to the required \$.05 tax. Those districts that levy the additional \$.05 tax are also eligible for participation in the Kentucky Facilities Support ("KFS") program for which funds are appropriated separately from SEEK funds and are distributed to districts in accordance with a formula taking into account outstanding debt and funds available for payment from both local and state sources.

KRS 160.460 provides that as of September 1, 1992 all real property located in the Commonwealth subject to local taxation shall be assessed at 100% of fair cash value.

## TAX EXEMPTION; BANK QUALIFIED

In the opinion of Henry M. Reed, III, Reed & Johnson, Bond Counsel, Louisville, Kentucky, the principal of the Bonds is not subject to Kentucky ad valorem taxation and the interest on the Bonds is excludable from gross income for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations, and is not subject to Kentucky income taxation, subject to certain exceptions set out below. The legal opinion of Henry M. Reed III is subject to the condition that the Corporation comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes, including the requirement as to any required rebate (and reports with reference thereto) to the United States of America of certain investment earnings on the proceeds of the Bonds. The purchaser will be furnished said opinion, printed bond forms, and the usual closing documents, which will include a certificate that there is no litigation pending or threatened at the time of delivery of the issue affecting the validity of the Bonds.



In order to assure the purchasers of the Bonds that interest thereon will continue to be excludable from gross income for federal income tax purposes and exempt from Kentucky income taxation (subject to certain exceptions set out below), the Corporation has covenanted in its Resolution authorizing the Bonds that (1) the Corporation will take all actions necessary to comply with the provisions of the Code, (2) the Corporation will take no actions which will violate any of the provisions of the Code, or that would cause the bonds to become "private activity bonds" within the meaning of the Code, (3) none of the proceeds of the Bonds will be used for any purpose which would cause the interest on the Bonds to become subject to federal income taxation, and that the Corporation will comply with any and all requirements as to rebate (and reports with reference thereto) to the United States of America of certain investment earnings on the proceeds of the Bonds.

The Bonds are not "private activity Bonds" within the meaning of the Code, and the Corporation has been advised by Bond Counsel, and therefore believes, that interest on the Bonds is not included, as an item of tax preference in calculating the alternative minimum tax for individuals.

The Corporation, the Board, and all subordinate entities thereof, do not reasonably anticipate issuing tax-exempt obligations during the calendar year in which the Bonds are being issued in excess of \$10,000,000, and, therefore, the Corporation has designated the Bonds as "qualified tax-exempt obligations" for investment by financial institutions pursuant to the provisions of Section 265(b)(3) of the Code.

The tax-exempt status of the Bonds is subject to the following exceptions:

1. For purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), interest on the Bonds is taken into account in determining adjusted current earnings.

2. Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, except that in the case of a financial institution, within the meaning of Section 265(b)(5) of the Code, a deduction is allowed for 80% of that portion of such financial institutions' interest expense allocable to interest on the Bonds.

3. With respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Bonds.

4. Interest on the Bonds earned by certain foreign corporation doing business in the United States of America could be subject to a branch profits tax imposed by Section 884 of the Code.

5. Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income.

6. Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Bonds.

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

## **LIMITATION ON INCREASE ON AD VALOREM TAXES**

The Kentucky General Assembly amended the provisions of KRS 160.470 which prohibited school districts from levying ad valorem property taxes which would generate revenues in excess of 4% of the previous year's revenues without said levy being subject to recall to permit exceptions to the referendum under (1) KRS 160.470(12), [a new section of the statute] and (2) an amended KRS 157.440.

Under KRS 160.470(12)(a) for fiscal years beginning September 1, 1990 school districts are permitted to levy a "minimum equivalent tax rate" of thirty cents (\$.30) for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes (including occupational or utilities) levied by the district for school purposes divided by the total assessed valued of property plus the assessment for motor vehicles certified by the State Revenue Cabinet. Failure to levy the minimum equivalent rate subjects the board of the district to removal.

The exception provided by KRS 157.440(1)(a) permits school districts to levy an equivalent tax rate as defined in KRS 160.470(12)(a) which will produce up to 15% of those revenues guaranteed by the program to support education excellence in Kentucky. Levies permitted by this section of the statute are not subject to public hearing or recall provisions as set forth in KRS 160.470.

## **HOMESTEAD EXEMPTION**

Section 170 of the Kentucky Constitution was amended by the voters of the Commonwealth of Kentucky at the General Election held February 2, 1971, to exempt from property taxes the first \$6,500 of single-unit residential property of taxpayers 65 years of age or older. Following that election, the 1972 General Assembly amended KRS Chapter 132 to permit counties and school districts to adjust their local tax revenues through increases in taxes on non-exempt property by amounts equivalent to the revenues lost through application of this homestead exemption. In subsequent sessions of the General Assembly the "single-unit" qualification has been enlarged so as to provide for the exemption to apply to real property "held by legal or equitable title, by the entireties, jointly, in common, as a condominium ..." maintained as the permanent residence of the owner; and that the \$6,500 exemption "shall be construed to mean \$6,500 in terms of the purchasing power of the dollar in 1972. Every two (2) years thereafter, if the cost of living index of the U. S. Department of Labor has changed as much as one (1) percent, the maximum exemption shall be adjusted accordingly". The local general property tax rate on non-exempt property has been adjusted so as to recover tax revenues equivalent to the revenues lost through application of the homestead exemption. The amount of the exemption as of January 1, 2005, is \$29,400.

## **ARBITRAGE RESTRICTIONS**

The Corporation covenants that it will make no use of the proceeds of said Bonds, which, if such use had been reasonably expected on the date of issue of the Bonds, would have caused such Bonds to be arbitrage bonds, and that the Corporation will comply with all the requirements of Section 148 of the Internal Revenue Code of 1986, as amended, and all of the requirements of the applicable Regulations thereunder, to whatever extent necessary to assure that these Bonds will not be treated as taxable arbitrage bonds.

## **STATE SUPERVISION AND APPROVAL**

THE KENTUCKY STATE DEPARTMENT OF EDUCATION HAS ADOPTED A POLICY OF INSISTING THAT ANNUAL BUDGETS OF LOCAL SCHOOL BOARDS PROVIDE FOR RENTAL PAYMENTS FOR THE BOND DEBT SERVICE IN ORDER FOR SUCH BUDGETS TO BE APPROVED BY THE DEPARTMENT. STATE LAW REQUIRES THAT THE APPROVAL OF THE KENTUCKY STATE DEPARTMENT OF EDUCATION OF THE ENTIRE FINANCING PLAN REGARDING THE ISSUANCE OF SCHOOL BUILDING REVENUE BONDS BE OBTAINED BEFORE SUCH BONDS CAN BE ISSUED, AND THE CAMPBELLSVILLE INDEPENDENT SCHOOL BOARD HAS RECEIVED THIS APPROVAL.

According to a report furnished by the Department of Education, under the terms of the Kentucky Revised Statutes and the regulations of the Kentucky Board of Education (the "State Board"), said State Board, by itself and through its executive officer, the Commissioner of Education (the "Commissioner"), supervises the general operations of the

local boards of education and school building revenue bond financing as follows, in part:

### **GENERAL OPERATIONS**

The Commissioner shall examine and advise on the expenditures, business methods and accounts of all local boards of education. He shall see that all financial and educational accounts are accurately and neatly kept and that all reports are made according to the forms adopted by the Kentucky State Department of Education.

Each school district supported in whole or in part from taxation shall make a report to the State Board at the close of each scholastic year, showing in detail all funds received from the State and from all other sources during the year, and a detailed statement of all expenditures for the year.

Each local board of education must prepare and submit to the Commissioner of Education an annual budget showing the amount needed for current expenses, debt service, capital outlay and other necessary expenses for the ensuing year, the estimated amount to be received from the SEEK Program and other sources, and the amount needed to be raised from local taxation, and including the assessed valuation and tax rate. If the budget is disapproved, it must be amended and resubmitted. No such budget shall become effective until approved by the Commissioner of Education.

Each district board shall, as required by the State Board, prepare and submit to it not later than September 15<sup>th</sup> of each year, a close estimate or working budget which shall conform to the rules and regulations prescribed by the State Board of Education, and which shall be consistent in its major divisions with the general school budget previously prepared.

No superintendent shall recommend and no board member shall vote for an expenditure in excess of the income and revenue of any year as shown by the budget adopted by the Board and approved by the Commissioner of Education, except for a purpose for which bonds have been voted or in case of an emergency declared by the State Board of Education.

### **SCHOOL BUILDING REVENUE BONDS**

1. **PLANS AND SPECIFICATIONS:** Before awarding a contract for the construction of any new school building or additions, the plans and specifications must be approved by the Commissioner of Education. No school building revenue bonds may be issued until the Commissioner has approved the plans and specifications and a construction contract has been awarded.

2. **APPROVAL OF PROJECT:** Before issuance of school building revenue bonds, the financial plan, which shall include the assessed valuation, the tax rate and maturity schedule of the proposed bond issue, must be submitted to the Division of Finance in the Bureau of Administration and Finance. The Division of Finance must approve the financial soundness of the plan. The proposed building program, as well as the financial plan, must be approved by the Commissioner of Education prior to any bond issue.

3. **INSURANCE:** All local boards of education who have entered into contracts for the issuance of revenue bonds must arrange for insurance protection in an amount equal to or in excess of the bonds outstanding against the particular building or buildings, or at least to the full insurable value of such building or buildings, and must report annually to the Commissioner of Education, on forms provided by the Department of Education, the amount of insurance coverage provided for each building which has been mortgaged for the security of outstanding revenue bonds.

### **SUMMARY OF DOCUMENTS RELATED TO THE BOND ISSUE**

#### **RESOLUTION OF THE BOARD OF EDUCATION**

A Resolution has been adopted by the Board of Education of the Campbellsville Independent School District authorizing the Bonds, specifically approving the Corporation's Resolution and specifically authorizing the Officers of the Board to execute the Contract, Lease and Option and the Participation Agreement.

## RESOLUTION OF THE CORPORATION

The Corporation has adopted a Resolution authorizing the issuance, sale and delivery of the Bonds. The Resolution grants to the owners of the Bonds a statutory mortgage lien on the site of the Project and improvements, and it pledges the rental due under the Contract, Lease and Option to the payment of the Bonds. The Resolution also reserves the right of the Board to purchase the site of the Project and the release of the lien and revenue pledge securing the Bonds by the payment of sums sufficient to retire or defease the Bonds. The Resolution provides for the deposit of the proceeds of the Bonds, less payments of accrued interest and the costs of bond issuance, in a construction fund pledged to the payment of the costs of the Project

## CONTRACT, LEASE AND OPTION

The Contract, Lease and Option provides for the lease of the Project from the Corporation to the Board, on a year to year basis, with the option of the Board to renew for one year at a time following the initial rental period ending June 30, 2006. The option is granted to the Board to purchase the site of the Project upon making provision for the payment of the Bonds.

The rental due to the Corporation from the Board each year is an amount equal to the principal and interest requirements becoming due on the Bonds, plus the costs of maintenance and insurance.

## PARTICIPATION AGREEMENT

The SFCC and the Board have entered into a Participation Agreement, whereunder the Commission has agreed to pay an Agreed Participation as described under "SECURITY" to be applied only to the annual principal and interest requirements of the Bonds so long as the Board renews the Contract, Lease and Option; provided, however, that the SFCC is legally obligated only for the biennial budget period of the Commonwealth.

Complete copies of the previously mentioned documents are available from the Financial Advisor.

## FINANCIAL ADVISOR

This Official Statement was prepared and distributed by Dupree & Company, Inc., and First Kentucky Securities Corporation, joint Financial Advisors and Fiscal Agents, employed by the Board of Education of the Campbellsville Independent School District. The information set forth herein was obtained from the Board, the Kentucky Department of Education, and other sources believed to be reliable; however, the Financial Advisor has not verified all of the data and information and cannot guarantee its accuracy.

## APPROVAL OF LEGALITY

Legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Henry M. Reed III, Reed & Johnson, Louisville, Kentucky, Bond Counsel to the Corporation. The approving legal opinion of Bond Counsel will be printed on the Bonds and will contain a statement of tax exemption as represented herein. Bond Counsel has reviewed the information herein pertaining to the Bonds under the headings "Absence of State Budget; Litigation", "Description of The Bonds", "Certain Provisions of the Bond Resolution", "Certain Provisions of the Contract, Lease and Option", "State Support of Education", "Continuing Disclosure" 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. Bond Counsel has not otherwise participated in the preparation of the Official Statement and has not verified the accuracy or completeness of the information contained under the headings "The Project", "Kentucky Department of Education Supervision", nor of any financial information, enrollment figures, projections, or computations related thereto, and therefore can make no representation with respect to such information.

## PRELIMINARY OFFICIAL STATEMENT

A copy of the Issuer's Preliminary Official Statement may be obtained by contacting First Kentucky Securities Corporation, 305 Ann Street, Suite 400, Frankfort, Kentucky 40601, 502-875-4611. This Preliminary Official Statement is in a form "deemed final" by the Issuer for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision and amendment.

This Preliminary Official Statement does not, as of its date, contain any untrue statement of a material fact or omit to state a material fact which should be included herein for the purpose for which the Preliminary Official Statement is to be used, or which is necessary in order to make the statements contained herein, in the light of the circumstances under which they were made, not misleading in any material respect.

#### **CONTINUING DISCLOSURE UNDERTAKING; EXEMPTION**

As a result of the aggregate amount of Bonds to be issued by the Corporation being less than \$1,000,000 Bond Counsel has advised the Board and the Corporation that they are exempt from the application of the SEC Rule 15c2-12(b)(5).

Financial information regarding the Board may be obtained from Superintendent, Campbellsville Independent Board of Education, 136 S. Columbia, Campbellsville, Kentucky 42718 Telephone 270-465-4162.

#### **ABSENCE OF MATERIAL 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 Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Board or Corporation taken with respect to the issuance or sale thereof. The Corporation will provide the purchaser the customary no-litigation certificate and the final approving Legal Opinion of Henry M. Reed III, Reed & Johnson, Louisville, KY, Bond Counsel.

#### **RATING**

The Board and the Corporation have received a rating of “\_\_” on the Bonds from Moody’s Investors Service (“Moody’s”). Any explanation of the significance of such rating may be obtained only from Moody’s. The Board and Corporation furnished to Moody’s certain information and materials about the Bonds and themselves. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions by the rating agencies. There is no assurance that such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by Moody’s. Any such downward change in or withdrawal of such rating could have an adverse effect on the market price of the Bonds.

#### **APPROVAL OF OFFICIAL STATEMENT**

The Corporation has approved and caused this Official Statement to be executed and delivered by its President. In making this Official Statement the Corporation relies upon information furnished to it by the Board and does not assume any responsibility as to the accuracy or completeness of any of the information in this Official Statement. The financial information supplied by the Board and reported herein is represented by the Board to be correct.

#### **CAMPBELLSVILLE INDEPENDENT BOARD OF EDUCATION**

By /s/ Joe Walters  
Chairperson

#### **CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION**

By /s/ Joe Walters  
President

#### **KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION**

By /s/ Dr. Robert E. Tarvin  
Executive Director

**APPENDIX A**

*School District Tax Rates*  
*Property Taxes*  
*Enrollment*  
*General Fund*  
*Capital Outlay Fund*  
*Utilities Gross Receipts Tax for Schools*  
*Funds Available for Debt Service*  
*Outstanding School Building Revenue Bonds*

**BOARD OF EDUCATION  
CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT**

The Campbellsville Independent School District represents a portion of the County. Because the Board is fully obligated, so long as the Lease remains in effect to pay rental payments equal to the principal of and interest on the total amount of Bonds outstanding, the information on the following pages is submitted as officially reported by the Board or by the Kentucky Department of Education, unless otherwise noted.

**SCHOOL DISTRICT TAX RATES CENTS PER \$100 VALUE**

	<u>2004/05</u>	<u>2003/04</u>	<u>2002/03</u>	<u>2001/02</u>	<u>2000/01</u>
Real Estate	40.3¢	40.4¢	37.3¢	37.2¢	37.2¢
Public Service	40.3¢	40.4¢	37.3¢	37.2¢	37.2¢
Motor Vehicles	55.3¢	55.3¢	55.3¢	55.3¢	55.3¢

**SCHOOL DISTRICT PROPERTY TAXES**

**Assessed Valuation**

<u>Year</u>	<u>General Properties</u>	<u>Public Service</u>	<u>Motor Vehicle</u>	<u>Total Assessed Value</u>
2004-05	\$294,706,123	\$23,497,280	\$24,033,439	\$342,236,842
2003-04	223,124,064	73,930,275	23,944,359	320,998,698
2002-03	224,176,984	87,786,327	21,452,668	333,415,979
2001-02	210,221,989	13,581,648	20,684,975	244,488,612
2000-01	200,326,399	12,009,887	26,118,158	238,454,444

**Taxes Levied and Collected**

<u>Year</u>	<u>General Properties</u>	<u>Public Service</u>	<u>Motor Vehicle</u>	<u>Total Levied</u>	<u>Tax Collected</u>	<u>Percent Collected</u>
2004/05	\$1,285,542	\$94,878	\$132,904	\$1,513,324	0 *	0.0%
2003/04	1,200,099	63,272	132,412	1,395,783	\$1,348,274	96.6%
2002/03	1,108,153	55,470	114,387	1,278,010	1,227,097	96.0%
2001/02	1,029,965	60,204	114,388	1,204,557	1,167,482	96.9%
2000/01	990,810	57,837	121,433	1,170,080	966,965	82.6%
1999/00	837,854	49,904	119,052	1,006,810	1,043,111	103.6%

\* Collections begin in November

**ENROLLMENT**

<u>School Year</u>	<u>Enrollment K-12</u>	<u>Average Daily Attendance</u>
2000-01	1,229	1,141.8
2001-02	1,245	1,133.4
2002-03	1,193	1,084.0
2003-04	1,215	1,052.7
2004-05	1,221	1,157.7

**CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT**  
**Comparative Statement of Receipts and Disbursements**  
**GENERAL FUND**

Fiscal Years Ending June 30

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Cash Balance, July 1	\$ 293,410	\$ 431,058	\$ 430,256	\$ 341,293
Adjustment in Beginning Balance	<u>56,590</u>	<u>0</u>	<u>0</u>	<u>0</u>
Beginning Cash Balance, July 1	\$ 350,000	\$ 431,058	\$ 430,256	\$ 341,293
<b>RECEIPTS:</b>				
Revenue from Local Sources	2,042,540	2,008,859	1,966,951	1,598,887
Revenue from State Sources	4,547,278	4,076,992	5,230,682	4,024,997
Revenue from Federal Sources	14,000	14,735	24,235	3,539
Other Sources	<u>5,000</u>	<u>66,996</u>	<u>0</u>	<u>203,464</u>
Total Receipts	<u>6,608,818</u>	<u>6,167,582</u>	<u>7,221,868</u>	<u>5,830,887</u>
Total Funds Available	<u>6,958,818</u>	<u>6,598,650</u>	<u>7,652,124</u>	<u>6,172,180</u>
<b>DISBURSEMENTS:</b>				
Total Current Expenses	6,865,902	6,214,168	7,152,910	5,718,941
Fund Transfers	<u>92,916</u>	<u>91,072</u>	<u>68,156</u>	<u>22,983</u>
Total Disbursements	<u>6,958,818</u>	<u>6,305,240</u>	<u>7,221,066</u>	<u>5,741,924</u>
Cash Balance, June 30	\$ <u>0</u>	\$ <u>293,410</u>	\$ <u>431,058</u>	\$ <u>430,256</u>

**CAPITAL OUTLAY FUND**

Fiscal Years Ending June 30

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Cash Balance, July 1	\$ 0	\$ 99,731	\$ 0	\$ 0
<b>RECEIPTS:</b>				
Capital Outlay Allotment	109,700	109,160	108,350	113,810
Transfers In	<u>0</u>	<u>0</u>	<u>1,025,181</u>	<u>0</u>
Total Receipts and Balance	<u>109,700</u>	<u>208,891</u>	<u>1,133,531</u>	<u>113,810</u>
<b>DISBURSEMENTS:</b>				
Debt Service	109,700	208,891	904,750	113,810
Other	<u>0</u>	<u>0</u>	<u>129,050</u>	<u>0</u>
Total Disbursements	<u>109,700</u>	<u>208,891</u>	<u>1,033,800</u>	<u>113,810</u>
Cash Balance, June 30	\$ <u>0</u>	\$ <u>0</u>	\$ <u>99,731</u>	\$ <u>0</u>

Source: Information for fiscal year 2006 was taken from a tentative budget. Information for fiscal year 2005 was taken from an annual financial report (audited financial statement is not ready at this time). Information for fiscal years 2004-2003 was taken from audited financial statements prepared by Wise, Lee & Buckner, PLLC, Certified Public Accountants, Campbellsville, Kentucky.



***Utilities Gross Receipts Tax For Schools***

Under the provisions of KRS 160.613, 160.615, and 160.617, the Franklin County Board of Education levies a three percent Utility Gross Receipts License Tax for Schools. Receipts from the tax are as follows:

<u>2005/2006 (est.)</u>	<u>2004/2005</u>	<u>2003/2004</u>	<u>2002/2003</u>
\$460,000	\$505,492	\$500,032	\$464,407

***Funds Available for Debt Service***

Beginning with fiscal year 1990-91, capital expenditures in school districts are provided by the segregation of \$100 per ADA pupil from the SEEK funds allotment to each district. Expenditures from the Capital Outlay Allotment Fund may be used, up to a maximum of eighty percent (80%) of the annual allotment, for (1) direct payment of construction costs; (2) debt service on voted and funding bonds; (3) lease rental payments in support of bond issues; (4) reduction of deficits resulting from over-expenditures for emergency capital construction; and (5) a reserve for each of the categories enumerated in (1) through (4).

In addition to the Capital Outlay Allotment Fund as described above, each district is required to levy a tax which will produce revenues equivalent to five cents (\$0.05) per \$100 of assessed value of all property in the district in order to be eligible for participation from the Kentucky School Facilities Construction Commission. Tax receipts MUST be used for purposes enumerated in (1) through (5) above.

Those districts which levy the additional \$0.05 tax are also eligible to receive funds from the Facilities Support Program of Kentucky (the "FSPK"). These funds are appropriated separately from the SEEK funds and are distributed to districts in accordance with a formula taking into account outstanding debt and funds available for payment from both local and state sources. FSPK funds MAY be used for purposes enumerated in (1) through (5) above.

The funds available for Capital Outlay purposes, as described above, are not directly pledged for payment of principal and interest on outstanding school building revenue bonds, but as a practical matter and to the extent needed, have been and will continue to be applied to debt service through rental payments on Lease obligations.

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*Outstanding School Building Revenue Bonds*

**Local Participation:**

<b><u>Date of Issue</u></b>	<b><u>Final Maturity</u></b>	<b><u>Original Amount Issued</u></b>	<b><u>Bonds Outstanding as of September 1, 2005</u></b>
February 1, 1996	2/1/2016	\$1,210,000	\$ 940,000
December 1, 1997	12/1/2071	113,880	97,597
July 1, 1999	5/1/2009	440,000	200,000
August 1, 2002	10/1/2012	1,990,000	1,680,000
November 1, 2003 *	11/1/2018	580,000	480,000
November 1, 2004	2/1/2015	<u>1,284,823</u>	<u>1,284,823</u>
Subtotal		<u>\$5,618,703</u>	<u>\$4,682,420</u>

**SFCC Participation (1):**

<b><u>Date of Issue</u></b>	<b><u>Final Maturity</u></b>	<b><u>Original Amount Issued</u></b>	<b><u>Bonds Outstanding as of September 1, 2005</u></b>
December 1, 1997	12/1/2017	\$ 211,120	\$ 157,403
November 1, 2004	2/1/2015	<u>135,177</u>	<u>135,177</u>
Subtotal		<u>\$ 346,297</u>	<u>\$ 292,580</u>
Total		<u>\$5,965,000</u>	<u>\$4,975,000</u>

(1) These bonds are payable by the Kentucky School Facilities Construction Commission.

\* Energy Conservation Bonds

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**APPENDIX B**

*Campbellsville, Kentucky  
General Information*

## General Information

Campbellsville, Kentucky, the county seat of Taylor County, is located in South-Central Kentucky, 86 miles southeast of Louisville and 87 miles southwest of Lexington. Campbellsville had a population of 10,752 in 2004. Taylor County's 2004 population was 23,479, and is estimated to be 25,609 in 2020.

Campbellsville University is located in Campbellsville, and there are seven other colleges within 60 miles. There are 22 Kentucky Technical Schools within 60 miles. Seven of the technical schools are post-secondary.

## Total Population

	2000	2001	2002	2003	2004
Labor Market Area	163,686	164,729	165,497	166,264	167,503
Taylor County	22,927	23,034	23,202	23,347	23,479
Campbellsville	10,498	10,489	10,643	10,712	10,752

Source: U.S. Department of Commerce, Bureau of the Census.

## Population Projections

	2005	2010	2015	2020
Labor Market Area	168,025	173,162	178,919	183,991
Taylor County	23,727	24,262	24,995	25,609

Source: Kentucky State Data Center, University of Louisville and Kentucky Cabinet for Economic Development.

## Population by Selected Age Groups, 2000

	Taylor County		Labor Market Area	
	Number	Percent	Number	Percent
Under 18	5,365	23.4	38,941	23.8
18-24	2,381	10.4	15,341	9.4
25-34	2,640	11.5	20,832	12.7
35-44	3,528	15.4	25,076	15.3
45-54	3,111	13.6	22,365	13.7
55-64	2,415	10.5	16,772	10.2
65-74	1,973	8.6	13,143	8.0
75 and older	1,514	6.6	11,216	6.9
Median Age	38.1		37.6	

Source: U.S. Department of Commerce, Bureau of the Census.

## Personal Income

	1998	2003	Pct. Change
Taylor County	\$17,366	\$20,974	20.8%
Kentucky	\$22,043	\$26,575	20.6%
U.S.	\$26,883	\$31,472	17.1%
Labor Market Area Range	\$15,503 - \$22,590	\$18,050 - \$25,597	

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

## Households

	2000		2002
	Number of Households	Persons Per Household	Median Household Income
Taylor County	9,233	2.4	\$29,003

U.S. Department of Commerce, Bureau of the Census.

## Total Available Labor

	Available Labor, 2003			Future Labor: Becoming 18 Years of Age (2005-2009)
	Total	Unemployed	Potential Labor Supply	
Labor Market Area	8,036	5,284	2,752	11,258
Taylor County	1,258	690	568	1,535

Source: U.S. Department of Labor, Bureau of Labor Statistics; Kentucky Cabinet for Economic Development (KCED); U.S. Department of Commerce, Bureau of the Census.

Note: Total Available Labor = Unemployed + Potential Labor Supply.

Unemployed - people currently not employed, but actively seeking work.

Potential Labor Supply: Determined by the national labor force participation rate minus each county's labor force participation rate. Labor force participation rates are calculated by dividing the population by the labor force. NA (Not Applicable) applies to counties with a labor force participation rate greater than the national average.

Future Labor - people becoming 18 years of age (not part of the total available labor statistics).

## Civilian Labor Force

	Taylor County		Labor Market Area	
	2004	Jun. 2005	2004	Jun. 2005
Civilian Labor Force	12,016	12,387	79,635	82,466
Employed	11,422	11,661	75,412	77,592
Unemployed	594	726	4,223	4,874
Unemployment Rate (%)	4.9	5.9	5.3	5.9

Source: U.S. Department of Labor, Bureau of Labor Statistics.

## Unemployment Rate (%)

Year	Taylor County	Labor Market Area	Kentucky	U.S.
2000	5.2	4.7	4.2	4.0
2001	5.1	5.5	5.3	4.7
2002	6.4	6.0	5.7	5.8
2003	7.3	6.8	6.2	6.0
2004	4.9	5.3	5.3	5.5

Source: U.S. Department of Labor, Bureau of Labor Statistics.

## Commuting Patterns

Residents of Taylor County	2000	Percent
Working and Residing In County	7,488	76.7
Commuting Out of County	2,281	23.3
Total Residents	9,769	100.0
Employees in Taylor County		
Working and Residing In County	7,488	76.5
Commuting Into County	2,294	23.5
Total Employees	9,782	100.0

Source: U.S. Department of Commerce, Bureau of the Census, Journey-To-Work & Migration Statistics Branch.

## Average Weekly Wage, 2002

	Taylor County	Kentucky (Statewide)	U.S.	Ohio
All Industries	\$442	\$577	\$697	\$640
Agriculture, Forestry, Fishing and Hunting	0	NA	NA	NA
Mining	0	872	1,148	910
Construction	0	630	737	717
Manufacturing	447	732	827	822
Trade, Transportation, and Utilities	450	548	621	576
Information	630	658	1,078	839
Financial Activities	443	691	1,065	796
Services	668	495	610	550
Public Administration	531	617	773	763
Other	293	NA	NA	NA

Source: U.S. Department of Labor, Bureau of Labor Statistics.

### Summary of Recent Locations and Expansions, 2002-Present

	Companies	Reported	
		Jobs	Investment
Manufacturing Location	2	69	\$2,780,000
Manufacturing Expansion	6	110	\$19,935,500
Supportive/Service Location	0	0	\$0
Supportive/Service Expansion	1	0	\$175,000

Note: Totals include announced locations and expansions.

Source: Kentucky Cabinet for Economic Development (08/18/2005).

### Employment by Major Industry by Place of Work, 2002

	Taylor County		Labor Market Area	
	Employment	Percent	Employment	Percent
All Industries	9,240	100.0	55,932	100.0
Agriculture, Forestry, Fishing and Hunting	0	0.0	39	0.1
Mining	0	0.0	NA	NA
Construction	0	0.0	1,569	2.8
Manufacturing	1,941	21.0	14,817	26.5
Trade, Transportation, and Utilities	2,781	30.1	10,243	18.3
Information	113	1.2	628	1.1
Financial Activities	361	3.9	2,040	3.6
Services	2,113	22.9	15,900	28.4
Public Administration	302	3.3	2,301	4.1
Other	1	0.0	NA	NA

Source: U.S. Department of Labor, Bureau of Labor Statistics.

## Major Business & Industry

Firm	Product(s)/Service(s)	Emp.	Year Established
<i>Campbellsville</i>			
Adanta Human Development Services	Sheltered workshop: contract assembling & light bench woodworking; assemble screws and washers, count and package screws; count concrete nails and box.	21	1976
Airguard	Air filtration products	187	2000
Amazon.com	Fulfillment Center. Receive items available on the website into inventory and ship the customer orders from this facility.	500	1999
Campbellsville Apparel	Men's t-shirts & briefs	197	1999
Campbellsville Industries Inc	Ornamental metal & aluminum fabricating; steeples, cupolas, crosses, cornices, awnings, columns, louvers, shutters, railings & balusters	125	1955
Central Kentucky Glass Co	Aluminum store front frames	30	1975
Central Kentucky News Journal	Newspaper & shoppers guide publishing	15	1910
Classic Kitchens Inc	Custom wooden cabinets, vanities & bookcases	32	1983
Cox Interior Inc	Hardwood moldings, trim, stair parts, interior doors & mantels	760	1983
Creation Sportswear Inc	Textile screen printing	20	1984
Farmer's Gate Co	Steel gates, coral panels, round bale feeders, walk-thrus	16	1997
Fleetwood Travel Trailers of Kentucky	Travel Trailers	200	2000
Frost-Arnett Co	Collection agency	87	1999
Ingersoll-Rand Co	Vacuum pumps & air & gas compressors	180	1969
J & D Auto Electric Inc	Starter, alternator & generator rebuilding service	15	1983
Murakami Manufacturing USA	Motor vehicle parts & accessories, exterior mirrors	150	2001
National Data Questing Inc	Market Research Call Center	120	1999
Parker-Kalon	Threaded fasteners	90	1964
Poly Pro LLC	Interior & exterior molding components made of a polyurethane foam.	15	1999
Tec-Fab Inc	Custom sheet metal fabricating: bell towers, church steeples, cupolas, cornices, crosses & columns	15	1978
UpStream	Travel service - call center	200	1999
Whitney Lumber Inc	Hardwood lumber	25	1952
Wholesale Hardwood Interiors	Custom millwork, hardwood flooring, interior moldings, door & stair parts	80	1985

Source: Kentucky Cabinet for Economic Development (08/18/2005).



**APPENDIX C**

*Estimated SFCC Debt Service Requirements on Series of 2005 Bonds*

**CAMPBELLSVILLE INDEPENDENT DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REVENUE BONDS  
SERIES OF 2005**

**Estimated SFCC Debt Service Requirements**

FY 6/30	Principal	Interest	Total P&I
2006		\$5,409.25	\$5,409.25
2007	\$10,000	10,678.50	20,678.50
2008	10,000	10,396.00	20,396.00
2009	10,000	10,108.50	20,108.50
2010	11,000	9,798.50	20,798.50
2011	11,000	9,452.00	20,452.00
2012	11,000	9,083.50	20,083.50
2013	12,000	8,686.50	20,686.50
2014	12,000	8,260.50	20,260.50
2015	13,000	7,804.00	20,804.00
2016	13,000	7,316.50	20,316.50
2017	14,000	6,796.50	20,796.50
2018	14,000	6,240.00	20,240.00
2019	15,000	5,649.00	20,649.00
2020	16,000	5,009.50	21,009.50
2021	16,000	4,341.50	20,341.50
2022	17,000	3,644.25	20,644.25
2023	18,000	2,896.00	20,896.00
2024	18,000	2,117.50	20,117.50
2025	19,000	1,308.00	20,308.00
2026	20,000	445.00	20,445.00
<b>Total</b>	<b>\$280,000</b>	<b>\$135,441.00</b>	<b>\$415,441.00</b>

Source: Fiscal Agent

**OFFICIAL  
TERMS AND CONDITIONS OF BOND SALE**

**\$280,000\***

**Campbellsville Independent School District Finance Corporation  
School Building Revenue Bonds, Series of 2005  
Dated September 1, 2005**

**SALE: September 14, 2005 AT 11:00 A.M., E.D.S.T.**

As advertised in The Courier-Journal, published in Louisville, Kentucky, the Campbellsville (Kentucky) Independent School District Finance Corporation ("Corporation") will until September 14, 2005 at the hour of 11:00 A.M., E.D.S.T., in the office of Dr. Robert E. Tarvin, Executive Director of the Kentucky School Facilities Construction Commission, 229 West Main Street, Suite 102, Frankfort, Kentucky 40601-1879, receive competitive bids for the revenue bonds herein described. To be considered bids must be submitted on an Official Bid Form and must be delivered to the Secretary at the address indicated on the date of sale no later than the hour indicated submitted manually by facsimile or electronically via PARITY®. Bids will be considered by the Corporation and may be accepted without further action by the Corporation's Board of Directors.

Subject to a Permitted Adjustment\* increasing or decreasing the issue by \$28,000.

**CAMPBELLSVILLE (KENTUCKY) INDEPENDENT  
SCHOOL DISTRICT FINANCE CORPORATION**

The Corporation has been formed in accordance with the provisions of Sections 162.120 through 162.290 and Section 162.385 of the Kentucky Revised Statutes ("KRS"), and KRS Chapter 273 and KRS 58.180, as a non-profit, non-stock corporation for the purpose of financing necessary school building facilities for and on behalf of the Board of Education of the Campbellsville Independent School District (the "Board"). Under the provisions of existing Kentucky law, the Corporation is permitted to act as an agency and instrumentality of the Board for financing purposes and the legality of the financing plan to be implemented by the Bonds herein referred to has been upheld by the Kentucky Court of Appeals (Supreme Court) in the case of White v. City of Middlesboro, Ky. 414 S.W.2d 569.

**STATUTORY AUTHORITY, PURPOSE OF ISSUE AND SECURITY**

These Bonds are authorized pursuant to KRS 162.120 through 162.290, 162.385, and KRS 58.180 and are issued in accordance with a Resolution of the Corporation's Board of Directors. Said Bonds are revenue bonds and constitute a limited indebtedness of the Corporation payable from rental revenues derived by the Corporation from the Board under the Lease identified below. Said Bonds are being issued to finance the construction of roof replacement at the Campbellsville Middle School (the "Project") and are secured by a statutory mortgage lien upon and a pledge of the revenues from the rental of the school building to the Board under the Lease on a year to year basis with the first rental period ending June 30, 2006; provided, however, that the statutory mortgage lien and pledge of revenues securing the Bonds are inferior and subordinate to similar liens and pledges securing the Corporation's outstanding School Building Revenue Bonds (the "Prior Lien Bonds") issued to construct or improve the original project buildings. The statutory mortgage lien securing the Bonds is limited in its application to the exact site of the Project constructed from the proceeds of the Bonds, real estate unoccupied by the Project is unencumbered; should the Board default in its obligations under the Lease or fail to renew the Lease, the Registered Owners of Bonds have the right to have a receiver appointed to administer the Project under KRS 162.220; foreclosure and sale are not available as remedies.

The rental of the Project from the Corporation to the Board is to be effected under a certain Contract, Lease and Option by and between the Corporation and the Board (the "Lease"), whereunder the Project is leased to the Board for the initial period ending June 30, 2006, with an option in the Board to renew the Lease each year at rentals sufficient to provide for the principal and interest requirements on the Bonds as they become due, plus the costs of insurance, maintenance, depreciation, and bond issuance and administration expenses; the Board being legally obligated only for the initial rental period and for one year at a time thereafter each time the Lease is renewed.

Although the Board is obligated to pay the Corporation annual rentals in the full amount of the principal and interest requirements for the Bonds for each year in which the Lease is renewed, the Board has entered into the Lease in reliance upon a certain Participation Agreement by and between the Board and the Kentucky School Facilities Construction Commission (the "Commission"). Under the terms of the Participation Agreement, the Commission has agreed to pay annually directly to the Paying Agent for the Bonds a stated Agreed Participation equal to approximately 100% of the annual debt service requirements for the Bonds herein identified until their retirement, subject to the constitutional restrictions limiting the commitment to the biennium; said annual amount is to be applied only to the principal and interest requirements of the Bonds so long as the Board renews the Lease. Under the Lease, the Board has pledged and assigned all of its rights under the Participation Agreement in and to the Agreed Participation to the Corporation in order to secure the Bonds and has agreed to pay that portion of the rentals in excess of said Agreed Participation for each year in which the Lease is renewed.

Under the terms of the Lease, and any renewal thereof, the Board has agreed so long as the Bonds remain outstanding, and in conformance with the intent and purpose of Section 157.627(5) of the Act and KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the Lease and Participation Agreement to the Corporation and the Commission the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

**KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION**

The Commission is an independent corporate agency and instrumentality of the Commonwealth of Kentucky established pursuant to the provisions of Sections 157.611 through 157.640 of the Kentucky Revised Statutes, as repealed, amended, and reenacted (the "Act") for the purpose of assisting local school districts in meeting the school construction needs of the Commonwealth in a manner in which will ensure an equitable distribution of funds based upon unmet need.

Pursuant to the provisions of the Act, the Regulations of the Kentucky Board of Education and the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of construction of the Project and has entered into a Participation Agreement with the Board whereunder the Commission agrees to pay an annual Agreed Participation equal to approximately 100% of the annual debt service requirements for the Bonds herein identified each year until their retirement; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2006; the right is reserved in the Commission to terminate its commitment to pay the Agreed Participation after the initial biennial period and every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each biennium two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by the execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period until September 1, 2025, but such execution does not obligate the Commission to do so.

The 2005 Session of the General Assembly allocated the sum of \$14,000,000 to the Commission for new projects for the biennium ending June 30, 2006 in addition to the appropriation for existing obligations of the Commission.

**ADDITIONAL PARITY BONDS FOR COMPLETION OF PROJECT**

The Corporation has reserved the right and privilege of issuing additional bonds from time to time payable from the income and revenues of said lands and school building Project and secured by the same statutory mortgage lien and pledge of revenues, but only if and to the extent the issuance of such additional parity bonds may be necessary to pay the costs, for which funds are not otherwise available, of completing the construction of said school building Project in accordance with the plans and specifications of the architect in charge of said Project, which plans have been completed, approved by the Board, Commissioner of Education, and filed in the office of the Secretary of the Corporation.

**BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT**

All such Bonds shall be in denominations in multiples of \$1,000 within the same maturity, bear interest from September 1, 2005, payable on March 1, 2006, and semi-annually thereafter and shall mature as to principal on September 1 in each of the years thereafter as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2006	\$ 10,000	2016	\$ 14,000
2007	10,000	2017	14,000
2008	10,000	2018	15,000
2009	11,000	2019	16,000
2010	11,000	2020	16,000
2011	11,000	2021	17,000
2012	12,000	2022	18,000
2013	12,000	2023	18,000
2014	13,000	2024	19,000
2015	13,000	2025	20,000

\* Subject to a Permitted Adjustment of the amount of Bonds awarded of up to \$28,000 which may be applied in any or all maturities.

The Bonds maturing on or after September 1, 2016 are subject to redemption at the option of the Corporation prior to their stated maturities on any date falling on or after September 1, 2015, in any order of maturities (less than all of a

single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent by regular United States Mail to the Registered Owners of the Bonds so selected not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

The Bonds are to be issued in fully registered form (both principal and interest). The Huntington National Bank, Cincinnati, Ohio, the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co. Principal and interest will be payable through the Book-Entry-Only-System administered by The Depository Trust Company: Please see "BOOK-ENTRY-ONLY-SYSTEM" below. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on March 1 and September 1 of each year, beginning March 1, 2006.

### **BIDDING CONDITIONS AND RESTRICTIONS**

(A) Bids must be made on Official Bid Form, contained in Information for Bidders available from the undersigned or First Kentucky Securities Corporation, Frankfort, Kentucky, or by visiting [www.firstky.com](http://www.firstky.com) submitted manually, by facsimile or electronically via PARITY<sup>®</sup> *infra*.

(B) Electronic bids for the Bonds must be submitted through PARITY<sup>®</sup> and no other provider of electronic bidding services will be accepted. Subscription to the PARITY<sup>®</sup> Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY<sup>®</sup> shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY<sup>®</sup> conflict with the terms of the Official Terms and Conditions of Bond Sale, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY<sup>®</sup> shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY<sup>®</sup>. The use of PARITY<sup>®</sup> facilities are at the sole risk of the prospective bidders. For further information regarding PARITY<sup>®</sup>, potential bidders may contact PARITY<sup>®</sup>, telephone (212) 404-8102. Notwithstanding foregoing non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

(C) The minimum bid shall be not less than \$274,400 (98% of par) plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.

(D) The maximum permissible net interest cost for the Bonds shall not exceed "The Bond Buyer's" Index of 20 Municipal Bonds as established on the Thursday immediately preceding the sale of said Bonds plus 1.50%.

(E) The determination of the best purchase bid for said Bonds shall be made on the basis of all bids submitted for exactly \$280,000 principal amount of Bonds offered for sale hereunder, but the Corporation may adjust the principal amount of Bonds upward or downward by \$28,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of \$252,000 or a maximum of \$308,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price of which such adjusted principal amount of Bonds will be sold will be the same price per \$1,000 of Bonds as the price per \$1,000 for the \$280,000 of Bonds bid.

(F) The successful bidder may elect to notify the Financial Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each term bond specified, and (b) Term Bonds will be subject to mandatory redemption by lot on September 1 in accordance with the maturity schedule setting the actual size of the issue.

(G) CUSIP identification numbers will be printed on the Bonds at the expense of the Corporation. The purchaser shall pay the CUSIP Service Bureau Charge and the cost of printing the Final Official Statement. Improper imprintation or the failure to imprint CUSIP numbers shall not constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for said Bonds in accordance with the terms of any accepted proposal for the purchase of said Bonds.

(H) The Corporation shall provide to the successful purchaser a Final Official Statement in accordance with SEC Rule 15c2-12.

(I) Bids need not be accompanied by a certified or bank cashier's good faith check, BUT the successful bidder will be required to wire transfer an amount equal to 2% of the amount of the principal amount of Bonds awarded to the order of the Corporation by the close of business on the day following the award. Said good faith amount which will be forfeited as

liquidated damages in the event of a failure of the successful bidder to take delivery of such Bonds when ready. The good faith amount (without interest) will be applied to the purchase price upon delivery of the Bonds. The successful bidder shall not be required to take up and pay for said Bonds unless delivery is made within 45 days from the date the bid is accepted.

(J) Delivery will be made utilizing the DTC Book-Entry-Only-System.

(K) The Corporation reserves the right to reject any and all bids or to waive any informality in any bid. The Bonds are offered for sale subject to the principal and interest not being subject to Federal or Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidder, in accordance with the Final Approving Legal Opinion of Henry M. Reed III, Reed & Johnson, Bond Counsel, Louisville, Kentucky, which Opinion will be qualified in accordance with the section hereof on TAX EXEMPTION.

## STATE SUPPORT OF EDUCATION

The 1990 Regular Session of the General Assembly of the Commonwealth enacted a comprehensive legislative package known as the Kentucky Education Reform Act ("KERA") designed to comply with the mandate of the Kentucky Supreme Court that the General Assembly provide for as efficient and equitable system of schools throughout the State.

KERA became fully effective on July 13, 1990. Elementary and Secondary Education in the Commonwealth is supervised by the Commissioner of Education as the Chief Executive Officer of the State Department of Education ("DOE"), an appointee of the reconstituted State Board for Elementary and Secondary Education (the "State Board"). Some salient features of KERA are as follows:

KRS 157.330 establishes the fund to Support Education Excellence in Kentucky ("SEEK") funded from biennial appropriations from the General Assembly for distribution to school districts. The base funding guaranteed to each school district by SEEK for operating and capital expenditures is determined in each fiscal year by dividing the total annual SEEK appropriation by the state-wide total of pupils in average daily attendance ("ADA") in the preceding fiscal year; the ADA for each district is subject to adjustment to reflect the number of at risk students (approved for free lunch programs under state and federal guidelines), number and types of exceptional children, and transportation costs.

KRS 157.420 establishes a formula which results in the allocation of funds for capital expenditures in school districts at \$100 per ADA pupil which is included in the SEEK allotment (\$3,066) for the current biennium which is required to be segregated into a Capital Outlay Allotment Fund which may be used only for (1) direct payment of construction costs; (2) debt service on voted and funding bonds; (3) lease rental payments in support of bond issues; (4) reduction of deficits resulting from overexpenditures for emergency capital construction; and (5) a reserve for each of the categories enumerated in 1 through 4 above.

KRS 160.470(12)(a) requires that effective for fiscal years beginning July 1, 1990 each school district shall levy a minimum equivalent tax rate of \$.30 for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes levied by the district (including utilities gross receipts license and special voted) for school purposes is divided by the total assessed value of property, plus the assessment for motor vehicles certified by the Revenue Cabinet of the Commonwealth. Any school district board of education which fails to comply with the minimum equivalent tax rate levy shall be subject to removal from office.

KRS 160.470(12)(2) provides that for fiscal years beginning July 1, 1990 each school district may levy an equivalent tax rate which will produce up to 15% of those revenues guaranteed by the SEEK program. Any increase beyond the 4% annual limitation imposed by KRS 132.017 is not subject to the recall provisions of that Section. Revenue generated by the 15% levy is to be equalized at 150% of the state-wide average per pupil equalized assessment.

KRS 157.440(2) permits school districts to levy up to 30% of the revenue guaranteed by the SEEK program, plus the revenue produced by the 15% levy, but said additional tax will not be equalized with state funds and will be subject to recall by a simple majority of those voting on the question.

KRS 157.620(1) also provides that in order to be eligible for participation from the Kentucky School Facilities Construction Commission for debt service on bond issues the district must levy a tax which will produce revenues equivalent to \$.05 per \$100 of the total assessed value of all property in the district (including tangible and intangible property and motor vehicles) in addition to the minimum \$.30 levy required by KRS 160.470(12). A district having a special voted tax which is equal to or higher than the required \$.05 tax, must commit and segregate for capital purposes at least an amount equal to the required \$.05 tax. Those districts which levy the additional \$.05 tax are also eligible for participation in the Kentucky Facilities Support ("KFS") program for which funds are appropriated separately from SEEK funds and are distributed to districts in accordance with a formula taking into account outstanding debt and funds available for payment from both local and state sources under KRS 157.440(1)(b).

KRS 160.460 provides that as of July 1, 1994 all real property located in the Commonwealth subject to local taxation shall be assessed at 100% of fair cash value.

### **ADOPTION OF STATE BUDGET; LITIGATION**

On March 8, 2005 both Houses of the 2005 Regular Session of the Kentucky General Assembly each approved a State Budget for the fiscal year ending June 30, 2006. The Budget was sent to the Governor who exercised his line item veto power as to certain matters. The final Budget was ratified by the General Assembly on March 22, 2005 and is now in effect through June 30, 2006.

On April 13, 2004, the Regular Session of the Kentucky General Assembly adjourned without adopting a State Budget for the biennium beginning July 1, 2004.

The Governor stated his intention that beginning July 1, 2004 he would authorize State expenditures by Executive Order. The Executive Order authorization was employed by a previous Governor in 2002 when confronted with a similar situation; however, serious constitutional questions have precipitated test litigation as noted below. The Executive Spending Plan has proceeded since July 1, 2004 as if the Budget for the biennium ending June 30, 2004 had not expired.

The Attorney General of the Commonwealth filed a lawsuit on May 27, 2004 in Franklin Circuit Court (Case No. 04-CI-00719) seeking a Declaration of Rights and determination of the Governor's authority, through an Executive Spending Plan implemented by Executive Order, to suspend statutory laws which have traditionally been effected by enactment of a State Budget. The suit named the Governor, the Treasurer, the Secretary of the Finance and Administration Cabinet as well as the President of the Senate and the Speaker of the House of Representatives as Defendants.

On December 15, 2004 the Franklin Circuit Court entered an Order emphatically upholding the separation of powers doctrine set forth in various sections of the Kentucky Constitution. The Courts strict interpretation prohibits the executive branch from usurping the legislative branch's sole responsibility to appropriate State funds, but at the same time prohibits the legislative branch from abdicating its sole responsibility to sole appropriate. The decision specifically determines that the Executive Spending Plan now in effect is unconstitutional, but permits it to continue until the end of the current fiscal year on June 30, 2005; after which date no expenditures will be permitted except for essential governmental functions. All of the Defendants appealed separately from the decision and the appeals were consolidated as a single action before the Supreme Court of Kentucky.

On May 19, 2005 the majority of the Supreme Court rendered its Decision upholding the lower Court's determination that the Executive Spending Plan was unconstitutional but reversed that part of the decision which permitted expenditures for essential governmental operations. While the decision upholds the strict interpretation of separation of powers, it indicates there is no Constitutional mandate that the Legislature adopt a Budget even though such adoption is clearly intended. In the absence of a Budget the Governor is limited to only those expenditures contemplated by the Kentucky Constitution, Statutes of the Commonwealth (regardless of whether or not the Constitutional and Statutory provisions set forth specific dollar amounts or not) for expenditures and federal mandates; at the present time Kentucky does not have an "automatic" statutory provision or "continuing resolution" to fill the gap in absence of the enactment of the Budget as scheduled.

Even though the General Assembly has now adopted a Budget for the balance of the biennium, it is now anticipated that the litigation initiated by the Attorney General referred to above will proceed to a final determination by the Supreme Court of Kentucky.

A separate suit filed in Franklin Circuit Court by sixteen students and their parents from eight South Central Kentucky School Districts as a class action naming the Governor, the President of the Senate, the Speaker of the House and the General Assembly of Kentucky as Defendants and seeking to have the Court (a) declare Kentucky's educational funding system unconstitutional; (b) mandate the adoption of a Budget by the General Assembly implementing school funding on an equal basis among school districts adequate to provide proper education; and (c) provide for monitoring the implementation of a new school funding system, remains subject to judicial determination.

It is not now anticipated that any reorganization of school funding at the State level will result in the diminution of security for these Bonds.

### **CONTINUING DISCLOSURE-EXEMPT**

As a result of the aggregate amount of Bonds to be issued by the Corporation being less than \$1,000,000 Bond Counsel has advised the Board and the Corporation that they are exempt from the application of the SEC Rule 15c2-12(b)(5).

Financial information regarding the Board may be obtained from Superintendent, Campbellsville Independent Board of Education, 136 S. Columbia, Campbellsville, Kentucky 42718 Telephone 270-465-4162.

### **TAX EXEMPTION; BANK QUALIFIED**

Bond Counsel is of the opinion that the Bonds are "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended, and therefore advises as follows:

(A) The Bonds and the interest thereon are exempt from income and ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.

(B) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law; provided, that the corporate entities noted below are advised of certain tax consequences as follows:

(1) In the computation of the corporate minimum tax, earnings and profits may include otherwise tax-exempt interest on the Bonds; this provision applies to corporations only.

(2) Property and casualty insurance companies may be denied certain loss reserve deductions to the extent of otherwise tax-exempt interest on the Bonds.

(C) As a result of designations and certifications by the Board and the Corporation, indicating the issuance of less than \$10,000,000 of qualified tax-exempt obligations during the calendar year ending December 31, 2006, the Bonds may be treated by financial institutions as if they were acquired before August 8, 1986.

(D) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law for individuals; however, said income must be included in the calculation of "modified adjusted gross income" in the determination of whether and to what extent Social Security benefits are subject to Federal income taxation.

### **BOOK-ENTRY-ONLY-SYSTEM**

The Bonds shall utilize the Book-Entry-Only-System administered by The Depository Trust Company ("DTC").

DTC will act as securities depository for the Bonds. The Bonds initially will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond Certificate will be issued, in the aggregate principal amount of the Bonds, and will be deposited with DTC.

DTC 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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. 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 Bonds ("Beneficial Ownership Interest") 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 Beneficial Ownership interests in Bonds, except in the event that use of the book-entry system for the Securities is discontinued. Transfers of ownership interest in the Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co., effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The 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.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each District Participant in the Bonds to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments of the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' account on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities 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, the Issuer, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Trustee, disbursements of such payments to Direct Participants shall be the responsibility of DTC, and disbursements of such payment to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Beneficial Ownership Interests purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Beneficial Ownership Interests by causing the Direct Participant to transfer the Participant's interest in the Beneficial Ownership Interests, on DTC's records, to the purchaser or the Trustee, as appropriate. The requirements for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Bond Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered by the Bond Registrar.

NEITHER THE ISSUER, THE BOARD NOR THE BOND REGISTRAR/PAYING AGENT 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 BOND REGISTRAR/PAYING AGENT AS BEING AN OWNER WITH RESPECT TO: (1) THE 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 BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE 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 BOND 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 BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

**CAMPBELLSVILLE (KENTUCKY) INDEPENDENT  
SCHOOL DISTRICT FINANCE CORPORATION**

**by s/ Diane Woods-Ayers  
Secretary**

**OFFICIAL BID FORM**

(Bond Purchase Agreement)

The Campbellsville (Kentucky) Independent School District Finance Corporation (“Corporation” or “Issuer”), will until 11:00 A.M., E.D.S.T., on September 14, 2005, receive in the office of Dr. Robert E. Tarvin, Executive Director of the Kentucky Schools Facilities Construction Commission, Suite 102, 229 W. Main Street, Frankfort, Kentucky 40601, (telephone 502-564-5582; Fax 502-564-3412) competitive bids for its \$280,000 School Building Revenue Bonds, Series of 2005, dated September 1, 2005; maturing September 1, 2006 through 2025 (“Bonds”).

We hereby bid for said \$280,000\* principal amount of Bonds, the total sum of \$\_\_\_\_\_ (not less than \$274,400) plus accrued interest from September 1, 2005 payable March 1, 2006 and semiannually thereafter at the following annual rates, (rates on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on September 1 in the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2006	\$ 10,000	_____%	2016	\$ 14,000	_____%
2007	10,000	_____%	2017	14,000	_____%
2008	10,000	_____%	2018	15,000	_____%
2009	11,000	_____%	2019	16,000	_____%
2010	11,000	_____%	2020	16,000	_____%
2011	11,000	_____%	2021	17,000	_____%
2012	12,000	_____%	2022	18,000	_____%
2013	12,000	_____%	2023	18,000	_____%
2014	13,000	_____%	2024	19,000	_____%
2015	13,000	_____%	2025	20,000	_____%

\* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as \$308,000 of Bonds or as little as \$252,000 of Bonds, at the same price per \$1,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined at the time of acceptance of the best bid.

Electronic bids for the Bonds must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY® conflict with the terms of the Official Terms and Conditions of Sale of Bonds, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102. Notwithstanding the foregoing non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

The successful bidder may elect to notify the Financial Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each Term Bond specified, and (b) Term Bonds will be subject to mandatory redemption on September 1 in accordance with the maturity schedule setting the actual size of the issue.

The DTC Book-Entry-Only-System will be utilized on delivery of this issue.

It is understood that the Corporation will furnish the final, approving Legal Opinion of Henry M. Reed III, Reed & Johnson, Bond Counsel, Louisville, Kentucky.

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through The Huntington National Bank, Cincinnati, Ohio, Attn: Ms. Cheri Scott Geraci (513-366-3073).

Bids must be submitted only on this form and must be fully executed.

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds within forty-five (45) days of the award and upon acceptance by the Issuer's Financial Advisor this Official Bid Form shall become the Bond Purchase Agreement.

Respectfully submitted,

\_\_\_\_\_  
Bidder

By \_\_\_\_\_  
Authorized Officer

\_\_\_\_\_  
Address

Total interest cost from September 1, 2005 to final maturity \$ \_\_\_\_\_

Plus discount \$ \_\_\_\_\_

Net interest cost (Total interest cost plus discount) \$ \_\_\_\_\_

Average interest rate or cost \_\_\_\_\_%

The above computation of net interest cost and of average interest rate or cost is submitted for information only and is not a part of this Bid.

Accepted by First Kentucky Securities Corporation as Financial Advisor and Agent for the Campbellsville Independent School District Finance Corporation for \$ \_\_\_\_\_ amount of Bonds at a price of \$ \_\_\_\_\_ as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>
2006	\$ ____,000	_____%	2016	\$ ____,000	_____%
2007	____,000	_____%	2017	____,000	_____%
2008	____,000	_____%	2018	____,000	_____%
2009	____,000	_____%	2019	____,000	_____%
2010	____,000	_____%	2020	____,000	_____%
2011	____,000	_____%	2021	____,000	_____%
2012	____,000	_____%	2022	____,000	_____%
2013	____,000	_____%	2023	____,000	_____%
2014	____,000	_____%	2024	____,000	_____%
2015	____,000	_____%	2025	____,000	_____%

Dated: September 14, 2005

\_\_\_\_\_  
FIRST KENTUCKY SECURITIES CORPORATION  
as Agent for the Campbellsville Independent  
School District Finance Corporation