

This Preliminary Official Statement and the information contained herein are subject to completion and revision in a final Official Statement. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these Series 2015 Bonds in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration, qualification, or exemption under the securities laws of such jurisdiction.

## PRELIMINARY OFFICIAL STATEMENT

Dated November 9, 2015

(Bonds to be sold November 17, 2015, 11:00 a.m. C.S.T.)

BOOK-ENTRY-ONLY-SYSTEM

Bank Qualified

No Rating Requested

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds is excludable from gross income for federal income tax purposes, and is not a specific item of tax preference under § 57 of the Internal Revenue Code of 1986, as amended, for the purposes of the Federal individual or corporate alternative minimum taxes, upon the conditions and subject to the limitations set forth herein under "Tax Treatment". Receipt of interest on the Bonds may result in other federal income tax consequences to certain holders of the Bonds. Interest on the Bonds is exempt from income taxation and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

### ELECTRONIC BIDDING VIA PARITY

**\$4,340,000\***

#### DAVIESS COUNTY PUBLIC IMPROVEMENT CORPORATION FIRST MORTGAGE REVENUE REFUNDING BONDS (AUDUBON AREA COMMUNITY SERVICES, INC. PROJECT), SERIES 2015

Dated: Date of Delivery

Due: January 1, 2017-2028

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 U.S. Bank, National Association, Louisville, Kentucky, 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 \$5,000 each or integral multiples thereof, and will bear interest payable on July 1, 2016 and thereafter semiannually on each January 1 and July 1.

#### SCHEDULE OF MATURITIES

<u>Due</u>	<u>Cusip #</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>Due</u>	<u>Cusip #</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>
1/1/17		\$320,000			1/1/23		\$360,000		
1/1/18		335,000			1/1/24		370,000		
1/1/19		335,000			1/1/25		380,000		
1/1/20		340,000			1/1/26		390,000		
1/1/21		345,000			1/1/27		400,000		
1/1/22		355,000			1/1/28		410,000		

**Purchaser's Option** - The Purchaser of the Bonds may specify to the Financial Advisor that any Bonds may be combined with immediately succeeding sequential maturities into a Term Bond or Term Bonds, bearing a single rate of interest, with the maturities set forth above (or as may be adjusted as provided herein being subject to mandatory redemption in such maturities for such Term Bond(s)).

The Bonds are being issued by the Daviess County Public Improvement Corporation. (the "Corporation"), a nonprofit, no-stock public and governmental corporation duly organized under and existing by virtue of the laws of the Commonwealth of Kentucky for the purpose of serving as the agency and instrumentality and the constituted authority of the County of Daviess, Kentucky (the "County"), a county and political subdivision of the Commonwealth of Kentucky.

The Bonds maturing on and after January 1, 2027 shall be subject to prior redemption at the option of the Corporation on and after January 1, 2026, as discussed herein.

THE BONDS AND THE INTEREST THEREON WILL NOT CONSTITUTE A GENERAL OBLIGATION OR INDEBTEDNESS OF THE CORPORATION OR THE COUNTY WITHIN THE MEANING OF THE CONSTITUTION AND LAWS OF THE COMMONWEALTH AND WILL NOT BE A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE COUNTY OR THE GENERAL CREDIT OF THE CORPORATION BUT WILL BE A LIMITED OBLIGATION OF THE CORPORATION SECURED SOLELY BY THE SECURITY AND PAYABLE SOLELY FROM THE SOURCES DESCRIBED HEREIN.

The Corporation deems this Preliminary Official Statement to be final for purposes of Security and Exchange Commission Rule 15c2-12 (the "Rule"), except for certain information on the cover page hereof and elsewhere herein which has been omitted in accordance with the Rule and will be provided with the final official Statement.

The Bonds are offered when, as and if issued, subject to the approval of legality and tax exemption by Dinsmore & Shohl LLP, Bond Counsel, Covington, Kentucky. Certain legal matters have been passed upon for the Corporation by Claude F. Porter, Esq., County Attorney. The Bonds are expected to be available for delivery on or about December 2, 2015.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

\*Preliminary, Subject to Permitted Adjustment

**FIRST KENTUCKY SECURITIES CORPORATION**  
Financial Advisor

**DAVISS COUNTY PUBLIC IMPROVEMENT CORPORATION**

**BOARD OF DIRECTORS**

Al Mattingly, President  
Charlie Castlen, Secretary  
George Wathen, Director  
Mike Koger, Director

**COUNTY OF DAVIESS, KENTUCKY**

**Judge/Executive**

Al Mattingly

**Fiscal Court Members**

George Wathen, Commissioner  
Charlie Castlen, Commissioner  
Mike Koger, Commissioner

**County Attorney**

Claud F. Porter, Esq.

**County Treasurer**

Jim Hendrix

**BOND COUNSEL**

Dinsmore & Shohl, LLP  
Covington, Kentucky

**FINANCIAL ADVISOR**

First Kentucky Securities Corporation  
Lexington, Kentucky

**PAYING AGENT/BOND REGISTRAR/TRUSTEE**

U.S. Bank, National Association  
Louisville, Kentucky

**BOOK-ENTRY-ONLY-SYSTEM**

## REGARDING THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page, does not constitute an offering of any security other than the original offering of the Bonds of the Daviess County Public Improvement Corporation identified on the cover page hereof. No person has been authorized by the Corporation or the County to give any information or to make any representation other than that contained in the Official Statement, and if given or made such other information or representation must not be relied upon as having been given or authorized by the Corporation, the County or the Financial Advisor. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. Certain information may not be the most current that is available; however, attempts were made to date and document sources of information.

The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or the County since the date hereof.

Upon issuance, the Bonds will not be registered by the Corporation or the County under any federal or state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity or agency except the Corporation or the County will have, at the request of the Corporation or the County, passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale.

All financial and other information presented in this Official Statement has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future.

Insofar as the statements contained in this Official Statement involve matters of opinion or estimates, even if not expressly stated as such, such statements are made as such and not as representations of fact or certainty, no representation is made that any of such statements have been or will be realized, and such statements should be regarded as suggesting independent investigation or consultation of other sources prior to the making of investment decisions. Certain information may not be current; however, attempts were made to date and document sources of information. Neither this Official Statement nor any oral or written representations by or on behalf of the Corporation or the County preliminary to sale of the Bonds should be regarded as part of the Corporation's or the County's contract with the successful bidder or the holders from time to time of the Bonds.

References herein to provisions of Kentucky law, whether codified in the Kentucky Revised Statutes ("KRS") or uncodified, or to the provisions of the Kentucky Constitution or the Corporation's or the County's ordinances or resolutions, are references to such provisions as they presently exist. Any of these provisions may from time to time be amended, repealed or supplemented.

As used in this Official Statement, "debt service" means principal of, interest and any premium on, the obligations referred to, and "State" or "Kentucky" means the Commonwealth of Kentucky.

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Appendix E:	Form of Final Approving Legal Opinion of Bond Counsel

Official Terms and Conditions of Bond Sale  
Official Bid Form

## **PRELIMINARY OFFICIAL STATEMENT**

**\$4,340,000\***

### **DAVISS COUNTY PUBLIC IMPROVEMENT CORPORATION FIRST MORTGAGE REVENUE REFUNDING BONDS (AUDUBON AREA COMMUNITY SERVICES, INC. PROJECT), SERIES 2015**

**Dated Date: Date of Delivery**

#### **INTRODUCTION**

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to set forth certain information pertaining to the \$4,340,000\* Daviess County Public Improvement Corporation (the "Corporation") First Mortgage Revenue Refunding Bonds (Audubon Area Community Services, Inc. Project), Series 2015 (the "Bonds").

The Corporation was created by County of Daviess, Kentucky (the "County") to act as the agency and instrumentality of the County in financing the acquisition, construction, installation and equipping of public projects furthering the health welfare and safety of the County. The Corporation, at the direction of the County, is issuing the Bonds to refund in advance of maturity the Corporation's outstanding First Mortgage Revenue Bonds, Series 2007, (the "Prior Bonds"), the proceeds of which were used to finance the acquisition, construction, installation and equipping of a facility (the "Project") being leased to Audubon Area Community Services, Inc. (the "Lessee"), a Kentucky nonprofit corporation, for use by the Lessee in furtherance of its educational purposes, all to the benefit of the residents of the County. The Corporation adopted, at the recommendation of the County, a Resolution on October 22, 2015 (the "Resolution") authorizing the Bonds for the purpose of (i) refunding the Prior Bonds, and (ii) paying the costs of the issuance of the Bonds.

The Bonds are being issued pursuant to the authority contained in Chapter 58 of the Kentucky Revised Statutes. The Bonds are special and limited obligations of the Corporation payable solely from (i) rental income derived from a Lease Agreement dated as of November 1, 2015 (the "Lease"), between the Corporation and the Lessee. The Bonds are further secured by a Mortgage Deed of Trust dated as of November 1, 2015 (the "Mortgage") between the Corporation and U.S. Bank, National Association, as trustee (the "Trustee"), and by an assignment of the rental income derived under the Lease to the Trustee

THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CORPORATION OR THE COUNTY BUT ARE SPECIAL AND LIMITED OBLIGATIONS PAYABLE ONLY FROM THE SOURCES HEREIN IDENTIFIED. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR CHARGE AGAINST THE GENERAL CREDIT OF THE CORPORATION OR THE COUNTY, AGAINST THE TAXING POWER OF THE COUNTY OR AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE COMMONWEALTH OF KENTUCKY.

#### **THE COUNTY**

The County of Daviess, Kentucky, is a county and political subdivision of the Commonwealth of Kentucky (the "Commonwealth").

The County is governed by a Fiscal Court consisting of an elected County Judge/Executive and three (3) elected Magistrates. These four (4) members comprise the Fiscal Court and are elected to four (4) year terms. There is no limitation for succession by any member of the Fiscal Court.

Demographic, economic and financial data regarding the County is included in Appendix B.

#### **THE CORPORATION**

The Daviess County Public Improvement Corporation is a nonprofit, no-stock public and governmental corporation organized and existing under the law of the Commonwealth, including particularly Section 58.180 and Sections 273.161 to 273.390, inclusive, of the Kentucky Revised Statutes ("KRS").

The Corporation's principal purpose is to act as an agency and instrumentality of the County in the planning, promotion, development, financing and acquisition by the Corporation for and on behalf of the County of public improvements and public projects for the County which may properly be undertaken by the County pursuant to the general statutory laws of the Commonwealth, including Chapter 58 of the Kentucky Revised Statutes.

Any bonds or other indebtedness issued or contracted by the Corporation for or on behalf of the County shall, prior to the issuance thereof or incurrence thereon, be specifically approved by the County, acting by and through its Fiscal Court as its duly authorized and empowered governing body.

The members of the Board of Directors of the Corporation are the County Judge/Executive and the other members of the Daviess County Fiscal Court. Their terms expire when they cease to hold the office and any successor members of the Fiscal Court and the County Judge/Executive, automatically become members of the Board of Directors of the Corporation upon assuming their public offices.

## **THE BONDS**

### ***General***

The Bonds will be dated the date of delivery, expected to be December 2, 2015, and will bear interest from such date, payable semi-annually on January 1 and July 1 of each year, commencing on July 1, 2016. The Bonds will mature on the dates and in the principal amounts as set forth on the cover page of this Official Statement.

### ***Authority, Purpose and Security***

The Bonds are authorized to be issued pursuant to the provisions of Section 58.180, *Kentucky Revised Statutes* and other applicable provisions of law in accordance with a resolution of the County adopted on October 22, 2015 and the Resolution of the Corporation adopted on October 22, 2015 (collectively, the "Bond Legislation").

The Bonds are being issued for the purpose of (i) refunding in advance of maturity the Corporation's outstanding First Mortgage Revenue Bonds, Series 2007, (the "Prior Bonds"), the proceeds of which financed the cost of the acquisition, construction, installation and equipping of a building located at 1700 W. 5<sup>th</sup> Street, Owensboro, Kentucky 42301 (the "Project") leased to Audubon Area Community Services, Inc., a Kentucky nonprofit corporation (the "Lessee"), and (ii) paying certain costs related to the issuance of the Bonds.

Upon their issuance, the Bonds will be secured by a foreclosable first mortgage lien on the Project pursuant to the Mortgage Deed of Trust dated as of November 1, 2015 (the "Mortgage") between the Corporation and the Trustee. The Bonds will also be secured by the funds and accounts established under the Mortgage and by an assignment by the Corporation of all of its right, title and interest in and to the Lease pursuant to which agreement the Project will be leased to the Lessee for a period through the final maturity date of the Bonds.

In order to provide rental payments sufficient to pay the principal of, interest on, and redemption premium, if any, of the Bonds when due, the Corporation will enter into the Lease with the Lessee, whereby the Lessee will agree that it will, *inter alia*, lease the Project from the Corporation, thereby providing to the Corporation adequate moneys to amortize the Bonds issued by the Corporation for the financing of the Project.

The Bonds will further be secured by a debt service reserve fund (the "Debt Service Reserve Fund") established under the Mortgage and to be funded by a transfer of proceeds of the Prior Bonds in an amount equal to the least of (i) maximum annual debt service requirement on the Bonds, (ii) 125% of the average annual debt service on such bonds or (iii) 10% of the proceeds of the Bonds (the "Debt Service Reserve Fund Requirement").

*The Bonds are limited obligations of the Corporation, and do not constitute a pledge of the faith and credit of the Corporation, the County, the Commonwealth of Kentucky or any taxing authority or political subdivision thereof for the payment of the principal or interest thereon. The Corporation has no taxing authority. The Bonds are payable solely from and secured by the Mortgage and the receipts and revenues of the Corporation derived under the Lease.*

### ***Optional Redemption Provision***

The Bonds maturing on and after January 1, 2027, shall be subject to redemption by the Corporation prior to maturity, in whole or in part, in such order of maturities as the Corporation may determine (less than all of a single maturity to be selected by lot), on any date, on or after January 1, 2026, at a redemption price equal to the principal amount of the Bonds called for redemption, plus unpaid interest accrued to the date of redemption, without premium.

### ***Notice of Redemption; Selection of Bonds***

In the event that any of the Bonds are to be redeemed, notice of such redemption, identifying the Bonds to be redeemed or amounts to be pre-paid (in integral multiples of \$5,000), shall be given at least thirty (30) days prior to the date of redemption by written notification by United States mail, postage prepaid, to the registered owners thereof. In the event any Bonds shall be called for redemption in the manner above provided, and in the event that on the redemption date the Corporation shall cause to be deposited with the Trustee a sum sufficient to pay such Bonds and all charges hereon, computed to the redemption date as above set forth, then such Bonds shall be deemed to have been paid and shall no longer constitute an obligation of the Corporation and shall no longer be secured by the Mortgage and shall cease to bear interest; and thereafter the Holder thereof shall look exclusively to the Trustee for the payment thereof. If less than all Bonds of a single maturity are to be called for redemption, the Bonds to be redeemed shall be selected by lot in such manner as the Trustee may determine.

### ***Defeasance***

The Corporation reserves the right at all times during the term of the Mortgage, to make provision for discharge of all Bonds by depositing with the Trustee moneys sufficient to pay all principal and interest requirements on the Bonds to a permitted date of redemption, or to the date of maturity, together with sufficient additional moneys to redeem and outstanding Bonds on discharge all such redemption date, or to deposit with the Trustee such principal amount of permissible Investment Obligations as shall, with earnings thereon, produce the identical result.

### ***Book Entry***

Unless the successful purchaser notifies the Corporation in writing within twenty-four hours of the award of the Bonds that it has elected (at such purchaser's expense) to take physical delivery of the Bonds, The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds and the Bonds initially will be issued solely in book-entry form to be held in the book-entry only system maintained by DTC. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Bonds and, except as otherwise provided herein with respect to Beneficial Owners (as defined below) of beneficial ownership interests, Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the Resolution.

The following information about the book-entry only system applicable to the Bonds has been supplied by DTC. Neither the Corporation nor the Trustee makes any representations, warranties or guarantees with respect to its accuracy or completeness.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity date of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries.

Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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 Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any 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 Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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 Trustee or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may determine to discontinue providing its service as securities depository with respect to the Bonds at any time by giving notice to the Corporation and discharging its responsibilities with respect thereto under applicable law. In such event, the Mortgage provides for issuance of fully registered Bonds ("Replacement Bonds") directly to the Beneficial Owners of Bonds, other than DTC or its nominee, only in the event that DTC resigns or is removed as the securities depository for the bonds.



Upon the occurrence of this event, the Corporation and the Trustee may appoint another qualified depository. If the Corporation and the Trustee fail to appoint a successor depository, the Bonds shall be withdrawn from DTC and issued in fully registered form, whereupon the Corporation shall execute and the Trustee, as authenticating agent, shall authenticate and deliver Replacement Bonds in the denomination of \$5,000 or integral multiples thereof. The Corporation will pay for all costs and expenses of printing, executing and authenticating the Replacement Bonds. Transfer and exchange of such Replacement Bonds shall be made as provided in the Resolution. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation believes to be reliable, but the Corporation takes no responsibility for the accuracy thereof.

### ***Tax Exemption***

Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest, including original issue discount, if any, on the Bonds is excludable from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax for individuals and corporations. In rendering the opinions in this paragraph, Bond Counsel has assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. Bond Counsel expresses no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Bonds. Interest on the Bonds is also exempt from income taxation and the bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The Corporation has designated the Bonds as "qualified tax-exempt obligations" with respect to certain financial institutions under Section 265 of the Internal Revenue Code of 1986, as amended.

See Appendix E hereto for the form of the opinion Bond Counsel proposes to deliver in connection with the Bonds.

### ***Parties to the Issuance of the Bonds***

The Paying Agent and Registrar is U.S. Bank, National Association, Louisville, Kentucky. Legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status of the interest thereon are subject to the approving legal opinion of Dinsmore & Shohl, LLP, Covington, Kentucky, Bond Counsel. The Financial Advisor to the Corporation is First Kentucky Securities Corporation, Lexington, Kentucky.

### ***Disclosure Information***

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This Official Statement and continuing disclosure documents of the Corporation and the County are intended to be made available through one or more repositories. Copies of the basic documentation relating to the Bonds, including the Ordinance and the bond forms, are available from the Corporation.

The Corporation deems this Preliminary Official Statement to be final for the purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), except for certain information on the cover page hereof, and certain pages herein which have been omitted in accordance with the Rule, and will be provided with the final official Statement.

### ***Additional Information***

Additional information concerning this Official Statement, as well as copies of the basic documentation relating to the Bonds, is available from First Kentucky Securities Corporation, Financial Advisor to the Corporation and the County, 377 East Main Street, Lexington, Kentucky 40507, telephone (859) 425-1100, Attn: Stan Kramer.

## **PLAN OF REFUNDING**

The Bonds are being issued for the purpose of (i) refunding the Corporation's outstanding First Mortgage Revenue Bonds, Series 2007, the proceeds of which were used to finance the cost of acquisition, construction, installation and equipping of a building located at 1700 W. 5<sup>th</sup> Street, Owensboro, Kentucky 42301 to be leased to the Lessee for use as an administrative building in furtherance of its educational purposes and in furtherance of proper public purposes of the County in promoting the health, welfare and safety of residents of the County, and (ii) paying certain costs related to the issuance of the Bonds. A portion of the

proceeds of the Bonds will be deposited in an escrow fund established under an Escrow Trust Agreement (the "Escrow Agreement") dated as of November 1, 2015 among U.S. Bank National Association, as escrow trustee (the "Escrow Trustee"), the County and the Corporation. Amounts deposited to the Escrow Fund established under the Escrow Agreement are planned to earn interest at such rates and mature on such dates so as to provide sufficient funds, together with any cash held uninvested in the Escrow Fund, to meet the scheduled principal and interest payments on all the Prior Bonds as same become due and to redeem all the Prior Bonds on January 1, 2017, at a redemption price of 100% of the principal amount thereof plus accrued interest on the Prior Bonds to the redemption date. Upon the making of the foregoing deposits with the Trustee, the Prior Bonds will no longer be deemed to be outstanding for purposes of the Mortgage Deed of Trust under which the Prior Bonds were issued.

***Estimated Sources and Uses of Funds***

**Sources of Funds**

Par Amount of Bonds	\$4,340,000
Underwriters' Premium	

Total

**Uses of Funds**

Deposit to Escrow Fund
Underwriters' Discount
Costs of Issuance

Total

**DEFINITIONS OF TERMS IN LEASE AND MORTGAGE**

Unless the context clearly indicates some other meaning, the following words and terms shall, for all purposes of the Lease and the Mortgage, have the following meanings:

*"Accountant"* means a firm of Independent certified public accountants, nationally recognized as a firm with experience in auditing and reimbursement matters, selected by the Lessee and the Corporation.

*"Act"* shall mean § 58.180 and §§ 273.161 to 273.390, inclusive, of the Kentucky Revised Statutes, as the same may from time to time be amended.

*"Additional Bonds"* means bonds of the Corporation issued pursuant to Sections 313, 314 and 315 of the Mortgage.

*"Affiliate"* means (a) any corporation, association, business trust, joint venture, partnership or similar entity organized on a nonprofit basis under the laws of the State, of which the Lessee possesses, directly or indirectly, in excess of 50% of the voting rights with respect thereto, provided that the ability to acquire voting rights shall not be treated as possession of such rights until the rights are acquired, (b) any other corporation, association, business trust, joint venture, partnership or similar entity organized on a nonprofit basis under the laws of any state, the articles of incorporation, by-laws, articles of association or similar organizational documents of which require or expressly permit the Lessee to exercise control thereof or to be controlled thereby.

*"Architect"* means the architect or architects or engineer selected by the Lessee to supervise the acquisition, construction, installation and equipping of the Project.

*"Authorized Officer"* means, with respect to the Corporation, the President, Secretary and Treasurer, and any other of its members, officers, agents or employees duly authorized by resolution of the Corporation to perform the act or sign the document in question, and means, with respect to the Lessee, the Chairman and any officer, agent or employees duly authorized by ordinance or resolution of the Lessee to perform the act or sign the document in question.

*"Balloon Indebtedness"* means Indebtedness other than Short-Term Indebtedness, 25% or more of the original principal of which matures during any consecutive twelve month period, if such maturing principal amount is not required to be amortized below such percentage by mandatory redemption or prepayment prior to such date.

"Board" means the Board of Directors of the Lessee.

"Board-Designated Assets" with regard to the Lessee, means cash, cash equivalent deposits and marketable securities that have been designated by the Board for specific uses.

"Bondholder" and "Holder" means the person in whose name a Bond is registered.

"Bond Registrar" means the registrar for the Bonds so designated in the Mortgage.

"Bond Year" means January 1 to December 31.

"Bonds" means the bonds of any series authorized, authenticated and issued under the Mortgage.

"Book-Entry Form" means a form or system, as applicable, under which (i) the ownership of beneficial interests in the Bonds may be transferred only through a book entry, and (ii) physical Bond certificates in fully registered form are registered only in the name of a Securities Depository or its nominee as owner, with the physical Bond certificates in the custody of a Securities Depository or its agent.

"Book Value" when used with respect to Property of the Lessee, means the value of the Property, net of accumulated depreciation and amortization, as reflected in the most recent audited financial statements of the Lessee which have been prepared in accordance with generally accepted accounting principles.

"Capitalized Lease" means any lease of real or personal property which, in accordance with generally accepted accounting principles, is required to be capitalized on the balance sheet of the lessee; provided, however, that no such lease shall be considered a "Capitalized Lease" if an Accountant shall determine that such lease is immaterial and therefore need not be presented as a capital lease on the balance sheet of the lessee.

"Capitalized Rentals" means, as of the date of determination, the amount at which the aggregate Net Rentals due and to become due under a Capitalized Lease under which an entity is a lessee would be reflected as a liability on a balance sheet of such entity.

"Certificate" means a document signed by an Authorized Officer of the Lessee or the Corporation attesting to or acknowledging the circumstances or other matters therein stated.

"Code" means the Internal Revenue Code of 1986, as amended from time to time and applicable regulations, temporary regulations and proposed regulations promulgated thereunder and successor provisions thereto.

"Commitment Indebtedness" means the obligation of the Lessee to repay amounts disbursed pursuant to a commitment from a financial institution to refinance when due other Indebtedness of the Lessee, which other Indebtedness would be classified as Short-Term, Interim, Balloon or Put Indebtedness hereunder and is incurred in accordance and in compliance with the provisions of the Lease including, without limitation, Section 16 of the Lease.

"Completion Funded Indebtedness" means any Long-Term Indebtedness for borrowed money: (a) incurred for the purpose of financing the completion of the acquisition, construction, remodeling, renovation or equipping of facilities with respect to which Long-Term or Interim Indebtedness for borrowed money has been incurred in accordance with the provisions hereof; and (b) with a principal amount not to exceed ten percent (10%) of the amount of such prior Long-Term or Interim Indebtedness.

"Construction Agreement" means, collectively, the agreement or agreements to cause acquisition of land or equipment, construction and installation of any improvements to the Project or purchase agreements by and between the Lessee and various contractors or vendors.

"Construction Fund" means the account so designated which is established pursuant to the Lease and the Mortgage.

"Consultant" means any nationally recognized consultant or consultants, or firm of Accountants with experience in the preparation of management studies or financial feasibility studies, selected by the Lessee and the Corporation.

"Corporation" means Daviess County Public Improvement Corporation, a nonprofit, no-stock public corporation organized and existing under Kentucky law, including particularly § 58.180 and §§ 273.161 to 273.390, inclusive, of the Kentucky Revised Statutes.

"Cost of Issuance" means the costs of issuing the Bonds.

"Cost of Issuance Fund" means the account so designated which is established and created pursuant to the Lease and the Mortgage.

"County" means the County of Daviess, Kentucky, a political subdivision of the Commonwealth of Kentucky.

"Current Assets" and "Current Liabilities" mean such assets and liabilities of the Lessee as shall be determined in accordance with generally accepted accounting principles; provided, however, that such Current Assets shall include: (a) Board Designated Assets to the extent that such Assets would be classified as current assets in accordance with generally accepted accounting principles if they were not so designated; and (b) the amount of moneys held by the Trustee which are required by the Mortgage to be applied to pay the portion of interest on any Bonds which interest is classified as a current liability in accordance with generally accepted accounting principles.

"Current Value" means fair market value as shown in an appraisal made by an M.A.I. appraiser not more than six months prior to the date such information is utilized.

"Debt Service Coverage Ratio" means, for any period of time, the ratio consisting of a numerator equal to the amount determined by dividing Income Available for Debt Service for that period by the Maximum Annual Debt Service Requirement and a denominator of one.

"Debt Service Requirements" means, with respect to the period of time for which calculated, the aggregate of the payments required to be made in respect of principal (whether at maturity, as a result of mandatory sinking fund redemption, mandatory prepayment or otherwise) and interest on outstanding Funded Indebtedness of the Lessee with respect to which calculated; provided that: (a) the amount of such payments shall be calculated in accordance with the assumptions contained in Sections 18(a), (b), (c) and (d), as applicable, of the Lease; and (b) interest shall be excluded from the determination of the Debt Service Requirements to the extent that Escrowed Interest is available to pay such interest.

"Debt Service Reserve Fund" shall mean the account so designated which is established and created pursuant to the Lease and the Mortgage.

"Debt Service Reserve Fund Requirement" means as of any particular date an amount equal to the maximum annual debt service requirement on all Outstanding Bonds; provided that if, upon the issuance of additional bonds, the amount required to be deposited in the Debt Service Reserve Fund would exceed the lesser of (i) 125% of the average annual debt service on such bonds or (ii) 10% of the proceeds of such bonds, the Debt Service Reserve Fund Requirement shall be an amount equal to the Debt Service Reserve Fund Requirement prior to the issuance of such additional bonds plus the lesser of (i) or (ii) above, and the Debt Service Reserve Fund Requirement shall be such amount (or, if less, the maximum annual debt service requirement on all Outstanding Bonds) until any other additional bonds are issued hereunder.

"Depository" means any bank or trust company in which moneys in any Funds may be deposited pending the application of such moneys for the Project or the payments on the Bonds.

"Disclosure Agreement" means the Continuing Disclosure Agreement dated as of even date herewith among the Corporation, the Lessee and the Trustee, for the benefit of beneficial owners of the Bonds.

"Escrow Agreement" means the escrow trust agreement of even date herewith by and among the County, the Corporation and the Escrow Trustee.

"Escrow Fund" means the fund so designated in the Escrow Agreement.

"*Escrow Trustee*" means U.S. Bank National Association, its successor or successors, and any other banking corporation which may at any time be substituted in its place pursuant to the Escrow Agreement.

"*Escrowed Interest*" means amounts deposited in escrow in connection with the issuance of Funded Indebtedness or Bonds to pay interest on such Funded Indebtedness or Bonds.

"*Existing Indebtedness*" means indebtedness described in Exhibit B to the Lease Agreement.

"*Expenses*" means, for any period, the aggregate of all expenses calculated under generally accepted accounting principles, including without limitation allowances for uncollectible accounts, any taxes incurred by the Lessee during such period, minus interest on Funded Indebtedness, depreciation and amortization.

"*Fiduciary*" or "*Fiduciaries*" means the Trustee, any Depository or Depositories, or all of them, as may be appropriate.

"*Fiscal Year*" means any period of annual reporting adopted by the Lessee as its fiscal year for financial reporting purposes.

"*Funded Indebtedness*" means, in addition to the payment obligations of the Lessee set forth in the Lease Agreement and payment obligations under other instruments that are similar in nature to these payment obligations, (i) all indebtedness for borrowed money which is not Short-Term; (ii) all indebtedness incurred or assumed in connection with the acquisition or construction of property which is not Short-Term; (iii) all guaranties by the Lessee other than guaranties of Short-Term Indebtedness; and (iv) Capitalized Rentals under Capitalized Leases.

"*Funds*" means, collectively, all funds and accounts established pursuant to the Mortgage.

"*Government Obligations*" means direct obligations of, or obligations the principal of and the interest on which are unconditionally and fully guaranteed as to the timely payment thereof by, the United States of America, which may include (in the case of direct and general obligations of the United States of America) evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations so long as investments in such proportionate interests are limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying Government Obligations, (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Government Obligations; (c) the underlying Government Obligations are held in safekeeping in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; and (d) such securities are rated "AAA" by Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. and "Aaa" by Moody's Investors Service, Inc.

"*Governmental and Other Restrictions*" means Federal, Commonwealth of Kentucky or other applicable governmental laws or regulations not in effect (or in effect but not presently construed by the governmental authority to affect the Lessee's rates, fees and charges) as of the date of delivery of the Mortgage placing restrictions and limitations on the rates, fees and charges to be fixed, charged and collected by the Lessee for the use of or the services furnished by the Lessee including any contractual limitations imposed by third party payers.

"*Gross Receipts*" or "*Revenues*" means for any period, (a) the sum of (i) the gross service revenues less contractual allowances and provisions for uncollectible accounts, plus (ii) other operating revenues, plus (iii) non-operating revenues (other than contributions, income derived from the sale of assets not in the ordinary course of business or any gain from the extinguishment of debt, termination of pension plans, or other extraordinary items or earnings which constitute capitalized interest or earnings on amounts which are irrevocably deposited in escrow to pay the principal of or interest on Indebtedness), plus (iv) Unrestricted Contributions, all as determined in accordance with GAAP; and (b) gross revenues less sale discounts and sale returns and allowances, as determined in accordance with GAAP, but excluding in any event (i) any gains on the sale of or other disposition of investments or fixed or capital assets not in the ordinary course of business, and (ii) earnings resulting from any reappraisal, revaluation, or write-up of assets and (iii) contributions from any Affiliate; but excluding (i) any receipts described in clause (a)(iii) above which are contracts, grants, gifts, donations or pledges, or, which as a condition of the receipt thereof or of amounts payable thereunder are not available for payments due under the Lease Agreement.

"*Guaranty*" means all obligations of the Lessee guaranteeing or, in effect, guaranteeing any Indebtedness, dividend or other obligation of a person (the "primary obligor") in any manner, whether directly or indirectly, including but not limited to obligations incurred through an agreement, contingent or otherwise, by such person: (1) to purchase such Indebtedness or obligation or any Property constituting security therefor; (2) to advance or supply funds: (i) for the purchase or payment of such Indebtedness or obligation, or (ii) to maintain working capital or other balance sheet condition or otherwise to advance or make available funds for the purchase or payment of such Indebtedness or obligation; (3) to purchase securities or other Property or services primarily for the purpose of assuring the owner of such Indebtedness or obligation; or (4) otherwise to assure the owners of the Indebtedness or obligation of the primary obligor against loss in respect thereof.

"*Income Available for Debt Service*" means, for any period, the excess of Revenues over Expenses involved.

"*Indebtedness*" means all Guaranties by the Lessee and all obligations for the payment of money incurred or assumed by the Lessee, whether due and payable in all events, upon the occurrence of a condition precedent or upon the performance of work, possession of Property as lessee, rendering of services by others or otherwise.

"*Independent*" means having no interest, direct or indirect, in the Lessee or the Corporation and, in the case of an individual, not being a trustee, director, officer or employee of the County or the Corporation and, in the case of a firm, not having a partner, director, officer or employee who is a trustee, director, officer or employee of the Lessee or the Corporation.

"*Independent Counsel*" means any attorney or attorneys duly admitted to practice law before the highest court of any state and not an officer or full time employee of the Corporation or Lessee and who is not reasonably objected to by the Trustee.

"*Insurance Consultant*" means a person who is not a member of the Lessee or the Corporation or an officer or employee of the Lessee or the Corporation, or which is not a partnership, corporation or association having a partner, director, officer, member or substantial stockholder who is a member of the Lessee or the Corporation or an officer or employee of the Lessee or the Corporation appointed by the Lessee and the Corporation, qualified to survey risks and to recommend insurance coverage for facilities and services and organizations engaged in like operations and having a favorable reputation for skill and experience in such surveys and such recommendations, and who may be a broker or agent with whom the Lessee or the Corporation transacts business.

"*Interim Indebtedness*" means Indebtedness having a term not in excess of five years and incurred in anticipation of permanent financing of facilities.

"*Investment Obligations*" means any of the following:

(a) obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian and may be accomplished through repurchase agreements reached with sources including, but not limited to, national or state banks chartered in the Commonwealth of Kentucky;

(b) obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including but not limited to:

- (i) United States Treasury;
- (ii) Export-Import Bank of the United States;
- (iii) Farmers Home Administration;
- (iv) Government National Mortgage Corporation; and
- (v) Merchant Marine bonds;

(c) obligations of any corporation of the United States government, including but not limited to:

- (i) Federal Home Loan Mortgage Corporation;
- (ii) Federal Farm Credit Banks;
- (iii) Bank for Cooperatives;
- (iv) Federal Intermediate Credit Banks;
- (v) Federal Land Banks;

- (vi) Federal Home Loan Banks;
- (vii) Federal National Mortgage Association; and
- (viii) Tennessee Valley Authority;

(d) certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by the following:

(1) bonds, notes, or other obligations of or guaranteed by the United States, or those for which the credit of the United States is pledged for the payment of the principal and interest thereof, and any bonds, notes, debentures or any other obligations or securities issued or guaranteed by any federal governmental agency, presently or in the future established by an Act of Congress, as amended or supplemented from time to time;

(2) obligations of the Commonwealth of Kentucky including revenue bonds issued by its statutory authorities, commissions or agencies;

(3) revenue bonds issued by educational institutions of the Commonwealth of Kentucky as authorized by KRS 162.340 to 162.380;

(4) obligations of any city of the first, second, and third classes of the Commonwealth of Kentucky, or any county for the payment of principal and interest on which the full faith and credit of the issuing body is pledged;

(5) school improvement bonds issued in accordance with the authority granted under KRS 162.080 to 162.100; or

(6) school building revenue bonds issued in accordance with the authority granted under KRS 162.120 to 162.300, provided that the issuance of such bonds is approved by the state board for elementary and secondary education; and

(e) Uncollateralized certificates of deposit issued by any bank or savings and loan institutions rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

(f) Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

(g) Commercial paper rated in the highest category by a nationally recognized rating agency;

(h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;

(i) Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

(j) shares of mutual funds, each of which shall have the following characteristics:

(1) the mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;

(2) the management company of the investment company shall have been in operation for at least five (5) years; and

(3) all of the securities in the mutual fund shall be investments described in (a) - (d) above.

"Lease" means mean the Lease Agreement dated as of November 1, 2015, by and between the Lessee and the Corporation.

"*Lessee*" means Audubon Area Community Services, Inc, a Kentucky nonprofit corporation, its successors and assigns.

"*Lien*" means any mortgage or pledge of, security interest in or lease, lien, charge, restriction or encumbrance on any Property of the Lessee in favor of or which secures any obligation to any person other than the Lessee or any Affiliates.

"*Long-Term Indebtedness*" means Indebtedness (which also may constitute Balloon, Interim or Put Indebtedness) having an original stated maturity or term greater than one year or renewable at the option of the debtor for a period greater than one year from the date of original issuance.

"*Maximum Annual Debt Service Requirement*" means the largest total Debt Service Requirements for the then current or any succeeding Fiscal Year.

"*Mortgage*" shall mean the Mortgage Deed of Trust dated as of November 1, 2015, by and between the Corporation and the Trustee whereby there is assigned to the Trustee for the benefit of the holders of the Bonds, all of the rights of the Corporation arising in and by virtue of the Lease, and including without limitation all of the Pledged Receipts.

"*Net Rentals*" means all fixed rents (including as such all payments which the lessee is obligated to make to the lessor on termination of the lease or surrender of the Property other than upon termination of the lease for a default thereunder) payable under a lease or sublease of real or personal property excluding any amounts required to be paid by the lessee (whether or not designated as rents or additional rents) on account of maintenance, repairs, insurance, taxes and similar charges. Net Rentals for any future period under any so-called "percentage lease" shall be computed on the basis of the amount reasonably estimated to be payable thereunder for such period, but in any event not less than the amount paid or payable thereunder during the immediately preceding period of the same duration as such future period. Furthermore, the amount estimated to be payable under any such percentage lease shall in all cases recognize any change in the applicable percentage under such lease.

"*Non-Recourse Indebtedness*" means with respect to the Lessee, any Indebtedness which is not a general obligation of the Lessee and is secured by a Lien, liability for which is effectively limited to the Property, the purchase, acquisition of improvement of which was financed with the proceeds of such Non-Recourse Indebtedness and which is subject to such lien with no recourse, directly or indirectly, to any other Property.

"*Outstanding*", when used with reference to the Bonds as of any date, means all Bonds theretofore or then being authenticated and delivered hereunder, except:

- (i) Any Bonds cancelled by the Trustee at or prior to such date;
- (ii) Bonds (or portions of Bonds) for the payment or redemption of which there shall be held in trust under the Mortgage (whether at or prior to maturity or redemption date) (a) cash, equal to the principal amount or redemption price thereof, as the case may be, with interest to the date of maturity or redemption date, or (b) Investment obligations as defined in clause (i) of the definition of Investment Obligations, in such principal amounts, having such maturities and bearing such interest, which, together with cash, if any, shall be sufficient to pay when due, the principal amount or redemption price, as the case may be, with interest to the date of maturity or redemption date; provided that if such Bonds are to be redeemed, notice of such redemption shall have been given as herein provided, or provision satisfactory to the Trustee shall have been made for the giving of such notice;
- (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant hereto; and
- (iv) Bonds deemed to have been paid as provided herein.

"*Parity Instrument*" means an instrument creating and/or securing Parity Obligations.

"*Parity Obligations*" means any obligation of the Corporation or the Lessee to be secured on a parity with the Bonds pursuant to the Lease.

"*Paying Agent*" means U.S. Bank National Association, and its successor or successors, or any bank or trust company hereafter designated as paying agent for the Bonds.



"Permitted Encumbrances" means, as of any particular time:

- (a) Liens arising by reason of good faith deposits with the Lessee in connection with tenders, leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by the Lessee to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges; any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Lessee to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workmen's compensation, unemployment insurance, pensions or profit sharing plans or other social security plans or programs, or to share in the privileges or benefits required for corporations participating in such arrangements;
- (b) the Mortgage and the Lease;
- (c) any Lien on Property if such Lien equally and ratably secures all of the Bonds and only the Bonds;
- (d) leases by the Lessee as lessor which relate to Property which is of a type that is customarily the subject of such leases, such as office space for educational institutions, any leases entered into in accordance with the disposition of Property provisions of the Lease, leases, licenses or similar rights to use Property existing as of the date of execution of the Lease and any renewals and extensions thereof;
- (e) Liens for taxes and special assessments which are not then delinquent, or if then delinquent are being contested;
- (f) easements, as permitted by Section 18 of the Lease Agreement;
- (g) any mechanic's, laborer's, materialman's, supplier's or vendor's lien or right in respect thereof if payment is not yet due under the contract in question or if such Lien is being contested;
- (h) such minor defects and irregularities of title as normally exist with respect to Property similar in character to the Property involved and which do not materially adversely affect the value of, or materially impair, the Property affected thereby for the purpose for which it was acquired or is held by the owner thereof;
- (i) zoning laws and similar restrictions which are not violated by the Property affected thereby;
- (j) statutory rights under federal statutes or statutes of the state in which the Property involved is located;
- (k) all right, title and interest of the state where the Property involved is located, municipalities and the public in and to tunnels, bridges and passageways over, under or upon a public way;
- (l) Liens on or in Property given, bequeathed or devised to the owner thereof existing at the time of such gift, bequest or devise, provided that (i) such Liens attach solely to the Property which is the subject of such gift, bequest or devise, and (ii) the Indebtedness secured by such Liens is not assumed by the Lessee;
- (m) Liens of or resulting from any judgment or award, the time for the appeal or petition for rehearing of which shall not have expired, or in respect of which the Lessee shall at any time in good faith be prosecuting an appeal or proceeding for a review and in respect of which a stay of execution pending such appeal or proceeding for review shall have been secured;
- (n) any Lien securing Non-Recourse Indebtedness permitted to be incurred under the Lease;
- (o) Liens on moneys deposited with the Lessee as security for or as prepayment for the cost of services rendered by the Lessee;
- (p) Liens on Property due to rights of third party payors for recoupment of excess reimbursement paid to the Lessee;

- (q) Liens on accounts receivable securing Short Term Indebtedness in an amount not to exceed one-half the Short Term Indebtedness permitted to be incurred and outstanding hereunder or;
- (r) Liens to secure Purchase Money Indebtedness; and
- (s) Liens of the type described in (a) through (r) above relating to a facility acquired by the Lessee, which Liens are not incurred in anticipation of or in connection with such acquisition;

*"Permitted Indebtedness"* means that indebtedness of the Lessee authorized by Section 16 of the Lease.

*"Person"* or words importing persons means firms, associations, partnerships, joint ventures, societies, estates, trusts, corporations, public or governmental bodies, other legal entities and natural persons.

*"Pledged Receipts"*

- (i) means all lease rental payments paid to or upon the order of the Corporation pursuant to the Lease, including both timely and delinquent payments with late charges, if any;
- (ii) means all Gross Receipts pledged to the Corporation pursuant to the Lease;
- (iii) means all interest earned and gains realized on Investment Obligations unless the terms hereof specifically require such interest earned and gains realized to remain in or to be transferred to the Rebate Fund;
- (iv) means and includes all rights arising under the Lease, including, but not by way of limitation, the duty of the Lessee to continuously operate, maintain, insure, replace and renew the Project during the term of the Leases and during any renewal terms thereof;
- (v) means and includes all amounts in all funds and accounts created hereunder, including capitalized interest; provided that amounts in the Rebate Fund shall not constitute Pledged Receipts; and
- (vi) means and includes any amounts realized from the foreclosure and decretal sale of the Project.

*"Principal Requirements"* means the aggregate principal amount of Bonds maturing or required to be paid by mandatory redemption on each succeeding January 1.

*"Prior Bonds"* means the outstanding principal amount of the Daviess County Public Improvement Corporation First Mortgage Revenue Bonds, Series 2007 (Audubon Area Community Services, Inc. Project).

*"Pro Forma Debt Service Coverage Ratio"* means for any period of time, the ratio consisting of a numerator equal to the amount determined by dividing Income Available for Debt Service for the relevant period by the Maximum Annual Debt Service Requirement for the Funded Indebtedness then outstanding and the Funded Indebtedness then proposed to be issued and a denominator of one.

*"Project"* means the acquisition, construction, installation and equipping of the administrative building to be leased to the Lessee and more particularly described in Exhibit A to the Lease and made a part thereof, together with any additions to the Project financed with the proceeds of Additional Bonds or Parity Obligations.

*"Project Site"* means the site on which the portions of the Project located on an identifiable tract of land are located, as more particularly described in Exhibit A to the Lease, together with the site of improvements financed through the issuance of Additional Bonds or Parity Obligations.

*"Projected Debt Service Coverage Ratio"* means, for any future period of time, the ratio consisting of a numerator equal to the amount determined by dividing the projected Income Available for Debt Service for that period by the Maximum Annual Debt Service Requirements for the Indebtedness expected to be outstanding during such period and a denominator of one.

"Property" means any and all right, title and interest in and to any and all real and personal property of the Lessee located at the Project Site and all intangible property of the Lessee wherever situated, including cash.

"Property, Plant and Equipment" means all Property of the Lessee which is classified as property, plant and equipment under generally accepted accounting principles.

"Purchase Money Indebtedness" means Indebtedness secured by mortgages, liens or conditional sales contracts, or purchase money mortgages on the property being acquired, given to secure the payment of all or a portion of the purchase price of the real or personal property.

"Put Indebtedness" means Indebtedness which is payable or required to be purchased, at the option of the holder thereof, prior to its stated maturity date.

"Rebate Fund" shall mean the fund so designated, which is established and created by the Lease and the Mortgage.

"Resolution" means the resolution duly adopted by the Corporation authorizing the issuance of the Series 2015 Bonds.

"Securities Depository" means any securities depository that is 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, operating and maintaining, with its participants or otherwise, a book entry system to record ownership of beneficial interests in Bonds, and to effect transfers of Bonds in Book-Entry Form, and means, initially, The Depository Trust Company (a limited purpose trust company), New York, New York.

"Securities Depository Nominee" means any nominee of a Securities Depository and initially means Cede & Co., New York, New York, as nominee of the Depository Trust Company.

"Series 2015 Bonds" means any of the \$ \_\_\_\_\_ principal amount of Daviess County Public Improvement Corporation First Mortgage Revenue Refunding Bonds (Audubon Area Community Services, Inc. Project), Series 2015, dated the date of their initial delivery.

"Short-Term," when used in connection with Indebtedness, means having an original stated maturity (without regard to whether such Indebtedness is payable at the option of the holder thereof prior to its stated maturity date) less than or equal to one year and not renewable at the option of the debtor for a term greater than one year beyond the date of original issuance.

"Sinking Fund" means the fund so designated for payment of principal of, interest on, and premium in respect of, the Bonds, which is established and created by the Lease and the Mortgage.

"Subordinated Indebtedness" means Indebtedness which is expressly subordinated to the obligations evidenced by the Bonds and any Parity Obligations.

"Tax-Exempt Organization" means (a) a Person organized under the laws of the United States of America or any state thereof that is an organization described in Section 501(c)(3) of the Code, which is exempt from federal income taxation under Section 501(a) of the Code, and which is not a "private foundation" within the meaning of Section 509(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect, or (b) a "governmental unit" as that term is used in Sections 103 and 145 of the Code.

"Tax Regulatory Agreement" means the Tax Regulatory Agreement dated as of November 1, 2015 among the Corporation, the Lessee and the Trustee, as the same may be amended or supplemented in accordance with its terms.

"Trustee" means U.S. Bank National Association, its successor or successors, and any other banking corporation which may at any time be substituted in its place pursuant to the Mortgage.

"Unrestricted Contributions" means contributions that are not restricted in any way that would prevent their application to the payment of Debt Service on Indebtedness of the Person receiving such contributions.

"Value," as of any particular time of determination, means the value of any investments shall be calculated as follows:

- (i) as to investments the bid and asked prices of which are published on a regular basis in *The Wall Street Journal* (or, if not there, then in *The New York Times*): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;
- (ii) as to investments the bid and asked prices of which are not published on a regular basis in *The Wall Street Journal* or *The New York Times*): the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments;
- (iii) as to certificates of deposit, repurchase agreements, investment agreements and bankers acceptances: the face amount thereof, plus accrued interest;
- (iv) as to money market funds or mutual funds: their stated value as of the date of calculation; and
- (v) as to any investment not specified above: the value thereof established by the Trustee.

If more than one provision of this definition of "value" shall apply at any time to any particular investment, the value thereof at such time shall be determined in accordance with the provision establishing the lowest value for such investment.

"Variable Rate Indebtedness" means any portion of Indebtedness the interest rate on which is not established at the time of incurrence at a single numerical rate.

## **THE LEASE**

The following is a summary of certain of the terms and provisions of the Lease. The summary of the Lease contained in this Official Statement does not purport to be comprehensive or definitive. Statements regarding provisions of the Lease are descriptions of selected provisions of and subject to the detailed provisions of the Lease, and are qualified in their entirety by reference to the full text of the Lease. Copies of the Lease will be on file with the Trustee and will be furnished upon request.

### ***Lease Period and Amount***

Under the Lease, the Corporation is leasing to the Lessee the Project Site and the Project, together with all of the improvements thereon, for a period from the date of issuance of the Bonds and ending January 1, 2028, or such earlier date when Bonds are no longer outstanding under the Mortgage, at agreed and stipulated rentals equal to (i) the aggregate of the interest on and principal of the Bonds which will become due and payable during such period, together with (ii) the cost of operation and maintenance of the Project, and (iii) the cost of insuring the Project. The rental payments provided for in clause (i) above shall be payable as described below. The rental payments provided for in clauses (ii) and (iii) above shall be made as the same become due and payable.

(a) Beginning December 20, 2015, and on the 20th day of each month thereafter through and including June 20, 2016, a payment shall be made into the Sinking Fund in an amount equal to one-seventh (1/7) of the interest payable on the Bonds on the next succeeding semi-annual interest payment date; and thereafter, beginning July 20, 2016, and on the 20<sup>th</sup> day of each month thereafter, a payment shall be made into the Sinking Fund in an amount equal to one-sixth (1/6) of the interest payable on the Bonds on the next succeeding semi-annual interest payment date.

(b) Beginning December 20, 2015, and on the 20th day of each month thereafter through and including December 20, 2016, a payment shall be made into the Sinking Fund in an amount equal to one-thirteenth (1/13) of the Bonds maturing or subject to mandatory sinking fund redemption on the next ensuing January 1; and thereafter, beginning January 20, 2017, and on the 20<sup>th</sup> day of each month thereafter, a payment shall be made into the Sinking Fund in an amount equal to one-twelfth (1/12) of the Bonds maturing or subject to mandatory sinking fund redemption on the next ensuing January 1.

Each installment of the lease rental payments owing by the Lessee under the Lease shall be in an amount which, without regard to the payments required to replenish the Debt Service Reserve Fund, as described below, but including moneys in the Sinking Fund

then available for the payment of Bonds, shall be sufficient to provide for the timely payment in full of the interest and principal on the Bonds as they become due and payable, either at maturity or by operation of mandatory redemption requirements thereof, in the years and amounts prescribed in the Mortgage.

All principal, interest and premium payments made shall be paid to the Trustee under the Mortgage, when due and payable, whether at maturity or by acceleration, for deposit in the Sinking Fund as defined in the Mortgage for the account of the Corporation. In the event the Lessee shall fail to make any lease rental payments which failure constitutes an event of default under the Lease then the Trustee shall have the right to take and shall take possession of and receive on a daily basis the Gross Receipts, and shall apply the Gross Receipts to the payment of the principal of or interest or redemption premium on the Bonds or in providing for the mandatory redemption of the Bonds until any default in the payment of same is cured.

In any event, the sum of the lease rental payments payable under the Lease shall be sufficient to pay the total amount due with respect to the principal of, premium (if any) and interest on the Bonds as and when due, and if at any time when said payments are due the balance in the Sinking Fund is insufficient to make such payments, the Lessee will forthwith pay to the Trustee, for the account of the Corporation for deposit into the Sinking Fund or the Debt Service Reserve Fund, any such deficiency; provided that if at any time all the Outstanding Bonds are paid and discharged within the meaning of the Mortgage, the Lessee shall not be obligated to make any further lease rental payments under the Lease. All lease rental payments shall be made in such manner and at such times as shall be necessary to assure that the Trustee shall receive such payments in sufficient time to permit payment of the amounts of the principal of, and interest and any premium on the Bonds when the same shall respectively become due and payable.

It is understood and agreed by the Lessee that the Corporation has, in the Mortgage incident to the Bonds, created the Debt Service Reserve Fund, which fund is held by the Trustee as a separate and special part of the Sinking Fund. The Debt Service Reserve Fund shall be funded upon the issuance of the Series 2015 Bonds and shall at such time be funded from a transfer of proceeds of the Prior Bonds. Thereafter, the Debt Service Reserve Fund shall be available for the payment of principal of and interest on any of the Bonds as to which there would otherwise be a default in payment. The Lessee has covenanted and agreed in the Lease that in the event the Corporation or the Trustee should, pursuant to the provisions of the Mortgage, be required to disburse any moneys from the Debt Service Reserve Fund for authorized purposes, the Lessee shall on the twentieth day of the month succeeding the month of any such disbursement and on the twentieth day of the next twenty-four months after such draw, deposit into the Debt Service Reserve Fund a sum equal to one-twenty-fourth (1/24) of the amount payable into such fund to raise the balance therein to the Debt Service Reserve Fund Requirement.

In addition to the lease rental payments set forth above, the Lessee agrees to pay from the Gross Receipts on or before the 20<sup>th</sup> day of each month, into any of the foregoing Funds an amount sufficient to make up any deficiency in any prior payment required to be made into such Fund and to restore any loss resulting from investment or other causes from such Fund, and in the case of the Debt Service Reserve Fund to restore any payment required to be made to such Fund by the Mortgage.

To secure the prompt payment of the lease rental payments and the performance by the Lessee of its other obligations under the Lease, the Lessee has pledged to the Trustee, as assignee of the Corporation, the totality of the Gross Receipts received by the Lessee.

### ***Covenants of Lessee on Rates and Charges***

In the Lease, the Lessee covenants and agrees to operate its revenue-producing facilities and to charge such fees and rates for its revenue-producing facilities and services and to exercise such skill and diligence as to provide income from its property together with other available funds sufficient to pay promptly all payments of principal and interest on its Indebtedness, all expense of operation, maintenance and repair of its Property and all other payments required to be made under the Lease, to the extent permitted by law. The Lessee further covenants and agrees that it will, from time to time as often as necessary, to the extent permitted by law, revise its rates, fees and charges in such manner as may be necessary or proper to comply with the provisions of this Section. The Lessee covenants that it shall cause an Accountant to prepare a certification regarding the Debt Service Coverage Ratio contemporaneously with the Accountant's preparation of the audited financial statements for the Lessee.

If in any Fiscal Year the Debt Service Coverage Ratio of the Lessee is less than 1.05:1 then the Lessee at its expense shall engage a Consultant to make recommendations with respect to such rates, fees and charges and its methods of operation and other factors affecting its financial condition in order to increase such Debt Service Coverage Ratio to at least 1.05:1 or, if in the opinion of such Consultant the attainment of such level is impracticable, to the highest practical level but in no event less than 1.00:1.

The Lessee agrees that it will follow the recommendations of the Consultant. So long as the Lessee shall retain a consultant and shall follow such consultant's recommendations to the extent permitted by law, the Lessee will be deemed to have complied with the requirements of the Lease even if either the 1.05:1 ratio or the ratio attainable by the Lessee for any subsequent Fiscal Year is below the previously referred to required levels; provided, however, the Gross Receipts of the Lessee shall not be less than the amount required in cash to pay the Expenses of the Lessee and to pay the Debt Service Requirements for such year, but in no event shall such ratio be less than 1.00:1.

The provisions of the Lease relating to rates and charges shall not be construed to prohibit the Lessee from serving indigent individuals without charge or at reduced rates so long as such service does not prevent the Lessee from satisfying the other requirements of the foregoing provisions.

In the event that the Lessee shall fail to comply with said recommendations of the consultant, the Trustee or the holders of not less than a majority in aggregate principal amount of the Bonds then outstanding may, and the Trustee shall upon the written request of the holders of not less than a majority in aggregate principal amount of the Bonds then outstanding and upon being indemnified to its satisfaction, without regard to whether an event of default under the Lease or the Mortgage shall have occurred, institute and prosecute an action or proceeding in any court or before any board or commission having jurisdiction to compel the Lessee to comply with said recommendations and the requirements of the preceding paragraphs. The Lessee covenants that will revise, or cause to be revised, such rents, rates, fees and charges and take other action in compliance with any decree or order entered in any such proceeding.

### ***Covenants of Lessee on Indebtedness***

In the Lease, the Lessee covenants that it shall not incur any Indebtedness other than:

(i) **Funded Indebtedness** (including such Guaranties as are hereinafter provided to be included in the definition of Funded Indebtedness), if prior to incurrence thereof or, if such Funded Indebtedness was incurred in accordance with another provision on the Lease and the Lessee wishes to have such Indebtedness classified as having been issued under this Subsection (i) prior to such classification, there is delivered to the Trustee:

- (A) A certificate of an Accountant certifying that the Pro Forma Debt Service Coverage Ratio for each of the two most recent Fiscal Years preceding the date of delivery of such certificate was not less than 1.05:1 provided that if audited financial statements are not available for the most recent Fiscal Year during the period that ends 150 days after such Fiscal Year, the Accountant may rely on financial statements prepared by an Authorized Officer for such year; or
- (B) A certificate of an Accountant that the Debt Service Coverage Ratio for each of the two most recent Fiscal Years preceding the date of delivery of such certificate was not less than 1.05:1, provided that if audited financial statements are not available for the most recent Fiscal Year during the period that ends 150 days after such Fiscal Year, the Accountant may rely on financial statements prepared by an Authorized Officer for such year; and
- (C) A report of a Consultant setting forth his/her estimate that the Projected Debt Service Coverage Ratio for each of the first two Fiscal Years of operation of the Project after the expected completion of the project for which such Indebtedness is to be incurred will not be less than 1.05:1.

Provided, however, that the Debt Service Coverage Ratios set forth in paragraphs (A), (B) and (C) may be reduced below the level set forth above but not below 1.00:1 if (1) governmental or licensing agencies, adopt rules or regulations or legislation is enacted prohibiting the Lessee from establishing rates and charges sufficient to meet a Projected Debt Service Coverage Ratio of 1.05:1, or (2) the Funded Indebtedness is being incurred to finance facilities which are required by governmental or licensing agencies and failure to comply would jeopardize the ability of the Lessee to pay debt service.

(ii) **Completion Funded Indebtedness**, subject to the limitations set forth in Section 313 of the Mortgage.

(iii) **Funded Indebtedness for the purpose of refunding** (whether in advance or otherwise) any outstanding Funded Indebtedness so as to render it no longer outstanding if prior to the incurrence thereof:

- (A) Either (1) a certificate of an Authorized Officer is delivered to the Trustee stating that taking the issuance of the proposed Funded Indebtedness and the refunding of the existing Funded Indebtedness into account, the Maximum Annual Debt Service Requirement will not be increased, or (2) the conditions described in subsection (i) of this Section are met with respect to such proposed Funded Indebtedness, taking the refunding of the Funded Indebtedness to be refunded into account; and
- (B) There is delivered to the Trustee an opinion of Independent counsel stating that upon the incurrence of such proposed Funded Indebtedness and application of the proceeds thereof, the outstanding Funded Indebtedness to be refunded thereby will no longer be outstanding.

(iv) **Short-Term Indebtedness** in a principal amount which at the time incurred does not, together with the principal amount of all other such Short-Term Indebtedness then outstanding, but excluding the current portion of all Funded Indebtedness, exceed 15% of Gross Receipts for the most recent Fiscal Year for which financial statements reported upon by an Accountant are available; provided, however, that for a period of twenty (20) consecutive calendar days in each Fiscal Year the total amount of such Short-Term Indebtedness incurred under this clause (iv) and remaining outstanding shall be no more than 5% of Gross Receipts during the preceding Fiscal Year. For the purpose of this subsection Short-Term Indebtedness shall not include overdrafts to banks to the extent there are immediately available funds of the Lessee sufficient to pay such overdrafts and such overdrafts are incurred and corrected in the normal course of business.

(v) **Non-Recourse Indebtedness** in an aggregate principal amount not exceeding at any time 15% of the Gross Receipts for the most recent Fiscal Year for which financial statements reported upon by an Accountant are available so long as such Indebtedness is secured solely by the property financed by such Indebtedness (or the revenues of such property) and such property does not constitute an essential facility of the Lessee.

(vi) **Balloon Indebtedness, Put Indebtedness and Interim Indebtedness** if the conditions described in Subsection (i) above are met with respect to such Balloon Indebtedness, Put Indebtedness and Interim Indebtedness assuming such Indebtedness is amortized over a period equal to:

- (A) with regard to Balloon Indebtedness (1) 20 years, if such debt matures 20 years or later from the date of calculation, (2) the remaining term to maturity, if such term is less than 20 years from the date of calculation or (3) if a binding commitment has been provided for the refinancing of such Indebtedness by a commercial bank or insurance company whose long-term, unsecured debt is rated at least BBB- by Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. or Baa3 by Moody's Investors Service, the term of such refinancing, provided that Balloon Indebtedness shall not exceed twenty-five percent (25%) of all Indebtedness;
- (B) with regard to Interim Indebtedness and Put Indebtedness (1) if a binding commitment from a commercial bank or insurance company whose long-term, unsecured debt is rated at least BBB- by Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. or Baa3 by Moody's Investors Service has been provided for the refinancing of such Indebtedness, the term of such refinancing or (2) 20 years, if no such binding commitment has been provided, in which case the aggregate amount of such Put Indebtedness or Interim Indebtedness, as the case may be, shall not exceed 15% of Revenues.

(vii) **Liabilities for contributions to self-insurance programs** permitted to be maintained under the Lease.

(viii) **Liabilities** (other than those of the type described in subsection (i) through (vii) above) **incurred in the ordinary course of the business.**

(ix) **Commitment Indebtedness** without limit.

(x) **Subordinated Indebtedness** if there is delivered to the Trustee a Certificate of an Accountant that the Pro Forma Debt Service Coverage Ratio for each of the two most recent Fiscal Years preceding the date of delivery of such

certificate was not less than 1.00:1, provided that if audited financial statements are not yet available for the most recent Fiscal Year during the period that ends 150 days after such Fiscal Year, the Accountant may rely on financial statements prepared by an Authorized Officer for such year.

(xi) **Indebtedness the principal of which at the time incurred, together with the aggregate principal amount of all other Indebtedness then outstanding which was issued without meeting any of the requirements of Subsections (i) through (x) hereof, does not exceed 10% of the Gross Receipts of the Lessee**, for the latest preceding Fiscal Year for which financial statements reported upon by an Accountant are available.

The Lessee covenants that liabilities of the type permitted to be incurred under (viii) above will not be allowed to become overdue for a period in excess of that which is ordinary for similar entities providing social services without being contested in good faith and by appropriate proceedings. In addition, the parties hereto agree that the amount of any Indebtedness consisting of contracts for the acquisition or construction of Property not incurred in the ordinary course of business shall be reduced by the amount of any Permitted Indebtedness for borrowed money incurred by the Lessee to finance such acquisition or construction.

(b) For purposes of determining whether Guaranties constitute Funded Indebtedness, Guaranties shall be excluded from Funded Indebtedness in the percentages, and to the extent Guaranties of the payment by a person of a sum certain, based on the ratio of net income available for debt service (determined substantially in the same manner as Income Available for Debt Service) of the person whose debt is guaranteed, over the maximum annual debt service (determined substantially in the same manner as Maximum Annual Debt Service) of such person (the "Ratio") having a Ratio, as follows:

<u>Ratio</u>	<u>Percentage Excluded</u>
2.00x or more	80%
At least 1.75x but less than 2.00x	75%
At least 1.50x but less than 1.75x	50%
At least 1.25x but less than 1.50x	25%
Less than 1.25x	0%;

provided that if the Lessee has made any payments with respect to the Guarantee at any time none of the Guarantee or debt service shall be so excluded unless the Lessee has been reimbursed and no further obligations have been payable under such Guaranty for at least two years after such reimbursement; provided further that Guarantees of obligations of or by any Affiliates whose gross receipts constitute Gross Receipts shall be excluded.

(c) For purposes of determining compliance with the coverage required by the Lease and the incurrence tests contained in the Lease, the interest rate borne by Variable Rate Indebtedness shall be assumed to be equal to (i) if such Indebtedness was incurred at least twenty-four (24) months prior to the date of calculation, 120% of the average rate borne by such Indebtedness for the most recent twenty-four (24) month period and (ii) if incurred within such twenty-four (24) month period, (A) the average rate for the prior 12 months (using only the rate existing on the first day of each month in the case of daily adjustable securities) or (B) (x) in the case of tax-exempt Indebtedness, 120% of the average of the most recent twenty-four (24) month period of the Revenue Bond Index as published in *The Bond Buyer* (or a comparable index acceptable to the Trustee if the Revenue Bond Index is no longer published) or (y) in the case of taxable Indebtedness, 120% of the average prime rate of the Trustee for the most recent twenty-four (24) month period, all as of the date such calculation is made.

(d) No debt service shall be deemed payable with respect to Commitment Indebtedness until such time as funding occurs under the Commitment which gave rise to such Commitment Indebtedness. From and after such funding, the amount of such debt service shall be calculated in accordance with the actual amount required to be repaid on such Commitment Indebtedness and the actual interest rate and amortization schedule applicable thereto.

(e) No Parity Obligations may be issued by the Lessee or the Corporation unless the Lessee files with the Corporation and the Trustee necessary reports and independent financial forecasts to evidence that the conditions for the issuance of Parity Obligations pursuant to the Mortgage have been met.

(f) Variable Rate Indebtedness shall not exceed twenty-five percent (25%) of Funded Indebtedness.



All Parity Obligations and all outstanding Bonds under the Mortgage shall be of equal rank and be entitled to share *pari passu* in all security of the Mortgage and the pledge of Gross Receipts. The Trustee, Corporation and Lessee shall take such actions (including amendment or supplementation of the Lease and the Mortgage) and execute, deliver, file and record such instruments of security as necessary or appropriate to secure for the holders of the Parity Obligations an interest in the Gross Receipts equivalent to that of the holders of the Bonds, and the Lessee shall as a condition of securing such Parity Obligations execute, deliver, file and record, and cause to be executed, delivered, filed and recorded by the lender, necessary and appropriate documents to secure for the Corporation and Trustee an interest in any security granted to the holders of the Parity Obligations.

Remedies for defaults of Parity Obligations shall be governed by Article VII of the Mortgage. Any Parity Instrument shall include provisions parallel to or incorporating the terms and conditions of the Lease with respect to defaults under the Lease, and shall also include provisions parallel to or incorporating the provisions of the Mortgage with respect to the time, place and manner of payments required under the Mortgage. Except as otherwise provided in this Section, any Parity Instrument shall expressly provide for security, sources of payment, events of default, and remedies therefor identical to those provided for in the Lease and the Mortgage.

***Operation, Maintenance and Repair***

The Lease provides, among other things, that the Lessee agrees to take good care of the Project, to maintain and repair the same, to keep all of the leased premises and improvements thereon in good repair and working order

***Insurance***

The Lease provides that the Lessee will, during the term of the Lease, provide that (i) all insurable improvements now or hereafter existing and located upon the Project Site, are insured to the full insurable value thereof against fire, flood, windstorm and other perils to the extent such insurance is obtainable (with standard comprehensive coverage endorsement) with good and solvent insurance companies.

***Liens and Encumbrances***

The Lessee covenants and agrees with the Corporation that it will not create or suffer to be created or exist upon any Property now owned or hereafter acquired by it, any Lien, other than Permitted Encumbrances.

***Completion of Project and Improvements***

If the Corporation and the Lessee shall at any time determine that the proceeds of the Prior Bonds or Parity Obligations, together with other funds available therefor, are not sufficient to pay the cost of the Project, the Corporation upon actual notice having been provided to it shall promptly send written notice of such determination to the Trustee accompanied by supporting evidence, including copies of the latest estimate of the cost of the Project, a report showing the status of the construction and financing of the Project and a statement respecting the additional funds required to pay the cost of completing the Project. The Corporation and the Lessee shall also provide such additional information and data as may be requested by any of the parties or the Trustee with reference to the engineering, construction and financing aspects of the Project. The Lessee covenants and agrees in the Lease that it will pay, in addition to the lease rental payments and all other payments and obligations which it is obligated to pay and fulfill under the Lease, such additional amount or amounts as shall be necessary to pay in full the cost of the Project provided in conformity with the latest plans and specifications theretofore approved by the parties, and it is understood and agreed that upon receipt of such determination the Trustee, in its discretion, shall not be required to make further disbursements from the Construction Fund until it shall have received evidence satisfactory to it that funds sufficient to pay in full the cost of the Project will be available. The Lessee shall satisfy such obligation by exercising any one of the following options:

- (i) forthwith depositing in the Construction Fund the additional amount required to pay in full such cost of the Project;
- (ii) requesting the Corporation to issue additional bonds as provided by the Mortgage in the amount required to pay in full the cost of completing the Project and agreeing to make additional lease payments to the extent required in conformity with the Lease;

(iii) issuing its own Parity Obligations in the amount required to pay in full the cost of completing the Project;

(iv) a combination of (ii) and (iii) and agreeing to make additional lease payments to the extent required in conformity with the Lease; or

(v) depositing part of the additional money required and requesting the issuance of bonds for the balance, pursuant to clauses (i), (ii), (iii) and (iv), and agreeing to make additional lease payments to the extent required in conformity with the Lease.

The Corporation agrees to issue such additional bonds if so requested by the Lessee and if the issuance of such additional bonds is permitted by applicable state and Federal law and conforms with the tests and requirements of the Mortgage.

The Lessee shall give prompt written notice to both the Corporation and the Trustee of the option thus exercised by the Lessee and shall otherwise carry out its obligations under the Lease. Any such deposit in said Construction Fund shall not entitle the Lessee to any reimbursement therefor or any reduction in the lease rental payments. If the Lessee requests the Corporation to issue additional bonds pursuant to the Mortgage and such additional bonds can be sold at a price and upon terms mutually agreeable to the Corporation and the Lessee, the Corporation, to the extent it may lawfully do so, shall issue the additional bonds in accordance with the Mortgage. Upon the issuance of any additional bonds the Lessee shall be obligated and covenants and agrees to make, in addition to the lease rental payments and other payments and obligations under the Lease, additional lease payments in an amount sufficient for the payment in full of the Bonds, including such additional bonds. The Lessee shall also be obligated to make any additional payments that may be incurred by reason of the issuance of such additional bonds. The Lessee and the Corporation agree that they shall enter into a supplemental lease, if necessary, upon the issuance of additional bonds.

#### ***Amendments.***

The Corporation and the Lessee may at any time and from time to time supplement or make any amendment or change in the Lease, with the consent of the Trustee, (a) to cure any ambiguity or formal defect or omission in the Lease or in any supplemental leases, (b) to identify more precisely the equipment, machinery and furnishings forming a part of the Project under the Lease or to substitute or add additional equipment, machinery and furnishings in accordance with the Lease, (c) to grant to or confer upon the Trustee for the benefit of the Holders of the Bonds or the holders of Parity Obligations any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders of the Bonds or the Trustee, (d) to provide for the issuance of additional bonds or Parity Obligations to complete the payment of the cost of the Project pursuant to the Mortgage, (e) to provide for the issuance of additional bonds or Parity Obligations for improvements, or the issuance of additional bonds to complete the payment of the cost of any improvements, pursuant to the Mortgage, (f) to provide for the issuance of revenue refunding bonds or Parity Obligations under the Mortgage, (g) to provide for the release of land and interests therein pursuant to the Mortgage, (h) to amend the legal descriptions in the Lease to add additional real property to the Project Site as required by the Mortgage, (i) to modify, amend or supplement the Lease in any other manner which, in the opinion of the Trustee, is not materially detrimental to the interests of the Bondholders or the holders of any Parity Obligations, (j) to achieve compliance with any federal tax law, or (k) to improve or maintain any rating on the Bonds.

Except for supplemental leases provided for above, the Corporation shall not consent to any supplemental leases or amendment to the Lease unless notice of the proposed execution of such supplemental lease or amendment shall have been given and the Holders of a majority of the Bonds then Outstanding shall have consented to and approved the execution thereof in manner and form as provided for in the Mortgage in the case of supplemental mortgages.

Any subsequent leases may be supplemented or amended in the same manner and to the same extent as the Lease and the Mortgage.

#### ***Events of Default.***

The occurrence of any one or more of the following events constitutes an "Event of Default" under the Lease:

(i) The Lessee's failure to make any rental payment as it becomes due in accordance with the terms of the Lease; or

(ii) The Lessee's failure to perform or observe any other covenant, condition or agreement to be performed or observed by it under the Lease, and the failure is not cured or steps satisfactory to the Corporation and the Trustee taken to cure

the failure, within 15 days after written notice to the Lessee, the Corporation or the Trustee; or

(iii) default by the Lessee in the payment of any Indebtedness for borrowed money (i) in an aggregate amount equal to less than five percent (5%) of Gross Receipts for the most recent Fiscal Year if such Indebtedness has been accelerated by its terms or (ii) in an aggregate amount equal to five percent (5%) or more of Gross Receipts for the most recent Fiscal Year.

***Remedies.***

Upon the occurrence of an Event of Default described above, and as long as the Event of Default is continuing, the Corporation, or the Trustee, as assignee of the Corporation, may, at its option, exercise any one or more of the following remedies:

(i) By written notice to the Lessee, declare an amount equal to the principal amount of all outstanding Bonds and all other amounts due or to become due under the Lease, together with accrued interest thereon, to be immediately due and payable, whereupon that amount shall become immediately due and payable;

(ii) Exercise any other right, remedy or privilege which may be available to it under the applicable laws of the Commonwealth of Kentucky or any other applicable law or proceed by appropriate court action to enforce the terms of the Lease or to recover damages for the breach of the Lease or to rescind the Lease.

In addition to the foregoing, upon the occurrence of an Event of Default, all Gross Receipts then on hand shall immediately be transferred to the trustee for deposit in the Gross Receipts Fund created by the Mortgage, and all Gross Receipts received thereafter shall immediately, upon receipt, be transferred to the Trustee for application pursuant to the Mortgage.

In addition to the foregoing, upon the occurrence of an Event of Default, the Corporation or the Trustee, as assignee of the Corporation, may exercise any remedy available at law or in equity to enforce the obligations of the Lessee hereunder including the right to petition a court of competent jurisdiction to appoint a receiver with respect to the property of the Lessee with such powers as the court making such appointment shall confer. The Lessee hereby consents and agrees, and will if requested by the Trustee consent and agree at the time of application by the Trustee for appointment of a receiver of its property, to the appointment of such receiver of its property and that such receiver may be given the right, power and authority, to the extent the same may lawfully be given, to take possession of and operate and deal with such property and the revenues, profits and proceeds therefrom, with like effect as the Lessee could do, and to borrow money and issue evidences of indebtedness as such receiver.

The Lessee will remain liable for all covenants and obligations under the Lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by the Corporation or the Trustee with respect to the enforcement of any of the remedies under the Lease.

***Assignment of Rights to Trustee***

The Corporation has assigned the Lease, the rent payable by Lessee under the Lease, the Pledged Receipts, and all other rights, title and interests of the Corporation arising under the terms of the Lease to the Trustee for the Bondholders, as additional security for the Bonds.

**THE MORTGAGE**

The following is a summary of certain of the terms and provisions of the Mortgage securing the payment of the principal of and interest on the Bonds. The Mortgage imposes a forecloseable first mortgage lien on the Project. The summary of the Mortgage contained in this Official Statement does not purport to be comprehensive or definitive. Statements regarding provisions of the Mortgage are descriptions of selected provisions of and subject to the detailed provisions of the Mortgage, and are qualified in their entirety by reference to the full text of the Mortgage. Copies of the Mortgage will be on file with the Trustee and will be furnished upon request.

***Funds and Accounts***

The proceeds of the Bonds will be deposited with the Trustee, as trust funds, and the Trustee shall hold, treat and disburse the same, as follows:

1. *Cost of Issuance Fund.* There shall be deposited in the Cost of Issuance Fund the amount of moneys necessary to pay the Cost of Issuance of the Bonds from the proceeds of the Bonds as specified and determined in the resolution of the Corporation authorizing the issuance of the Bonds or in written instructions of an authorized officer of the Corporation delivered to the Trustee.

2. *Construction Fund.* There shall be deposited into the Construction Fund such amount of the proceeds of a series of Bonds as shall be specified and determined by either the resolution of the Corporation authorizing such series of Bonds or upon written instructions of an authorized officer of the Corporation delivered to the Trustee.

Moneys credited to the Construction Fund shall be funds of the Corporation, subject to the lien of the Mortgage, and shall be expended only for payment of the costs of the Project, including real property or interests therein, physical facilities, equipment, engineering costs, easements and rights-of-way, land and any other related costs, subject to the provisions and restrictions of the Mortgage.

Amounts in the Construction Fund shall be expended and applied by the Trustee upon written direction of the Corporation, signed by an authorized officer of the Corporation and countersigned by the architect, only for the making of disbursements for construction of the Project and related costs, pursuant to the terms of the construction agreements for the Project, and any other agreement pursuant to which the Project, or any part thereof, is to be acquired.

3. *Sinking Fund.* The Trustee shall set aside into the Sinking Fund all sums received from the purchasers of the Bonds as representing accrued interest from the date of the Bonds to the date of delivery and payment. The Sinking Fund shall be held and maintained by the Trustee as the primary source of payment of the principal of and interest on the Bonds. All moneys from any source at any time deposited in the Sinking Fund shall constitute Pledged Receipts for the benefit of the holders of the Bonds.

Sums from time to time in the Sinking Fund shall be continuously invested by the Trustee in Investment Obligations as directed, in writing, by the Corporation acting on behalf of the Lessee. The Trustee shall sell or present for redemption, any Investment Obligations purchased by it as an investment whenever it shall be necessary to provide moneys to effectuate the purposes of the Sinking Fund.

All rental payments at any time becoming due and payable to the Corporation from Lessee pursuant to the terms and provisions of the Lease and all Pledged Receipts have been assigned by the Corporation to the Trustee and upon receipt thereof, except for rentals that are to be deposited in the Debt Service Reserve Fund, shall immediately be deposited by the trustee in the Sinking Fund so long as the Bonds are outstanding and shall be treated by the Trustee as Pledged Receipts, and shall be used and applied to the payment of the Bonds and interest thereon as they become due from time to time.

4. *Debt Service Reserve Fund.* Moneys held for the credit of the Debt Service Reserve Fund shall be used for the purposes of paying interest on the Bonds as the same becomes due, and of paying maturing principal of the Bonds, whether at the stated payment date or by mandatory redemption as aforesaid, whenever and to the extent that the moneys held for the credit of the Sinking Fund shall be insufficient for such purposes.

On each June 15 and December 15, any moneys in excess of the Debt Service Reserve Fund Requirement in the Debt Service Reserve Fund shall be transferred first to the Construction Fund until the completion of construction of the Project, and thereafter to the Sinking Fund and used as a credit against rental payments due under the Lease.

Whenever there shall be held in the Sinking Fund and the Debt Service Reserve Fund a total amount sufficient for paying the Bonds in full then outstanding under the Mortgage, including the principal of and the interest on all Bonds and any redemption premium and any amounts needed to pay redemption expenses, such moneys shall be applied by the Trustee at the direction of the Corporation, to the payment, purchase or redemption of such Bonds in full and the payment of all expenses in connection with any such purchase or redemption.

5. *Rebate Fund.* From and after the issuance of the Bonds, the Rebate Fund shall be held and maintained by the Trustee as a trust fund. There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Regulatory Agreement.

6. *Gross Receipts Fund.* Upon a transfer of Gross Receipts under the Lease, there shall be established a special fund designated the "Audubon Area Community Services, Inc. Gross Receipts Fund" into which there shall be deposited the

Gross Receipts transferred from the Lessee as required by the Lease. Amounts deposited in such fund shall be applied solely to the payment of obligations of the Lessee under the Lease and the payment of reasonable and necessary costs of operation of the Project in accordance with recommendations in the report of the Consultant required by the Lease or, if no such report has been provided to the Lessee and the Trustee, in accordance with a budget approved by the Corporation or, if no budget has been approved, in accordance with requests of an Authorized Officer certifying that such disbursement is essential to the continued operation of the Project or is necessary in order to comply with the requirements of the Lease and that the costs for which such disbursement is requested have not been included in any earlier request; provided that, if a receiver has been appointed under the Lease, such disbursements shall be in accordance with requests of the receiver.

### ***Investment of Funds***

Moneys held in any of the aforementioned Funds held by the Trustee may be invested, until required for the purposes intended, in one or more Investment Obligations as directed, in writing, by the Corporation acting on behalf of the Lessee. The income or interest earned, gains realized or losses suffered by a Fund due to the investment thereof shall be retained in, credited or charged thereto as the case may be.

### ***Additional Covenants***

In the Mortgage, the Corporation, among other covenants, has covenanted as follows:

1. *Payments.* To punctually pay the principal of and interest on the Bonds when due, and at the place and in the manner prescribed in the Mortgage from the funds pledged.
2. *Maintenance of Project.* To cause the Lessee, pursuant to the terms of the Lease, to properly maintain and repair the Project.
3. *Tax Covenant.* That it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under § 103(a) of the Code. The Corporation will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Corporation, or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" within the meaning of §§ 103 (b) (2) and 148 of the Code. To that end, the Corporation will comply with all requirements of §§ 103 (b) (2), 145 and 148 of the Code to the extent applicable to the Bonds. In the event that at any time the Corporation is of the opinion that it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Mortgage the Corporation shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.
4. *Insurance of Project.* At all times until the Bonds shall be fully paid, to require the Lessee (to the extent such insurance is obtainable) to keep all insurable real properties and improvements thereon insured against loss or damage by fire, flood and windstorm to their full insurable value, with standard comprehensive coverage endorsement, and the Corporation will cause all such insurance policies to be made payable in case of loss to the Trustee.
5. *Accounts and Reports.* To keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Project, and all Funds established by the Mortgage, which shall at all reasonable times be subject to the inspection of the Trustee and the holders of an aggregate of not less than five percent (5%) in principal amount of Bonds then outstanding, or their representatives duly authorized in writing.
6. *Enforcement of the Lease.* To enforce the Lease and all other contracts and agreements in respect of the Project to which the Corporation is or will be a party, to the fullest extent provided and permitted by law.

### ***Additional Bonds***

1. If and to the extent necessary to provide additional funds for payment of the cost of completing the Project, revenue bonds of the Corporation in a maximum principal amount not to exceed ten percent (10%) of the face amount of the Bonds may be issued under and secured by the Mortgage, at one time or from time to time, for such purpose, in addition to the Bonds; provided, however, that the Lessee shall have certified to the Trustee that all surplus funds available to the Lessee, other than a four (4) month operating reserve (120 times the average daily operating expenses as shown on the last audited financial statement of the Lessee) have been spent or will

be spent on costs of the Project. Such additional bonds shall be of the same series and shall have the same designation as the Bonds and shall bear interest at a rate or rates not exceeding any maximum rate permitted by law, and shall mature on such date or dates and may be made redeemable at such times and prices (subject to the provisions of the Mortgage) as may be provided by the resolution adopted by the Corporation authorizing the issuance of such additional bonds. Except as to any difference in the rate of interest, maturity or the provisions for redemption, such additional bonds shall be on a parity with and shall be entitled to the same benefit and security of the Mortgage as the Bonds.

2. Additional bonds of the Corporation may be issued under and secured by the Mortgage, at one time or from time to time, in addition to the bonds issued under the provisions of the foregoing paragraph and subject to the conditions hereinafter provided, for the purpose of providing funds, with any other available funds, for paying the cost of any improvements to the Project. Bonds may be issued under the provisions of this Section regardless of whether the Project and any other improvements for which bonds shall have been theretofore issued have been completed. Before any such bonds shall be issued, the Corporation shall adopt a resolution authorizing the issuance of such bonds, fixing the amount and the details thereof, describing in brief and general terms the improvements to be acquired or constructed, and estimating the cost thereof. Such resolution shall also provide for such increased deposits, if any, to the credit of the Debt Service Reserve Fund from either bond proceeds or from the Corporation or the Lessee to bring the amount on deposit in the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement. Such additional bonds shall have the same designation as the bonds issued under the preceding paragraph except for an identifying series designation, shall be dated the first day of a month as stated in said resolution, shall bear interest at a rate or rates not exceeding any maximum rate then permitted by law, shall be stated to be payable by their terms, subject to the right of prior redemption as hereinafter set forth, on the 1st day of January of such year or years specified in such resolution, and may be made redeemable at such terms and prices (subject to the provisions of the Mortgage) all as may be provided by the resolution of the Corporation.

The proceeds of the bonds issued under the provisions of this Section at any one time shall be deposited with the Trustee to the credit of a special construction fund appropriately designated and held in trust for the purpose of paying the cost of such improvements to be acquired or constructed except that (i) the accrued interest received on all bonds issued under the provisions of this paragraph shall be deposited to the credit of the Sinking Fund and (ii) the amount necessary to bring the amount on deposit in the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement from bond proceeds or Lessee or Corporation funds shall be deposited to the credit of the Debt Service Reserve Fund.

3. Revenue refunding bonds of the Corporation may be issued under and secured by the Mortgage, at any time or times, subject to the conditions hereinafter provided in this Section, for the purpose of providing funds for refunding, so long as the Lessee remains in compliance with the Lease, and exclusion from gross income of interest on the bonds for Federal income tax purposes is not adversely affected. Before any such bonds shall be issued under the provisions of this paragraph the Corporation shall adopt a resolution authorizing the issuance of such bonds, fixing the amount and the details thereof and describing the bonds or Parity Obligations to be redeemed. Such revenue refunding bonds shall be designated substantially as the bonds of the series to be refunded with the addition of the term "Refunding". Such revenue refunding bonds shall be made redeemable at such times and prices (subject to the provisions of the Mortgage) as shall be provided by resolution of the Corporation adopted prior to the issuance of such bonds. The Trustee shall not, however, authenticate and deliver such bonds unless:

(a) the proceeds (excluding accrued interest) of such revenue refunding bonds plus any moneys to be withdrawn from the Sinking Fund by the Trustee for such purpose, as hereinafter provided, together with any other funds available to the Corporation for such purpose, together with the interest that shall accrue upon any Investment Obligations acquired pursuant to paragraph (2) below, shall be not less than an amount sufficient to pay the principal of and the redemption premium, if any, on the bonds to be refunded and the interest which will accrue thereon to the redemption date or maturity dates occurring prior thereto and the expenses incident to such financing, and

(b) either the maximum amount required in any subsequent Bond Year to provide for the payment of the interest and of the principal on all bonds and Parity Obligations to be outstanding after the issuance of such revenue refunding bonds and the redemption of the bonds and Parity Obligations to be refunded shall not exceed the maximum amount of such requirements for any Bond Year on account of all the bonds and Parity Obligations outstanding prior to the issuance of such revenue refunding bonds and the redemption of the bonds or Parity Obligations to be refunded by more than 15%, or the refunding bonds so issued must comply with the requirements set forth for the issuance of additional bonds to complete the Project set forth in the Mortgage.

The Trustee shall apply the proceeds of any revenue refunding bonds (including accrued interest) and any other moneys provided for such purpose, as follows:

(1) the accrued interest received as part of the proceeds of such revenue refunding bonds shall be deposited to the credit of the Sinking Fund;

(2) an amount, which, together with interest that shall accrue on such amount invested in Investment Obligations, is sufficient to pay principal, redemption premium and interest on the bonds or Parity Obligations to be refunded hereunder shall be deposited by the Trustee to the credit of a special redemption fund appropriately designated, to be held in trust for the sole and exclusive purpose of paying such principal, redemption premium and interest. Moneys held for the credit of such redemption fund shall, as nearly as may be practicable and reasonable, be invested and reinvested by the Trustee in Investment Obligations described in clause (a) of the definition of such term, which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when the moneys held for the credit of such redemption fund will be required for the purposes intended; and

(3) any balance of such proceeds shall be deposited to the credit of the Sinking Fund.

### ***Release of Land***

The parties have reserved the right, by mutual written consent at any time and from time to time, to amend the Mortgage for the purpose of effectuating the release of one or more parcels of or interest in land constituting a part of the Project Site and the removal from the lien of the Mortgage of such parcel or parcels of or interest in land subject to the following conditions:

(i) the parcel or parcels of or interest in land thus released or removed shall be used to construct public improvements, or for the granting of an easement, or other interest or title to a public utility, public or private carrier or public body for providing or improving utility services or transportation facilities, or for the acquisition or construction of any "public project" within the meaning of § 58.010 of the Kentucky Revised Statutes; and

(ii) there shall be filed with the Trustee a copy of the instrument providing for such release together with (i) a certificate of an Authorized Officer of the Corporation describing the improvements or other facilities which will be constructed thereon or the utility or other facilities and services which will be provided or improved thereby and that in the opinion of such Authorized Officer such parcel or parcels of land are not otherwise needed for the operation of the Project and that the release will not materially impair the efficiency or utilitarian value of the Project or the Project Site and will not impede the means of egress thereto or egress therefrom to any material extent and (ii) an appraisal by an appraiser licensed in the Commonwealth of Kentucky and selected by the Corporation stating that the value of the Project following such release shall be not less than the principal amount of Bonds then outstanding; or

(iii) the Corporation may sell a portion of such real estate not needed for public purposes as provided by law so long as the rentals payable under the Lease are not diminished by reason of such sale and release of a portion of the lien created by the Mortgage and provided that the Corporation shall have furnished the Trustee an appraisal by an appraiser licensed in the Commonwealth of Kentucky and selected by the Corporation stating that the value of the Project following such release shall be not less than the principal amount of Bonds then outstanding and a certification from an Authorized Officer of the Corporation to the effect that such real estate is not needed for public purposes as provided by law and the rentals payable under the Lease will not be diminished by reason of such sale and release of a portion of the lien.

### ***Amendments***

The parties may at any time and from time to time supplement or make any amendment or change in the Mortgage

(i) to cure any formal defect or ambiguity if, in the opinion of the Trustee, such amendment or change is not adverse to the interest of the holders of the Bonds;

(ii) to grant to or confer upon the Trustee for the benefit of the Holders of the Bonds or the holders of any Parity Obligations any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Mortgage;

- (iii) to make necessary or advisable amendments in connection with the issuance of Bonds or additional Bonds or additional Parity Obligations in accordance with the terms of the Mortgage;
- (iv) to permit the Trustee to comply with any obligations imposed on it by law;
- (v) to achieve compliance with any federal tax law;
- (vi) to maintain or improve any rating on the Bonds; or
- (vii) to provide for the release of land pursuant to and subject to the conditions specified in Section 903 of the Mortgage.

Any other amendment or change shall be subject to the written consent of the holders of at least two-thirds (2/3) in principal amount of the Bonds outstanding at the time such consent is given, or in case less than all of the Bonds then outstanding are affected by the modification or amendment, of the holders of at least two-thirds (2/3) of the principal amount of the Bonds so affected.

Nothing shall permit, however, or be construed as permitting:

- a. without the consent of the holder of each Bond so affected,
  - (i) an extension of the maturity of the principal of or the interest on any Bond,
  - (ii) a reduction in the principal amount of any Bond or the rate of interest or premium thereon, or
  - (iii) a reduction in the amount or extension of the time of paying of any mandatory sinking fund requirements,
- or
- b. without the consent of the Holders of all Bonds then outstanding,
  - (i) the creation of a privilege or priority of any Bond over any other Bond, or
  - (ii) a reduction in the aggregate principal amount of the Bonds required for consent to amendments.

An amended or supplemental Mortgage for the purposes described in the Mortgage shall be effective upon the execution thereof by the Corporation and the Trustee and delivery thereof to the Trustee, together with any necessary consent of Bondholders.

***Events of Default and Remedies***

1. *Events of Default.* Each of the following events is declared an "Event of Default" under the Mortgage:
  - a. the Corporation shall default in the payment of the principal of any Bonds when and as the same shall become due, whether at maturity or upon call for redemption or otherwise or the Lessee shall default in the payment of any rentals related thereto;
  - b. payment of any installment of interest on any of the Bonds shall not be made when and as the same shall become due or the Lessee shall default in the payment of any rentals related thereto; or
  - c. the Corporation or the Lessee shall fail or refuse to comply with the provisions of the Act, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Mortgage, the Lease any authorizing resolution of the Corporation or the Lessee relating to the Bonds, or the Bonds, and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the Trustee or by Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds to the Corporation or the Lessee, as applicable; or



d. default shall occur in the payment on any Parity Obligations which default has continued beyond any grace period, if any, provided for in the Parity Instruments creating or securing the Parity Obligations.

2. *Remedies.* Upon the happening and continuance of any Event of Default specified in a or b above and subject to the receipt by the Trustee of an offer of reasonable security and indemnity as provided in the Mortgage, the Trustee shall proceed, or upon the happening and continuance of an Event of Default specified in c or d above, the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds and receipt of satisfactory indemnity, shall proceed, to protect and enforce its rights and the rights of the holders of the Bonds by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

a. by enforcement of the forecloseable mortgage lien on the Project Site and improvements granted by the Mortgage, and in such event the Trustee shall take over possession, custody and control of the Project Site and shall operate or carry out decretal sale of same with due regard to state and federal law and the covenants contained in the Lease for the benefit of the holders of the Bonds, provided, however, that no such foreclosure sale shall result in a deficiency judgment of any type or in any amount against Lessee or the Corporation, and until such sale the Corporation may at any time by the discharge of the Bonds and interest thereon receive unencumbered fee simple title to the mortgaged facilities, provided further, that in the event of any such enforcement of said lien by the Trustee, there shall first be paid all expenses incident to said sale, and thereafter the Bonds then outstanding shall be paid and retired;

b. by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right to require the Corporation to enforce fully the Lease, and to charge, collect and fully account for the rental payments thereunder, and to require the Corporation to carry out any and all other covenants or agreements with the Bondholders and to perform its duties under the Act;

c. by bringing suit upon the Bonds;

d. by action or suit in equity, require the Corporation to account as if it were the trustee of an express trust for the holders of the Bonds;

e. by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds;

f. by declaring all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the holders of not less than fifty percent (50%) in principal amount of the outstanding Bonds, by annulling such declaration and its consequences; and

g. in the event that all Bonds are declared due and payable, by selling Investment Obligations of the Corporation (to the extent not theretofore set aside for redemption of the Bonds for which call has been made), and enforcing all chooses in action of the Corporation to the fullest legal extent in the name of the Corporation for the use and benefit of the holders of the Bonds.

## LITIGATION

No litigation or administrative action or proceeding is pending or, to the best of the knowledge of the County, the Corporation or the Lessee, threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, the collection of revenues or the use of revenues to pay debt service on the Bonds, or contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued or delivered, or the validity of the Bonds, or to prevent or restrict the operations of the Lessee.

## TAX EXEMPTION

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

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

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

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

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

For example, although Bond Counsel for the Bonds is of the opinion that interest on the Bonds will not be a specific item of tax preference for the alternative minimum tax, corporations are required to include all tax-exempt interest in determining "adjusted current earnings" under Section 56(c) of the Code, which may increase the amount of any alternative minimum tax owed. Receipt of tax-exempt interest, ownership or disposition of the Bonds may result in other collateral Federal, state or local tax consequence for certain taxpayers, including, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability of certain individual recipients of Social Security or Railroad Retirement benefits under Section 86 of the Code and limiting the use of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky, may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Bonds.

The Corporation and the County have designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

#### **CONTINUING DISCLOSURE**

In accordance with the Securities and Exchange Commission Rule 15c2-12 (the "Rule") and so long as the Bonds are outstanding the Corporation and the Lessee (the "Obligated Persons") will agree pursuant to a Continuing Disclosure Agreement dated as of November 1, 2015 (the "Disclosure Agreement") with U.S. Bank, National Association, as disclosure agent (the "Disclosure Agent"), to be delivered on the date of delivery of the Bonds, to cause the following information to be provided through the Disclosure Agent:

- (i) to the Municipal Securities Rulemaking Board (the "MSRB"), certain annual financial information and operating data, including audited financial statements of the Lessee prepared in accordance with generally accepted accounting principles as applied to governmental units, generally consistent with the information contained in "Appendix B" and "Appendix D" of the Official Statement ("Financial Data"); such information shall be provided within 210 days after the end of the fiscal year ending June 30, commencing with the fiscal year ending June 30, 2015; provided that the audited

financial statements may not be available by such date, but will be made available immediately upon delivery thereof by the auditors for the Obligated Person;

- (ii) to the MSRB, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Bonds:
  - (a) Principal and interest payment delinquencies;
  - (b) Non-payment related defaults, if material;
  - (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
  - (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
  - (e) Substitution of credit or liquidity providers, or their failure to perform;
  - (f) Adverse tax opinions, or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the Bonds;
  - (g) Modifications to rights of Bondholders, if material;
  - (h) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
  - (i) Defeasances;
  - (j) Release, substitution or sale of property securing the repayment of the Bonds, if material;
  - (k) Rating changes;
  - (l) Bankruptcy, insolvency, receivership or similar event of an obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person);
  - (m) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
  - (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (iii) in a timely manner, to each NRMSIR or to the MSRB and to the SID, notice of a failure (of which the Obligated Person to provide the required Annual Financial Information on or before the date specified in the Disclosure Agreement.

The Continuing Disclosure Agreement provides bondholders with certain enforcement rights in the event of a failure by the Obligated Person to comply with the terms thereof; however, a default under the Continuing Disclosure Agreement does not constitute a default under the Bond Legislation. The Continuing Disclosure Agreement may be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein. Bondholders are advised that the Continuing Disclosure Agreement copies of which are available at the office of the Obligated Party should be read in its entirety for more complete information regarding its contents.

For purposes of this transaction with respect to events as set forth in the Rule:

- (a) there are no liquidity providers applicable to the Bonds; and

The Corporation, the County and Lessee previously entered into a continuing disclosure undertaking under the Rule (the "Prior Continuing Disclosure Undertaking"). To the best knowledge of the Corporation, each of the County, Corporation and Lessee are in compliance with their Prior Continuing Disclosure Undertaking with respect to audited financial statements but not with respect to annual operating data. Procedures are now in place to ensure timely reporting of annual operating data.

#### **UNDERWRITING**

The Bonds are being purchased for reoffering by \_\_\_\_\_ (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of \$\_\_\_\_\_ (reflecting the par amount of the Bonds, less original issue discount of

\$\_\_\_\_\_, less underwriter's discount of \$\_\_\_\_\_. The initial public offering prices which produce the yields set forth on the cover page of this Official Statement may be changed by the Underwriter and the Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering prices which produce the yields set forth on the cover page.

**FINANCIAL ADVISOR**

The Bonds will be sold by the solicitation and receipt of competitive bids. First Kentucky Securities Corporation, Lexington, Kentucky, Financial Advisor to the Corporation and the County, will receive a fee, subject to sale and delivery of the Bonds, for its advisory services.

**VERIFICATION OF MATHEMATICAL CALCULATIONS**

Concurrently with the delivery of the Bonds, Aaron B. Fletcher (the "Verification Agent") will verify from information provided to him the mathematical accuracy as of the date of the closing on the Bonds of (1) the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in the provided schedules, to be held in escrow, is sufficient to pay, when due, the principal, interest and call premium payment requirements of the Prior Bonds, and (2) the computations of yield on both the securities and the Bonds contained in the provided schedules used by Bond Counsel in its determination that the interest on the Bonds is excludable from gross income for federal income tax purposes. The Verification Agent will express no opinion on the reasonableness of the assumptions provided to him, nor as to the exemption from income taxation of interest on the Bonds.

**MISCELLANEOUS**

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the Corporation from official and other sources and is believed by the Corporation to be reliable, but such information other than that obtained from official records of the Corporation has not been independently confirmed or verified by the Corporation and its accuracy is not guaranteed. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of the Bonds.

This Official Statement has been duly executed and delivered for and on behalf of the County of Daviess Public Properties Corporation by its President.

DAVIESS COUNTY PUBLIC IMPROVEMENT CORPORATION

By: /s/ \_\_\_\_\_  
President

*APPENDIX A*

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*Estimated Debt Service Requirements for the Series 2015 Bonds*

**DAVISS COUNTY PUBLIC IMPROVEMENT CORPORATION  
FIRST MORTGAGE REVENUE REFUNDING BONDS  
(AUDUBON AREA COMMUNITY SERVICES, INC. PROJECT) SERIES 2015**

*Estimated Debt Service Requirements*

<b>Maturity Date</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal and Interest Total</b>	<b>Fiscal Year Total</b>
7/1/2016		\$59,450.56	59,450.56	
1/1/2017	320,000	47,350.00	367,350.00	426,800.56
7/1/2017		46,070.00	46,070.00	
1/1/2018	335,000	46,070.00	381,070.00	427,140.00
7/1/2018		44,060.00	44,060.00	
1/1/2019	335,000	44,060.00	379,060.00	423,120.00
7/1/2019		41,597.75	41,597.75	
1/1/2020	340,000	41,597.75	381,597.75	423,195.50
7/1/2020		38,673.75	38,673.75	
1/1/2021	345,000	38,673.75	383,673.75	422,347.50
7/1/2021		35,310.00	35,310.00	
1/1/2022	355,000	35,310.00	390,310.00	425,620.00
7/1/2022		31,476.00	31,476.00	
1/1/2023	360,000	31,476.00	391,476.00	422,952.00
7/1/2023		27,264.00	27,264.00	
1/1/2024	370,000	27,264.00	397,264.00	424,528.00
7/1/2024		22,676.00	22,676.00	
1/1/2025	380,000	22,676.00	402,676.00	425,352.00
7/1/2025		17,698.00	17,698.00	
1/1/2026	390,000	17,698.00	407,698.00	425,396.00
7/1/2026		12,355.00	12,355.00	
1/1/2027	400,000	12,355.00	412,355.00	424,710.00
7/1/2027		6,355.00	6,355.00	
1/1/2028	410,000	6,355.00	416,355.00	422,710.00
<b>Totals</b>	<b>\$4,340,000</b>	<b>\$753,871.56</b>	<b>\$5,093,871.56</b>	

Source: Fiscal Agent

*APPENDIX B*

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*County of Daviess Demographic and Economic Data*



**General Information**

Daviess County was formed in 1815, with Owensboro as its county seat. It is located on the Ohio River, in the Western Coal Field region of the state, and is home to more than 98,000 residents. It is the seventh largest county in the state, with a land area of 462 square miles. The elevation in the county ranges from 347 to 680 feet above sea level.

**Total Population**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Labor Market Area	481,263	489,678	491,587	492,596	494,099
Daviess County	95,394	96,736	97,215	97,737	98,218
Owensboro	55,745	57,425	57,759	58,083	58,416

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

**Summary of Recent Locations and Expansions, 2012-Present**

	<b>Companies</b>	<b>Reported</b>	
		<b>Jobs</b>	<b>Investment</b>
Manufacturing Location	3	100-102	\$38,020,000
Manufacturing Expansion	16	297-387	\$110,216,000
Supportive/Service Location	1	5	\$3,000,000
Supportive/Service Expansion	9	1,009-1,151	\$30,020,680

Note: Totals include announced locations and expansions.  
Source: Kentucky Cabinet for Economic Development (10/29/15).



## Major Business & Industry

Firm	Product(s)/Service(s)	Emp.	Year Established
<b><i>Owensboro</i></b>			
Bimbo Bakeries USA	Breads & Rolls	150	1935
Boardwalk Pipeline Partners	Headquarters, natural gas pipeline co.	207	1960
Canteen Service Co.	Headquarters; vending services and food service management	275	1977
Daramic Inc	Automotive deep cycle & Industrial battery separators	158	1959
Dart Polymers	Polystyrene pellets and EPS	140	1983
Glenmore Distillery	Whiskey, gin, vodka, wines, brandy & cocktail bottling	185	1869
Kimberly-Clark Corp	Tissue paper & towels	340	N/A
Messenger-Inquirer	Newspaper publishing, commercial printing	140	1929
Metalsa Structural Products Inc.	Steel pickup truck frames (Tundra and Sequoia) and cradles (Highlanders & Sierra)	249	1997
MPD Inc	Commercial tubes & components, microwave & police radar equipment, breath analyzers, ceramics & ceramic to metal seals	210	1987
Owensboro Grain Company LLC	Soybean crude oil & meal; biodiesel	159	1906
R&B Foods, Inc.	Pasta and simmer sauces	400	1974
Southern Star Central Gas Pipeline Inc	Headquarters	498	2002
Specialty Foods Field Packing Division	Processed meat products	504	1915
Swedish Match North America	Smokeless tobacco products	356	1973
Toyotetsu Mid America LLC	Stamped and welded metal automotive parts	561	2002
US Bank Home Mortgage	Loan processing and underwriting service center, loan servicing center	2,077	1992
Unifirst	Uniform distribution	360	1998
Yager Materials LLC	Ready-mixed concrete, crushed limestone, sand & gravel	192	1914
<b><i>Philpot</i></b>			
Premium Allied Tool Inc	Precision metal stampings, deep draw stampings, wire forms & strip forms	185	1966

Source: Kentucky Cabinet for Economic Development (10/29/2015).

## Daviness County Statistical Summary

	<b>Population 2013</b>	
<b>Daviness County</b>		98,218
<b>Labor Market Area</b>		494,099

	<b>Daviness County</b>	
<b>Per Capita Income 2012</b>	\$37,227	
<b>Median Household Income 2007</b>	\$46,908	
<b>Median Home Price 2006</b>	\$119,100	

	<b>Total Available Labor 2012</b>	
<b>Daviness County</b>		3,388
<b>Labor Market Area</b>		19,550

	<b>Unemployment Rate 2014</b>	
<b>Daviness County</b>	5.7	
<b>Labor Market Area</b>	5.8	
<b>U.S.</b>	6.2	

	<b>Average Weekly Wage 2013</b>	
<b>Daviness County</b>	\$696	
<b>Labor Market Area</b>	\$743	
<b>U.S.</b>	\$957	

Source: Kentucky Cabinet for Economic Development (10/31/15)

*APPENDIX C*

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*Audubon Area Community Services, Inc. Information*

## **AUDUBON AREA COMMUNITY SERVICES, INC.**

### ***General Information***

Audubon Area Community Services, Inc., headquartered in Owensboro, Kentucky, is one of the premier family and community services agencies in Kentucky. It is the largest of twenty-three community action agencies serving the residents of Kentucky. Audubon Area resulted from a 1975 consolidation of two agencies – one based in Henderson, the other in Owensboro – both founded in 1966. In 1975, the agency served the seven-county Green River area and had approximately \$1 million in funding and 65 staff members.

Currently the agency serves the 34-county area of Green River, Pennyrile, Barren River and Purchase with nearly \$40 million in funding and more than 600 employees. Audubon Area is a results-driven agency with established policies, clearly defined responsibilities for staff, sound fiscal and IT systems and the infrastructure necessary to provide services in our regions.

The basic functions of our agency are to seek out, identify and work toward mitigating the causes of poverty within the communities served; to mobilize available resources to make communities more responsive to the needs and interests of low-income families; and to develop a system to prioritize projects as needed to effectively and efficiently utilize resources to serve low-income people.

### ***Management***

As a community action agency, Audubon Area is a private, nonprofit 501 (c) (3) corporation governed by a tripartite, twenty-seven member board of directors consisting of the consumers of agency services, elected public officials, and private sector business people, educators or representatives of local organizations. The agency's chief executive officer heads a senior staff team including a chief financial officer, chief operating officer, chief information officer, and chief human resources officer. Revenue is derived from state and federal program grants, as well as some fee-for-service income and in-kind contributions.

### ***Services***

Audubon Area offers an array of services in the following areas of need:

- Social Support Services
- Employment Services
- Head Start
- Housing and Weatherization
- Senior Services
- Transportation

***APPENDIX D***

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***Audubon Area Community Services, Inc. Annual Financial Reports***

***Audubon Area Community Services, Inc. Annual Financial Report  
for Fiscal Year Ending June 30, 2014***

To view this report, please use the following hyperlink:

<http://emma.msrb.org/EP846977-EP655473-EP1057166.pdf>

***Audubon Area Community Services, Inc. Financial Statement  
for Fiscal Year Ending June 20, 2015 (Unaudited)***

See Attachment

**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
June 30, 2015

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 2,725,542
Accounts receivable	51,006
Contracts and grants receivable	3,388,597
Investments	2,861,108
Due from related organizations	16,628
Interest receivable - related	250,861
Prepaid expenses	<u>169,932</u>

**TOTAL CURRENT ASSETS** 9,463,674

**PROPERTY AND EQUIPMENT**

Land	751,876
Buildings and improvements	19,878,936
Furniture and equipment	3,021,789
Vehicles	7,609,741
	31,262,342
Less accumulated depreciation	<u>(13,416,204)</u>

**NET PROPERTY AND EQUIPMENT** 17,846,138

**OTHER ASSETS**

Deferred loan costs	<u>24,700</u>
---------------------	---------------

**TOTAL ASSETS** \$ 27,334,512

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 1,140,159
Accrued payroll	831,960
Deferred revenue	74,344
Payroll withholdings	287,198
Accrued compensated absences	603,628
Accrued interest	17,695
Insurance and workers' compensation surplus liability	403,792
Long-term debt - current portion	<u>423,220</u>

**TOTAL CURRENT LIABILITIES** 3,781,996

**LONG-TERM DEBT**

Long-term debt - net of current portion	<u>5,046,651</u>
---	------------------

**TOTAL LIABILITIES** 8,828,647

**NET ASSETS**

Unrestricted	<u>18,505,865</u>
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**TOTAL LIABILITIES AND NET ASSETS** \$ 27,334,512

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2015**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 2,725,542
Accounts receivable	51,006
Contracts and grants receivable	3,388,597
Investments	2,861,108
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Interest receivable - related	250,861
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**TOTAL CURRENT ASSETS** 9,463,674

**PROPERTY AND EQUIPMENT**

Land	751,876
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Vehicles	7,609,741
	31,262,342
Less accumulated depreciation	<u>(13,416,204)</u>

**NET PROPERTY AND EQUIPMENT** 17,846,138

**OTHER ASSETS**

Deferred loan costs	<u>24,700</u>
---------------------	---------------

**TOTAL ASSETS** \$ 27,334,512

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 1,140,159
Accrued payroll	831,960
Deferred revenue	74,344
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Accrued interest	17,695
Insurance and workers' compensation surplus liability	403,792
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**TOTAL CURRENT LIABILITIES** 3,781,996

**LONG-TERM DEBT**

Long-term debt - net of current portion	<u>5,046,651</u>
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**TOTAL LIABILITIES** 8,828,647

**NET ASSETS**

Unrestricted	<u>18,505,865</u>
--------------	-------------------

**TOTAL LIABILITIES AND NET ASSETS** \$ 27,334,512

**STATEMENT OF ACTIVITIES For  
the Year Ended June 30, 2015**

**UNRESTRICTED NET ASSETS**

**REVENUES**

Contracts and grants	\$ 33,913,942
Contributions (in-kind)	3,429,574
Local sources	963,454
Program income	1,287,797
Unrealized loss from investments	(29,274)
Gain on sale of assets	32,392
Dividend income	133,281
Interest income	<u>111,511</u>

**TOTAL REVENUES**

39,842,677

**EXPENSES**

Program services:

Early Childhood	19,832,499
Social Support	4,697,099
Transportation	8,555,677
Employment	1,574,659
Housing	<u>721,366</u>

Total program services

35,381,300

Management and general

2,104,985

**TOTAL EXPENSES**

37,486,285

**INCREASE IN UNRESTRICTED NET ASSETS**

2,356,392

**NET ASSETS AT BEGINNING OF YEAR (as restated)**

16,149,473

**NET ASSETS AT END OF YEAR**

\$ 18,505,865



**AUDUBON AREA COMMUNITY SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2015

	Program Services					Total Program Services	Management and General	Totals
	Early Childhood	Social Support	Transportation	Employment	Housing			
Salaries	\$ 8,057,659	\$ 1,523,435	\$ 2,143,599	\$ 772,829	\$ 256,741	\$ 12,754,263	\$ 908,532	\$ 13,662,795
Payroll taxes	553,372	104,668	150,259	52,219	18,840	879,358	61,574	940,932
Employee benefits	2,149,069	395,803	531,390	206,602	67,505	3,350,369	223,705	3,574,074
Accounting and auditing	-	2,931	-	900	3,913	7,744	107,256	115,000
Travel	187,495	125,368	13,301	77,529	1,581	405,274	39,863	445,137
Training	183,219	13,136	17,592	1,678	714	216,339	20,139	236,478
Occupancy	1,222,661	81,792	75,422	16,704	27,151	1,423,730	42,019	1,465,749
Office expense	577,203	90,132	128,195	5,959	18,906	820,395	165,602	985,997
Direct assistance	-	1,628,044	-	370,414	-	1,998,458	-	1,998,458
Participant support costs	1,742,897	144,153	-	5,000	890	1,892,940	-	1,892,940
Materials and supplies	3,291,220	124,584	102,280	20,120	170,863	3,709,067	-	3,709,067
Contracts and consultants	513,998	11,586	3,286,442	38,290	130,021	3,980,337	123,477	4,103,814
Insurance	147,013	2,913	139,501	294	6,271	295,992	16,610	312,602
Repairs and maintenance	375,309	11,695	1,095,120	1,147	2,193	1,485,464	14,157	1,499,621
Stipends	-	369,240	-	-	-	369,240	-	369,240
Telephone	90,539	53,198	106,129	3,342	3,947	257,155	13,975	271,130
Postage	12,139	6,411	4,964	1,632	91	25,237	2,827	28,064
Advertising	12,809	162	150	-	-	13,121	18,610	31,731
Donations	8,333	-	-	-	-	8,333	719	9,052
Interest	58,572	-	-	-	-	58,572	223,468	282,040
Amortization	1,300	-	-	-	-	1,300	-	1,300
Depreciation	647,692	7,848	761,333	-	11,739	1,428,612	122,452	1,551,064
	<u>\$ 19,832,499</u>	<u>\$ 4,697,099</u>	<u>\$ 8,555,677</u>	<u>\$ 1,574,659</u>	<u>\$ 721,366</u>	<u>\$ 35,381,300</u>	<u>\$ 2,104,985</u>	<u>\$ 37,486,285</u>

**AUDUBON AREA COMMUNITY SERVICES,  
INC.**

**STATEMENT OF CASH  
FLOWS For the Year Ended  
June 30, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase in net assets	\$ 2,356,392
Adjustment to reconcile net assets to net cash provided by operating activities:	
Depreciation	1,551,064
Amortization	1,300
Unrealized gain on investments	29,274
Gain on sale of assets	(32,392)
Change in prior period net assets	1,274,080
Change in operating assets and liabilities:	
Accounts receivable	15,207
Contracts and grants receivable	(1,695,880)
Due to/from related organizations	(5,513)
Other current assets	(168,475)
Accounts payable	236,402
Accrued payroll and withholding	87,320
Advances on contracts and grants	(338,485)
Accrued compensated absences	133,043
Accrued interest	10,818
Insurance and workers compensation surplus liability	<u>(95,441)</u>

**NET CASH PROVIDED BY OPERATING ACTIVITIES**

3,358,714

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of property and equipment	(1,070,937)
Receipts from sale of property and equipment	48,588
Purchases of investments	<u>(207,661)</u>

**NET CASH USED BY INVESTING ACTIVITIES**

(1,230,010)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Repayments of long-term debt	<u>(412,062)</u>
------------------------------	------------------

**NET CASH USED BY FINANCING ACTIVITIES**

(412,062)

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

1,716,642

**BEGINNING CASH AND CASH EQUIVALENTS**

1,008,900

**ENDING CASH AND CASH EQUIVALENTS**

\$ 2,725,542

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:**

Cash paid during year for interest	<u>\$ 282,040</u>
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*APPENDIX E*

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*Form of Final Approving Legal Opinion of Bond Counsel*

[Date of Delivery]

County of Daviess, Kentucky  
Owensboro, Kentucky

Daviess County Public Improvement Corporation  
Owensboro, Kentucky

Re: \$ \_\_\_\_\_ Daviess County Public Improvement Corporation First Mortgage Revenue Refunding Bonds  
(Audubon Area Community Services, Inc. Project), Series 2015

Gentlemen:

We are acting as Bond Counsel in connection with and have examined the transcript of proceedings (the "Transcript") relating to the issuance by the Daviess County Public Improvement Corporation (the "Issuer"), acting as an agency and instrumentality and as the constituted authority of the County of Daviess, Kentucky (the "County") of its \$ \_\_\_\_\_ First Mortgage Revenue Refunding Bonds (Audubon Area Community Services, Inc. Project), Series 2015 (the "Bonds"). The Bonds are being issued pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, particularly §§ 58.010 through 58.150, inclusive, of the Kentucky Revised Statutes, a resolution adopted by the Issuer on December 6, 2007 (the "Bond Legislation"), and a Mortgage Deed of Trust from the Corporation to U.S. Bank National Association, as trustee (the "Trustee"), dated as of November 1, 2015 (the "Mortgage"), for the purpose of refunding in advance of maturity the Issuer's outstanding First Mortgage Revenue Bonds (Audubon Area Community Services, Inc. Project), Series 2007 (the "Prior Bonds"), the proceeds of which financed the costs of the acquisition, construction, renovation, installation and equipping of an administrative facility located within the jurisdictional boundaries of the County and leased to Audubon Area Community Services, Inc., a Kentucky nonprofit corporation (the "Lessee"). In addition to the Bond Legislation, the documents in the Transcript examined include an executed counterpart of the following: (i) the Lease Agreement between the Lessee and the Issuer dated as of November 1, 2015 (the "Agreement"), (ii) the Tax Regulatory Agreement among the Lessee, the Issuer and U.S. Bank National Association, as trustee (the "Trustee") dated as of November 1, 2015 (the "Tax Regulatory Agreement"); and (iii) the Mortgage. We have also examined executed Bond R-1.

Reference is made to the Bond Legislation and the Bond form contained in the Mortgage for a description of the terms of the Bonds.

Based on such examination, we are of the opinion that, under the law existing on the date of this opinion:

1. The Corporation is a duly organized and existing nonprofit no-stock corporation, organized and existing under the provisions of Chapter 58 and Chapter 273 of the Kentucky Revised Statutes to act as the agency and instrumentality of the County.

2. The Bonds, the Agreement, the Mortgage and the Tax Regulatory Agreement are legal, valid and binding obligations of the Issuer, assuming their due authorization, execution and delivery by the other parties thereto, and are enforceable in accordance with their respective terms, except that the binding effect and enforceability thereof are subject to existing laws, regulations, rulings and judicial decisions affecting remedies and applicable bankruptcy, insolvency, reorganization, moratorium, and other laws in effect from time to time affecting the rights of creditors generally.

3. The Bonds constitute special obligations of the Issuer, and the principal of and interest and any premium of the Bonds (collectively, "debt service"), are payable solely from the revenues and other moneys pledged and assigned by the Mortgage to secure that payment, including the payments required to be made by the Lessee under the Agreement. The Bonds and the payment of debt service are not secured by an obligation or pledge of any moneys raised by taxation and the Bonds do not represent or constitute a debt or pledge of the faith and credit of the Commonwealth of Kentucky nor any political subdivision or independent agency thereof, including the Issuer and the County.

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

5. The Issuer and the County have designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code.

6. Under Kentucky law as of the date hereof including existing statutes, regulations, rulings and, judicial decisions, interest on the Bonds is exempt from income taxation by the Commonwealth of Kentucky and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

7. The Bonds are exempt securities under the Securities Act of 1933, as amended (the "1933 Act"), and the Bonds therefore may be sold without the necessity of registration under the 1933 Act.

This opinion is based upon laws, regulations, rulings and decisions in effect on the date hereof. In giving this opinion, we have relied upon covenants and certifications of facts, estimates and expectations made by the Corporation, the County, the Lessee and others which we have not independently verified. We have also relied upon the opinion of Sullivan, Mountjoy, Stainback & Miller, P.S.C., as counsel for the Lessee, contained in the Transcript, as to all matters concerning the due authorization, execution and delivery by, and, the binding effect upon and enforceability against the Lessee of the Agreement and the Tax Regulatory Agreement. It is to be understood that the enforceability of the Bonds, the Mortgage and the Lease may be subject to bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting creditors' rights, and to exercise of judicial discretion in accordance with general principles of equity.

Very truly yours,

**OFFICIAL TERMS AND CONDITIONS OF BOND SALE**  
**Approximately \$4,340,000**  
**Daviess County Public Improvement Corporation**  
**First Mortgage Revenue Refunding Bonds (Audubon Area Community Services, Inc. Project), Series**  
**2015**

**Dated Date of Delivery (anticipated December 2, 2015)**

As advertised in conformity with Chapter 424 of the Kentucky Revised Statutes, the Daviess County Public Improvement Corporation (the "Corporation"), acting as the agency and instrumentality of and on behalf of the County of Daviess, Kentucky (the "County"), will until the November 17, 2015 at 11:00 A.M., C.S.T (or at such later time and date announced at least twenty-four hours in advance via the BiDCOMP™/PARITY™ system), receive in the Office of the County Treasurer, Daviess County Courthouse, 212 St. Ann Street, Room 202, Owensboro, Kentucky 42302, sealed, competitive bids for the purchase of the following Bonds, subject to the following terms and conditions:

1. Description of Bonds - The Bonds offered for sale are Four Million Three Hundred Forty Thousand Dollars (\$4,340,000\*) principal amount of "Daviess County Public Improvement Corporation First Mortgage Revenue Refunding Bonds (Audubon Area Community Services, Inc. Project), Series 2015" dated date of initial issuance and delivery (anticipated to be December 2, 2015) (the "Bonds"), being fully registered Bonds of the denominations of \$5,000 and any integral multiple of \$5,000, maturing as to principal on January 1, 2017, and each January 1 thereafter through and including January 1, 2028.
2. Subject to Permitted Adjustment increasing or decreasing the principal amount of the Bonds to be sold as set forth in Section 4(c) below.

The Bonds are subject to redemption prior to their stated maturities, as described in the Official Statement.

Principal and interest will be payable at the principal office of U.S. Bank National Association, Louisville, Kentucky (the "Trustee"). 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 January 1 and July 1 of each year, beginning July 1, 2016.

The authority, purpose, security and source of payment of the Bonds, and the application of the proceeds thereof, are described in the Official Statement of the Corporation, reference to which is hereby made.

1. Time of Sale - Bids for the Bonds will be opened, and acted upon, by the President of the Corporation, on the date and at the time above set out.
2. Sale Conditions -
  - (t) Bids shall be for the entire issue and shall be made on the Official Bid Form in order to provide for uniformity in submission of bids and ready determination of the lowest and best bid. Electronic bids shall be submitted via the BiDCOMP™/PARITY™ system.
  - (u) Bids shall be for cash and for the entire issue at not less than \$4,296,600 (99.00% of par), PAYABLE IN FEDERAL FUNDS.
  - (v) The determination of the best purchase bid for said Bonds shall be made on the basis of all bids submitted for exactly \$4,340,000 principal amount of Bonds offered for sale under the terms and conditions herein specified; provided, however, the Corporation reserves the right to increase or decrease the total

principal amount of the Bonds sold to such best bidder by up to \$435,000, with such increase or decrease made in any maturity, and the total amount of Bonds awarded to such bidder will be a minimum of \$3,905,000 or a maximum of \$4,775,000. In the event of such adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price at which such adjusted principal amount of Bonds will be sold will be at the same price per \$1,000 of Bonds as the price per \$1,000 for the \$4,340,000 of Bonds bid.

- (w) The successful purchaser shall be required (without further advice from the Corporation) to wire transfer an amount equal to 2% of the principal amount of Bonds awarded to the Trustee by the close of business of the day following the award as a good faith deposit. Said amount will be applied (without interest) to the purchase price upon delivery and will be forfeited if the purchaser fails to take delivery.
- (x) Bidders must stipulate an interest rate or rates in multiples of 1/8, 1/10 or 1/20 of 1%.
- (y) 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.
- (z) The right to reject bids for any reason deemed advisable by the Board of Directors of the Corporation and the right to waive any possible informalities or irregularities in any bid which in the judgment of the Board of Directors shall be minor or immaterial is expressly reserved.

3. Additional Sale Provisions -

- (a) The Bonds are being offered and are to be issued subject to, and the Corporation will furnish to the purchaser upon Bond delivery, the approving legal opinion of Bond Counsel, Dinsmore & Shohl LLP, attorneys at law, as to the due and proper authorization, validity and tax-exempt status of the Bonds and interest thereon as more particularly described in the Official Statement, to which reference is made. The Corporation will also furnish, at its own expense, the printed Bonds, together with customary closing documents, including no-litigation certificate.
- (b) The Bonds are offered for sale on the basis of the principal not being subject to Kentucky ad valorem taxation and on the basis of the interest on the Bonds being excludable from gross income for Federal and Kentucky income taxation on the date of their delivery to the successful bidder, subject to the further exceptions, assumptions and provisions of the Official Statement. The Bonds have been designated by the County and the Corporation as an issue of "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986. If, prior to the delivery of the Bonds, any event should occur which alters such tax-exempt and other status, the purchaser shall have the privilege of avoiding the purchase contract by giving immediate written notice to the Treasurer of the Corporation, whereupon the good faith check of the purchaser will be returned to the purchaser, and all respective obligations of the parties will be terminated.

- (c) The President of the Corporation will accept a bid or reject all bids on the date stated at the beginning of this Official Terms and Conditions of Bond Sale.
- (d) Electronic bids for the Bonds must be submitted through [BiDCOMP™/PARITY™](#) system and no other provider of electronic bidding services will be accepted. Subscription to the [BiDCOMP™/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 [BiDCOMP™/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 [BiDCOMP™/PARITY™](#) conflict with the terms of the Official Terms and Conditions of Bond Sale, this Official Terms and Conditions of Bond Sale shall prevail. Electronic bids made through the facilities of [BiDCOMP™/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 [BiDCOMP™/PARITY™](#). The use of [BiDCOMP™/PARITY™](#) facilities are at the sole risk of the prospective bidders. Notwithstanding the foregoing non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form. Written sealed bids (in a sealed envelope marked "Official Bid for Bonds" or facsimile bids for the Bonds by the designated time will be received at the office of the County Treasurer, 212 St. Ann Street, Room 202, Owensboro, Kentucky 42302, FAX: 270-685-8469. The Official Bid Form, together with a Preliminary Official Statement, may be obtained at the office of the Financial Advisor, First Kentucky Securities Corporation, 377 East Main Street, Lexington, Kentucky 40507, Attention Mr. Stan Kramer (859) 425-1100.
- (e) The purchaser will be required to take delivery of and pay for the Bonds on a date to be designated by the Corporation which is expected to be on or about December 2, 2015 and upon notice being given by the Corporation or its Financial Advisor at least seven (7) business days prior to the designated delivery date. Delivery of the Bonds, other than through the book-entry system of The Depository Trust Company, will be made at the expense of the purchaser.
- (f) Prospective bidders are advised that First Kentucky Securities Corporation has been employed as Financial Advisor in connection with the issuance of the Bonds. Their fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof. Bidders may submit a bid for the purchase of the Bonds at the time of the advertised public sale, either individually or as a member of a syndicate organized to submit a bid for the purchase of the Bonds.
- (g) CUSIP identification numbers will be printed on the Bonds at the expense of the Corporation. 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 the Bonds in accordance with the terms of any accepted proposal for the purchase of the Bonds.

- (h) The Corporation will provide to the successful purchaser a Final Official Statement in accordance with SEC Rule 15c2-12. A final Official Statement will be provided in Electronic Form to the successful bidders, in sufficient time to meet the delivery requirements of the successful bidders under SEC and Municipal Securities Rulemaking Board Delivery Requirements. The successful bidders will be required to pay for the printing of Final Official Statements.
- (i) The purchasers of the Bonds will be required to certify to the Corporation as to certain of their activities regarding any reoffering to the public of the Bonds, including any reoffering prices. This information from the purchasers of the Bonds shall also be made available to the Financial Advisor immediately after the sale of the Bonds.
- (j) PURCHASER'S OPTION:
  - a. The Purchaser of the Bonds may specify to the Corporation that any of the Bonds may be combined with immediately succeeding sequential maturities into a Term Bond or Term Bonds, bearing a single rate of interest, with the maturities set forth above (or as may be adjusted as provided herein) comprising mandatory sinking fund redemption amounts for such Term Bond(s).
  - b. If the successful bidder desires to obtain insurance guaranteeing the payment of the principal and/or interest on the Bonds, the Corporation agrees that it will cooperate with the successful bidder in obtaining such insurance, but all of the expenses and charges in connection therewith shall be borne by such bidder and the Corporation shall not be liable to any extent therefor.
  - c. The successful bidder may likewise elect to notify the Financial Advisor within twenty-four (24) hours of the award that standard bond certificates be issued. If no such election is made the Bonds will be delivered using the BOOK-ENTRY-ONLY-SYSTEM administered by The Depository Trust Company.

By: /s/ Al Mattingly

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President

Daviess County Public Improvement Corporation

**OFFICIAL BID FORM**

November 17, 2015

President and Members of the Board of Directors  
 Daviess County Public Improvement Corporation  
 Daviess County Courthouse, 212 St. Ann Street, Room 202  
 Owensboro, Kentucky 42303

Subject to the Official Terms and Conditions of Bond Sale in respect to the \$4,340,000 "Daviess County Public Improvement Corporation First Mortgage Revenue Refunding Bonds (Audubon Area Community Services, Inc. Project), Series 2015", dated date of initial issuance and delivery, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase said Bonds.

We hereby bid for said \$4,340,000 principal amount of Bonds the total sum of \$\_\_\_\_\_ (not less than \$4,296,600) at the following interest rates:

<u>Maturity</u> <u>January 1</u>	<u>Principal</u> <u>Amount*</u>	<u>Serial</u> <u>Bond</u> <u>Rate</u>	<u>Term</u> <u>Bond</u> <u>Rate</u>	<u>Maturity</u> <u>January 1</u>	<u>Principal</u> <u>Amount*</u>	<u>Serial</u> <u>Bond</u> <u>Rate</u>	<u>Term</u> <u>Bond</u> <u>Rate</u>
2017	\$320,000	_____	_____	2023	\$360,000	_____	_____
2018	335,000	_____	_____	2024	370,000	_____	_____
2019	335,000	_____	_____	2025	380,000	_____	_____
2020	340,000	_____	_____	2026	390,000	_____	_____
2021	345,000	_____	_____	2027	400,000	_____	_____
2022	355,000	_____	_____	2028	410,000	_____	_____

\*We understand this bid may be accepted for as much as \$4,775,000 of Bonds or as little as \$3,905,000 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 by the President of the Corporation at the time of acceptance of the best bid.

It is understood that the Corporation will furnish the final, approving Legal Opinion of Dinsmoe & Shohl LLP, Bond Counsel.

**Bids may be submitted electronically via BiDCOMP™/PARITY™ pursuant to this Notice until the appointed date and time, but no bid will be received after such time. Notwithstanding the foregoing, completed bid forms may be submitted via hand delivery or facsimile to the offices of the County Treasurer at Daviess County Courthouse, 212 St. Ann Street, Room 202, Owensboro, Kentucky 42303 (FAX: 270-685-8469). Neither the Corporation nor the Financial Advisor assumes any responsibility whatsoever with regard to the receipt of bids. Bidders have the sole responsibility of assuring that their bids have been received via facsimile or delivered before the appointed date and time of sale. Any bids in progress by facsimile at the appointed time will be considered as received by the appointed time. No bids will be received via telephone.**

**PURCHASER'S OPTION –**

(1) Bidders may specify to the Corporation that any of the Bonds may be combined with immediately succeeding sequential maturities into a Term Bond or Term Bonds, bearing a single rate of interest, with the maturities set forth above (or as may be adjusted as provided herein) comprising mandatory sinking fund redemption amounts for such Term Bond(s).

(2) If the successful bidder desires to obtain insurance guaranteeing the payment of the principal and/or interest on the Bonds, the Corporation agrees that it will cooperate with the successful bidder in obtaining such insurance, but all of the expenses and charges in connection therewith shall be borne by such bidder and the Corporation shall not be liable to any extent therefor.

(3) The successful bidder may likewise elect to notify the Financial Advisor within twenty-four (24) hours of the award that standard bond certificates be issued. If no such election is made the Bonds will be delivered utilizing the BOOK-ENTRY-ONLY-SYSTEM administered by The Depository Trust Company.

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer to the Trustee, 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

