

# PRELIMINARY OFFICIAL STATEMENT

Dated February 26, 2002

(Bonds to be sold March 7, 2002, 11:00 a.m. C.S.T.)

## BOOK-ENTRY-ONLY-SYSTEM

Non Bank Qualified

Rating: Moody's " "   
 See Ratings herein

In the opinion of Bond Counsel, under existing law (i) interest on the Bonds will be excludable from gross income of the holders thereof for purposes of federal income taxation and (ii) interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, all subject to the qualifications described herein under the heading "TAX EXEMPTION." 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 its political subdivisions.

**\$7,110,000\***

### **CITY OF OWENSBORO, KENTUCKY GENERAL OBLIGATION PUBLIC PROJECT REFUNDING AND IMPROVEMENT BONDS SERIES 2002B**

Dated: March 1, 2002

Due: September 1, as shown below

The Bonds will be issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds. Accordingly, principal, interest and premium, if any, on the Bonds will be paid by Fifth Third Bank, Cincinnati, Ohio, as Paying Agent and Registrar, directly to DTC or Cede & Co., its nominee. DTC will in turn remit such principal, interest or premium to the DTC Participants (as defined herein) for subsequent distribution to the Beneficial Owners (as defined herein) of the Bonds. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof, and will bear interest payable on September 1, 2002 and thereafter semiannually on each March 1 and September 1.

The Bonds maturing on and after September 1, 2013, shall be subject to prior redemption at the option of the City on and after September 1, 2012, as discussed herein.

#### SCHEDULE OF MATURITIES

<u>Due</u>	<u>Cusip #</u> <u>690887</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>Due</u>	<u>Cusip #</u> <u>690887</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>
9/1/02		\$250,000			9/1/12		\$345,000		
9/1/03		255,000			9/1/13		365,000		
9/1/04		260,000			9/1/14		375,000		
9/1/05		270,000			9/1/15		395,000		
9/1/06		280,000			9/1/16		410,000		
9/1/07		290,000			9/1/17		430,000		
9/1/08		300,000			9/1/18		445,000		
9/1/09		310,000			9/1/19		470,000		
9/1/10		320,000			9/1/20		495,000		
9/1/11		330,000			9/1/21		515,000		

(Plus accrued interest-when issued)

**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 City deems this Official Statement to be final for purposes of Security and Exchange Commission Rule 15c2-12.

The Bonds are offered when, as and if issued, subject to the approval of legality and tax exemption by Peck, Shaffer & Williams LLP, Bond Counsel, Covington, Kentucky. Certain legal matters have been passed upon for the City by David Fowler, Esq., City Attorney. The Bonds are expected to be available for delivery on or about March 21, 2002.

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

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 2001 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.

**CITY OF OWENSBORO, KENTUCKY**

**Mayor**

Waymond Morris

**Board of Commissioners**

Charles A. Castlen

Olive J. Burroughs

James R. Wood

Bill Van Winkle

**City Manager/Administrator**

Ronald L. Payne

**Finance Director**

J. T. Fulkerson

**City Attorney**

David C. Fowler

**City Clerk**

Carol Blake

**BOND COUNSEL**

Peck, Shaffer & Williams LLP

Covington, Kentucky

**FINANCIAL ADVISOR**

First Kentucky Securities Corporation

Frankfort, Kentucky

**PAYING AGENT/BOND REGISTRAR/ESCROW AGENT**

Fifth Third Bank

Cincinnati, Ohio

## REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the City. No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representation, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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 City since the date hereof.

Upon issuance, the Bonds will not be registered by the City 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 City will have, at the request of the City, 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 City 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 City. 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 City preliminary to sale of the Bonds should be regarded as part of the City'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 City'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; "City" means the City of Owensboro; and "State" or "Kentucky" means the Commonwealth of Kentucky.

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- Appendix A: City of Owensboro Demographic, Economic and Financial Data
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- Appendix D: Statement of Indebtedness of the City
- Appendix E: Form of Final Approving Legal Opinion of Bond Counsel

Bid Form  
Terms and Conditions of Bond Sale

**PRELIMINARY OFFICIAL STATEMENT**

**\$7,110,000\***

**CITY OF OWENSBORO, KENTUCKY  
GENERAL OBLIGATION PUBLIC PROJECT REFUNDING AND IMPROVEMENT BONDS  
SERIES 2002B**

**Dated Date: March 1, 2002**

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to provide certain information with respect to the issuance of \$7,110,000\* aggregate principal amount of General Obligation Public Project Refunding and Improvement Bonds, Series 2002B (the "Bonds") of the City of Owensboro, Kentucky (the "City") as specified on the cover hereof.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Bonds to potential investors is made only by means of the entire Official Statement.

***The Issuer***

The Bonds are being issued by the City of Owensboro, Kentucky, a municipal corporation and political subdivision of the State of Kentucky. The City is in Daviess County in Central Kentucky.

***Sources of Payment for the Bonds***

The Bonds are general obligation debt of the City. The basic security for the Bonds is the City's ability to levy an annual tax to pay the interest on and principal of the Bonds as and when the same become due and payable. (See "Security and Source of Payment for the Bonds," herein).

***Purpose of the Bonds***

The Bonds are being issued for the purpose of (i) refunding in advance of maturity the outstanding principal amount of a Fixed Rate Lease Purchase Agreement dated as of December 30, 1993 between the City and the Kentucky Municipal Finance Corporation ("Prior Obligations"), (ii) financing the renovation of the Owensboro Riverpark Center (see "The Project" for more detail), and (iii) paying the costs of issuing the Bonds.

***Description of the Bonds***

The Bonds mature as indicated on the cover page hereof. The Bonds are being offered in fully registered form in denominations of \$5,000 or any integral multiple thereof (within the same maturity).

***Redemption***

The Bonds maturing on and after September 1, 2013 are subject to optional redemption prior to maturity, commencing September 1, 2012 (see "DESCRIPTION OF THE BONDS - Optional Redemption", herein).

In the event any Bonds are called for redemption, notice shall be given by mailing a copy of the redemption notice at least thirty (30) days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed (see "DESCRIPTION OF THE BONDS - Notice of Redemption", herein).

***Book Entry***

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

\*Preliminary, Subject to Permitted Adjustment.

DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need of physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the "Indirect Participants").

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

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

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

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

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

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

The City and the Paying Agent and Registrar cannot and do not represent or give any assurances that DTC, the DTC Participants or Indirect Participants or others will distribute payments of debt service charges on the Bonds paid to DTC or its nominee, as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.

### ***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 City has ***not*** 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 Registrar, Paying Agent and Escrow Agent is Fifth Third Bank, Cincinnati, Ohio. 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 Peck, Shaffer & Williams LLP, Covington, Kentucky, Bond Counsel. The Financial Advisor to the City is First Kentucky Securities Corporation.

### ***Authority for Issuance***

Authority for the issuance of the Bonds is provided by Sections 66.011 through 66.171 of the Kentucky Revised Statutes and an ordinance (the "Ordinance") adopted by the Board of Commissioners of the City on March 5, 2002.

### ***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 City 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 City.

The City 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

### ***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 City of Owensboro, 305 Ann Street, Suite 400, Frankfort, Kentucky 40602, telephone (502) 875-4611 Attn: Stan Kramer.

## **DESCRIPTION OF THE BONDS**

The Bonds are dated March 1, 2002 and bear interest from March 1, 2002 at the rates set forth on the cover page of this Official Statement. The Bonds are being issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof.

Interest on the Bonds is payable semi-annually on September 1 and March 1, commencing September 1, 2002.

### ***Optional Redemption***

The Bonds maturing on and after September 1, 2013 are subject to optional redemption on any interest payment date on and after September 1, 2012 in whole or in part, in inverse order of maturity and by lot within any maturity, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued interest to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
September 1, 2012 through August 31, 2013	101.0%
September 1, 2013 and thereafter	100.0%

### ***Notice of Redemption***

If less than all Bonds which are payable by their terms on the same date are to be called, the particular Bonds or portions of Bonds payable on such same date and to be redeemed from such series shall be selected by lot by the Registrar and Paying Agent, in such manner as the Registrar and Paying Agent in its discretion may determine; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof, and that, in selecting Bonds for redemption, the Registrar and Paying Agent shall treat each bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

At least thirty (30) days before the redemption date of any Bonds the Registrar and Paying Agent shall cause a notice of such redemption either in whole or in part, signed by the Registrar and Paying Agent, to be mailed, postage prepaid, to all registered owners of Bonds to be redeemed in whole or in part at their addresses as they appear on the registration books kept by the Registrar and Paying Agent, but failure so to mail any such notice shall not affect the validity of the proceedings for such redemption. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Bonds being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive numbers or letters, if any, of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. In case any Bond is to be redeemed in part only, the notice of redemption which relates to such Bond shall state also that on or after the redemption date upon surrender of such Bonds, a new Bond in principal amount equal to the unredeemed portion of such Bonds will be issued.

On the date so designated for redemption, notice having been sent in the manner and under the conditions hereinabove provided and moneys for payment of the redemption price being held in separate accounts by the Registrar and Paying Agent for the holders of the Bonds or portions thereof to be redeemed, the Bonds or portions of Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Bonds or portions of Bonds on such date, interest on the Bonds or portions of Bonds so called for redemption shall cease to accrue, and the holders or registered owners of such Bonds or portions of Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof and to receive Bonds for any unredeemed portions of Bonds.

In case part but not all of an outstanding Bond shall be selected for redemption, the registered owner thereof or his attorney or legal representative shall present and surrender such Bond to the Registrar and Paying Agent for payment of the principal amount hereof so called for redemption, and the City shall execute and the Registrar and Paying Agent shall authenticate and deliver to or upon the order of such registered owner or his legal representative, without charge therefor, for the unredeemed portion of the principal amount of the Bond so surrendered a Bond of the same series and maturity and bearing interest at the same rate.

### ***Security and Source of Payment for Bonds***

The Bonds are general obligations of the City and the full faith, credit and taxing power of the City is irrevocably pledged to the payment of principal of and interest on the Bonds when due.

The basic security for the general obligation debt of the City, including the Bonds, is the City's ability to levy, and its pledge to levy, an annual tax to pay the interest on and principal of the Bonds as and when the same become due and payable. The tax must be levied in sufficient amount to pay, as the same become due, the principal of and interest on the Bonds as well as the principal of and interest on all outstanding general obligation bonds and bond anticipation notes of the City. The Constitution of the State mandates the collection of a tax sufficient to pay the interest on an authorized indebtedness and the creation of a sinking fund for the payment of the principal thereof. The Ordinance levies such



annual tax which shall be collected to the extent other lawfully available moneys of the City are not provided. The Ordinance also creates a sinking fund into which the proceeds of such tax or other lawfully available moneys of the City are to be deposited for payment of the interest on and principal of the Bonds and shall not be used for any other purpose.

Pursuant to KRS 91A.350, the Tourism Commission may collect a transient room tax, not to exceed one percent (1%), to be used for debt service applicable to capital projects that promote tourism. The City, in conjunction with the County, is currently reviewing this legislation. The tax, if instituted, is estimated to produce \$250,000 annually, and would be used as an additional source of revenue for the retirement of the Bonds. At this time there can be no assurance the tax will be implemented.

Chapter 9 of the Federal Bankruptcy Code contains provisions relating to the adjustment of debts of a State's political subdivisions, public agencies and instrumentalities ("eligible entity"), such as the City. Under the Bankruptcy Code and in certain circumstances described therein, an eligible entity may be authorized to initiate Chapter 9 proceedings without prior notice to or consent of its creditors, which proceedings may result in material and adverse modification or alteration of the rights of its secured and unsecured creditors, including holders of its bonds and notes.

Section 66.400 of the Kentucky Revised Statutes permits a political subdivision, such as the City, for the purpose of enabling such subdivision to take advantage of the provisions of the Bankruptcy Code, and for that purpose only, to file a petition stating that the subdivision is insolvent or unable to meet its debts as they mature, and that it desires to effect a plan for the composition or readjustment of its debts, and to take such further proceedings as are set forth in the Bankruptcy Code as they relate to such subdivision. No taxing subdivision is permitted, in availing itself of the provisions of the Bankruptcy Code, to scale down, cut down or reduce the principal sum of its securities except that interest thereon may be reduced in whole or in part.

### **THE PROJECT AND REFUNDING PLAN**

The Bonds are being issued for the purpose of (i) refunding the Prior Obligations (see "INTRODUCTION - Purpose of the Bonds", herein), (ii) financing the renovation of the Owensboro Riverpark Center, and (ii) paying certain costs related to the issuance of the Bonds.

A portion of the proceeds of the Bonds will be deposited in a separate and distinct escrow fund to be held by Fifth Third Bank, as escrow agent, the ("Escrow Trustee"), under an Escrow Trust Agreement (the "Escrow Agreement") dated as of March 1, 2002 between the City and the Escrow Trustee. The Escrow Trustee will apply a portion of the money on deposit in the escrow fund established under the Escrow Agreement to the purchase of certain direct obligations of the United States of America (the "United States Treasury Obligations"), which will 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 pay the principal of and interest on the Prior Obligations as same becomes due and to redeem the Prior Obligations on June 15, 2003 (the correlative remarketing Bonds are to be mandatorily redeemed on July 1, 2003), at a redemption price of 102% of the principal amount thereof plus accrued interest on the Prior Obligations to the redemption date. See "VERIFICATION OF MATHEMATICAL ACCURACY" herein. Upon the making of the foregoing deposits with the Escrow Trustee, the Prior Obligations will no longer be deemed to be outstanding for purposes of the documents under which the Prior Obligations were issued.

A portion of the proceeds of the Bonds will be used to renovate the exterior of the Owensboro Riverpark Center building and to make drainage system improvements within the building. The Prior Obligations financed the original construction of the Owensboro Riverpark Center.

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

##### **Sources of Funds**

Par Amount of Bonds  
Total

##### **Uses of Funds**

Deposit to Construction Fund  
Deposit to Escrow Fund  
Underwriter's Discount  
Costs of Issuance  
Rounding Amount  
Total

## INVESTMENT CONSIDERATIONS

The Bonds, like all obligations of state and local government, are subject to changes in value due to changes in the condition of the tax-exempt bond market and/or changes in the financial condition of the City.

Prospective purchasers of the Bonds may need to consult their own tax advisors prior to any purchase of the Bonds as to the impact of the Internal Revenue Code of 1986, as amended, upon their acquisition, holding or disposition of the Bonds.

It is possible under certain market conditions, or if the financial condition of the City should change, that the market price of the Bonds could be adversely affected.

With regard to the risk involved in a lowering of the City's bond rating, see "RATINGS" herein. With regard to creditors' rights, see "SECURITY AND SOURCE OF PAYMENT FOR BONDS" herein.

## PROFILE OF THE CITY AND SURROUNDING AREA

Demographic, economic and financial information with respect to the City and the surrounding area is set forth in Appendix A hereto.

## CITY GOVERNMENT

### *Organization and Major Offices*

The City operates pursuant to the general statutes of the Commonwealth of Kentucky governing municipalities.

### *Elected and Appointed Officials*

The City operates under a City Manager form of government. The Owensboro Board of Commissioners (the "Board") is made up of a Mayor and four Commissioners elected at large by the citizens on a non-partisan ballot. The Mayor is elected for a four-year term and Commissioners for a two-year term. The Mayor and Commissioners have equal voting power.

The Board sets the policies that govern the City. It appoints advisory citizen groups that help in the decision making process. The City Manager is hired by the Board and is responsible for the day-to-day operations of the City's employees. The department managers are responsible for their various departments and report to the City Manager.

### *Financial Matters*

The Finance Director is the chief fiscal officer of the City, and is appointed by and serves at the pleasure of the Board. The Finance Director is responsible for the accounting, collection, custody and disbursement of the funds of the City.

The City's fiscal year commences July 1 and ends the following June 30.

The administrative functions of the City are performed by or under the supervision of the following:

1. Establishment of overall financial policy, the Board.
2. Planning and development, the Mayor and Manager.
3. Assessment of real and personal property, the Daviess County Property Valuation Administrator.
4. Financial control functions, the Manager and the Finance Director.
5. Inspection and supervision of the accounts and reports of the City as required by law, by the Auditor of Public Accountants and by independent certified public accountants.

### ***Financial Management***

The Board is responsible for appropriating the funds used to support the various City activities. The Board exercises its legislative powers by budgeting, appropriating, levying taxes, issuing bonds and notes, and letting contracts for public works and services to provide this financial management.

### ***Financial Reports and Examinations of Accounts***

Each city in the State is required to keep its accounting records and render financial reports in such a way as to: (a) determine compliance with statutory provisions; (b) determine fairly and with full disclosure the financial operations of consistent funds and account groups of the city in conformity with generally accepted governmental accounting principles; and (c) readily provide such financial data as may be required by the federal revenue sharing program.

Municipal accounting systems are required to be organized and operated on a fund basis. The City maintains its accounts and other fiscal records on an appropriation and modified accrual basis in accordance with the procedures established and prescribed by the Kentucky Department for Local Government.

As required by law, financial reports are prepared annually by the City and filed with the Kentucky Department of Local Government. Audits are required to be completed by the February 1st immediately following the fiscal year being audited.

The accounting procedures prescribed by the Kentucky Department of Local Government are generally applicable to all cities in Kentucky and may be different from generally accepted government accounting principles as presented and recommended in the National Council on Governmental Accounting publication "Governmental Accounting Auditing and Financial Reporting," and the Industry Audit Guide of the American Institute of Certified Public Accountants, entitled "Audits of State and Local Governmental Units." Those publications, among other things, provide for a modified accrual basis of accounting for the general fund, all special revenue funds and the debt service fund, and for a full accrual basis of accounting for all other funds, and further provide for the preparation for each fund of balance sheets, statements of revenues and expenditures, and statements showing changes in fund balances.

### ***Budgeting and Appropriations Procedures***

Detailed provisions for City budgeting, tax levies and appropriations are made in the Kentucky Revised Statutes. Cities are required to operate under an annual budget ordinance and no City may expend any moneys from a governmental or proprietary fund except in accordance with such budget. A budget proposal must be submitted to the City's legislative body no later than 30 days prior to the beginning of the fiscal year covered by the budget. No budget ordinance may be adopted which provides for appropriations to exceed revenues in a fiscal year. The full amount estimated to be required for debt service during the budget year must be appropriated.

### ***Investment Policies***

Section 66.480 of the Kentucky Revised Statutes sets forth the requirements and limitations for investments of the state's political subdivisions, including the City. Under that Section, the City must adopt an investment policy and may invest its funds only in the classifications of obligations which are eligible for investment, which are as follows:

- (a) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including, but not limited to, national or state banks chartered in 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 governmental agency, including but not limited to:
  - 1. United States Treasury;
  - 2. Export-Import Bank of the United States;
  - 3. Farmers Home Administration;
  - 4. Governmental National Mortgage corporation; and
  - 5. Merchant Marine bonds;

Obligations of any corporation of the United States government, including but not limited to:

1. Federal Home Loan Mortgage Corporation;
  2. Federal Farm Credit Banks;
  3. Bank for Cooperatives;
  4. Federal Intermediate Credit Banks;
  5. Federal Land Banks;
  6. Federal Home Loan Banks;
  7. Federal National Mortgage Association; and
  8. 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 any obligations permitted by KRS 41.240(d);
- (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 of agency thereof, in the United States, and rated in one (1) of the three highest categories by a nationally recognized rating agency; and
- (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 eligible investments pursuant to this section.

***Debt Limitation***

Kentucky Constitution Section 158 provides that cities shall not incur indebtedness to an amount exceeding the following maximum percentages on the value of the taxable property therein, to be estimated by the last assessment previous to the incurring of the indebtedness:

- (a) Cities having a population of fifteen thousand (15,000) or more, ten percent (10%);
- (b) Cities having a population of less than fifteen thousand (15,000) but not less than three thousand, five percent (5%);  
and
- (c) Cities having a population of less than three thousand (3,000), three percent (3%).

Nothing shall prevent the issue of renewal bonds, or bonds to fund the floating indebtedness of any city, county, or taxing district. Subject to the limits and conditions set forth in that section and elsewhere in the Constitution, the General Assembly has the power to establish additional limits on indebtedness and conditions under which debt may be incurred by cities.

KRS 66.041 provides the same limitations as are set forth in the Constitution except that the limitations apply to "net indebtedness". In calculating "net indebtedness," KRS 66.031 provides that certain obligations of a municipality are not to be considered in the calculation, including self-supporting obligations, revenue bonds, and special assessment debt. (For a complete list of exempt debt see the Statement of Indebtedness attached as Appendix D.)

Other infrequently-issued types of obligations are also excluded from the calculation of net indebtedness. The City has no such obligations outstanding. Notes issued in anticipation of bonds excluded from the calculation of net indebtedness are also excluded from such calculation.

Appendix D of this Official Statement is a Statement of Indebtedness for the City, certified by the City, calculating the amount of the outstanding obligations of the City (including the Bonds) which are subject to the total direct debt limit (10% limit). The total principal amount of general obligation debt that could be issued by the City, subject to the 10% total direct debt limitation is \$216,097,479 and the City's net debt subject to such limitation presently outstanding (including the Bonds) is \$12,385,000, leaving a balance of approximately \$203,712,479 borrowing capacity issuable within such limitation.

However, as described below, the City's ability to incur debt in these amounts is restricted by tax limitations. In the case of general obligation debt, both the debt limitations and tax limitations must be met.

### ***Tax Limitation***

The Kentucky Constitution Section 157 also indirectly imposes a debt limitation on general obligation indebtedness of Cities by limiting the tax rates cities may impose upon the value of taxable property, as follows:

- (a) cities having a population of fifteen thousand or more, one dollar and fifty cents on each hundred dollars of assessed value;
- (b) cities having a population of less than fifteen thousand and not less than ten thousand, one dollar on each hundred dollars of assessed value; and
- (c) cities having a population of less than ten thousand, seventy-five cents on the hundred dollars.

Section 159 of the Kentucky Constitution requires the collection of an annual tax sufficient to pay the interest on contracted indebtedness and to retire indebtedness over a period not exceeding forty years. The two constitutional provisions operate as a limit on general obligation debt. Because the indirect debt limit results from tax limitations and the requirement to levy taxes to pay debt charges, it has application only to debts which are payable from taxes either initially or in the event other pledged non-tax revenues prove to be insufficient. It does not have any application where the type of debt being issued does not pledge the credit of the municipality or when the debt is payable solely out of the revenues of non-tax sources, such as utility income.

Appendix D of this Official Statement contains a Statement of Indebtedness, certified by the City, setting forth the property tax rate currently levied by the City (.2472) and certifying that the issuance of the Bonds will not cause such rate to increase to an amount which would exceed the maximum permissible rate.

### ***Bond Anticipation Notes***

Under Kentucky law, notes, including renewal notes, issued in anticipation of general obligation bonds may be issued from time to time upon the same terms and conditions as bonds except that notes may be sold by private negotiated sale in a manner determined or authorized by the legislative authority.

The ability of the City to retire bond anticipation notes from the proceeds of the sale of either renewal notes or bonds will be dependent upon the marketability of such renewal notes or bonds under market conditions then prevailing.

### ***Future Borrowings of the City***

The City is contemplating storm sewer improvements, although no definite plans have been made.

## LEGAL MATTERS

### *General Information*

Legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status thereof are subject to the approving legal opinion of Peck, Shaffer & Williams LLP, Bond Counsel. Upon delivery of the Bonds of the City to the successful bidder therefor, the Bonds will be accompanied by an approving opinion dated the date of such delivery, rendered by Peck, Shaffer & Williams LLP. A draft of such legal opinion for the Bonds is attached as Appendix E.

Said firm as Bond Counsel has performed certain functions to assist the City in the preparation by the City of its Official Statement. However, said firm assumes no responsibility for, and will express no opinion regarding the accuracy or completeness of this Official Statement or any other information relating to the City or the Bonds that may be made available by the City or others to the bidders or holders of the Bonds or others.

The engagement of said firm as Bond Counsel is limited to the preparation of certain of the documents contained in the transcript of proceedings with regard to the Bonds, and an examination of such transcript proceedings incident to rendering its legal opinion. In its capacity as Bond Counsel, said firm has reviewed the information in this Official Statement under Sections entitled "General Information" as to legal matters, "Authority for Issuance", "Security and Source of Payment for Bonds", "Debt Limitation", "Tax Limitation" and "Tax Exemption", which review did not include any independent verification of financial statements and statistical data included therein, if any.

### *Transcript and Closing Certificates*

A complete transcript of proceedings, a no-litigation certificate and other appropriate closing documents will be delivered by the City when the Bonds are delivered to the original purchaser. The City will also provide to the original purchaser, at the time of such delivery, a certificate from the City's Mayor and or Clerk addressed to such purchaser relating to the accuracy and completeness of this Official Statement.

### *Litigation*

To the knowledge of the City, no litigation or administrative action or proceeding is pending or threatened directly affecting the Bonds, the security for the Bonds or the improvements being refinanced from the proceeds of the Bonds. A No-Litigation Certificate to that effect will be delivered to the purchaser at the time of the delivery of the Bonds.

### *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 Issuer has 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 Peck, Shaffer & Williams 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 City has not designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

## RATING

As noted on the cover page of this Official Statement, Moody's Investor's Service ("Moody's") has assigned its municipal bond rating of "\_\_\_", to this issue of Bonds.

Such rating reflects only the view of said organization. Any explanation of the significance of such rating may only be obtained from Moody's, at the following address: Moody's Investors Service, 99 Church Street, New York, New York 10007.

There can be no assurance that a rating when assigned will continue for any given period of time or that it will not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of a rating may have an adverse effect on the marketability and/or market price of the Bonds.

The City presently expects to furnish such rating agency with information and material that it may request on future general obligation bond issues. However, the City assumes no obligation to furnish requested information and materials, and may issue debt for which a rating is not requested. Failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of the rating agency's ratings on outstanding general obligation bonds.

## VERIFICATION OF MATHEMATICAL ACCURACY

Rubin & Hays, Louisville, Kentucky, will verify from the information provided to them 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 Financial Advisor's schedules, to be held in escrow, will be sufficient to pay, when due, the principal, interest and call premium payment requirements, if any, of the Prior Obligations, 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 exempt from tax. Rubin & Hays, will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Bonds.

## CONTINUING DISCLOSURE

In accordance with the Securities and Exchange Commission Rule 15c2-12 (the "Rule") and so long as the Bonds are outstanding the City of Owensboro (the "Obligated Person") will agree pursuant to a Continuing Disclosure Agreement dated as of March 1, 2002 between the City and Fifth Third Bank, Cincinnati, Ohio, to be delivered on the date of delivery of the Bonds, to cause the following information to be provided:

- (i) to each nationally recognized municipal securities information repository ("NRMSIR") and, if one is established for the Commonwealth, to its state information depository ("SID"), certain annual financial information and operating data, including audited financial statements prepared in accordance with generally accepted accounting principles as applied to governmental units, generally consistent with the information contained in "Appendix A" and "Appendix C" of the Official Statement ("Financial Data"); such information shall be provided on or before March 1 following the fiscal year ending on the preceding June 30, commencing with the fiscal year ended June 30, 2002;
- (ii) to each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB") and to the SID, if any, notice of the occurrence of the following events, if material, with respect to the Bonds:
  - (a) Principal and interest payment delinquencies;
  - (b) Non-payment related defaults;
  - (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 events affecting the tax-exempt status of the security;
  - (g) Modifications to rights of security holders;
  - (h) Bond calls, except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event;
  - (i) Defeasances;
  - (j) Release, substitution or sale of property securing repayment of the securities;
  - (k) Rating changes; and
  - (l) The cure of any payment or nonpayment related default.
- (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 debt service reserve funds applicable to the Bonds;
- (b) there are no liquidity providers applicable to the Bonds; and
- (c) there is no property securing the repayment of the Bonds.



The City has entered into numerous disclosure agreements under the Rule. To the best of the City's knowledge, the City is in compliance with the continuing disclosure undertaking contained in such existing agreements.

#### **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 \$ \_\_\_\_\_, plus accrued interest 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, Frankfort, Kentucky, Financial Advisor to the City, has requested and received permission and approval of the City to bid, either alone or in conjunction with others, on the Bonds. The Financial Advisor has expressed its intent to so bid.

First Kentucky Securities Corporation will receive a fee, subject to sale and delivery of the Bonds, for its advisory services. Said fee is separate from and in addition to compensation received, if any, for underwriting of 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 City from official and other sources and is believed by the City to be reliable, but such information other than that obtained from official records of the City has not been independently confirmed or verified by the City 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 City of Owensboro, Kentucky, by its Mayor.

CITY OF OWENSBORO, KENTUCKY

By: /s/Waymond Morris  
Mayor

*APPENDIX A*

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*City of Owensboro Demographic, Economic and Financial Data*

## ***General Information***

Owensboro is the industrial and cultural hub of western Kentucky. Located along the southern banks of the Ohio River, Owensboro is the third largest city in terms of population in the Commonwealth of Kentucky. Owensboro is located 32 miles southeast of Evansville, Indiana; 123 miles north of Nashville, Tennessee; 109 miles southwest of Louisville, Kentucky; 203 miles southeast of St. Louis, Missouri; and 205 miles southwest of Cincinnati, Ohio.

Owensboro is known as “a city of festivals”. Each year, the world-famous International Bar-B-Q Festival and the Summer Festival draw thousands of spectators and participants from across the country and around the world.

Owensboro enjoys the luxury of a diverse economic base. As an example, more than 47,000 people earn their living in Daviess County, but the county’s 10 largest private companies are responsible for less than 15% of the total employment.

Work has begun on a new four-lane bridge from Owensboro across the Ohio River into southern Indiana. The new span will cost more than \$100 million and be a direct route to I-64 in Indiana, which provides a link from St. Louis to Louisville.

Owensboro-Daviess County is fortunate to own over 500 acres that are available as industrial sites. The acres are located in diversified areas to suit many needs. The MidAmerica Airpark is a 450-acre industrial park adjacent to the Owensboro-Daviess County Regional Airport. Pleasant Valley Industrial Center, a 145-acre site, is located on the east side of Owensboro. The Owensboro Riverport Authority has 65 acres available, and offers access to both rail and the Ohio River.

## ***Largest Employers***

The largest employers of all types in the Owensboro-Daviess County area are as follows:

<b><u>Firm</u></b>	<b><u>Product</u></b>	<b><u>Average Employment</u></b>
Owensboro-Mercy Health System	Hospital	2,500
Daviess County Public Schools	School system	1,705
Commonwealth Aluminum (Hancock County)	Aluminum manufacturing	1,110
NSA, A Division of Southwire Company	Aluminum manufacturing	880
Owensboro Public Schools	School system	830
River Valley Behavioral Health	Mental health agency	775
Willamette Industries, Inc.	Paper manufacturing	600
City of Owensboro	City government	534
Firststar	Mortgage processing	475
Wal-Mart	Retail store	470
Field Packing Company	Meat processing	450
Premium Allied Tool	Precision parts	450
Wyndall’s Enterprises, Inc.	Grocery stores	435
Lipton Company	Ragu spaghetti sauce	432
Commonwealth of Kentucky	State government	412
Swedish Match	Tobacco products	390
Williams	Natural gas	390
Canteen Service Company	Food services	350
Kimberly-Clark	Paper products	350
UniFirst	Uniform distribution	335
General Electric Motor Plant	Electric engines	325
A.C.M.I.	Aluminum castings	310
MPD, Inc.	Microwave products	280
Omico Plastics	Plastics manufacturer	272
AK Steel	Steel Manufacturer	270
The HON Company	Office furniture	257
Daramic	Battery separators	250
Miles Farm Supply	Farm services	250
Owensboro Community College	College	250

**Population Projections**

	<u>2000 Estimate</u>	<u>2020 Projected</u>	<u>Percentage Increase</u>
Daviess County	92,087	95,771	4.0
Labor Market Area	470,106	497,959	5.9

**Tax Base Information**

<u>Year</u>	<u>Real Estate</u>	<u>Tangible Personal (1)</u>	<u>Real Estate Franchise</u>	<u>Tangible Franchise</u>	<u>Total Assessed Value</u>
00/01	\$1,703,101,329	\$245,253,177	\$25,969,097	\$71,182,692	\$2,045,506,295
99/00	1,605,314,275	247,846,205	24,762,337	58,816,167	1,936,738,984
98/99	1,494,560,342	195,187,485	22,096,307	39,451,522	1,751,295,656
97/98	1,361,950,549	186,619,757	25,456,107	55,816,846	1,629,843,359
96/97	1,298,828,107	173,162,586	23,045,126	43,033,633	1,538,069,452

(1) Includes Motor Vehicles and Watercraft.

**Assessment Rates (per \$100.00 assessed valuation)**

<u>Year</u>	<u>Real Estate</u>	<u>Tangible Personal</u>	<u>Real Estate Franchise</u>	<u>Tangible Franchise</u>	<u>Motor Vehicles</u>	<u>Watercraft</u>
00/01	.2472	.2472	.2472	.2472	.3030	.3030
99/00	.2535	.2592	.2535	.2592	.3030	.3030
98/99	.2535	.2726	.2535	.2726	.3030	.3030
97/98	.2726	.2726	.2726	.2726	.3030	.3030
96/97	.2726	.2907	.2726	.2907	.3030	.3030

**Tax Collections**

<u>Year</u>	<u>Total Charges</u>	<u>Net to City</u>
00/01	\$6,113,868	\$5,909,143
99/00	5,820,136	5,742,631
98/99	5,405,878	5,368,967
97/98	5,405,878	5,268,143
96/97	5,068,244	5,029,753

**Largest City Principal Taxpayers (for year ended 6/30/01)**

<u>Name</u>	<u>Assessment</u>
Bellsouth Telecommunications	\$31,401,012
Unifirst Corporation	31,038,332
Towne Square Development	30,112,976
Century Venture	26,021,000
Western Kentucky Gas	14,997,880
Field Packing	12,492,542
Williams Company	11,430,619
General Electric	10,822,230
Dana Corporation	10,766,025
Barton Brands	10,365,694

Source: City of Owensboro

## OUTSTANDING INDEBTEDNESS

*Daviess County Municipal Bond Debt (as of June 30, 1999)*

	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding</u>
<b><u>Daviess County</u></b>		
Industrial Facility Revenue	\$208,700,000	\$206,100,000
Hospital Revenue	67,910,000	59,625,000
Mortgage & Multifamily Revenue	58,440,000	53,015,000
Solid Waste General Obligation	3,610,000	3,610,000
Solid Waste Revenue	159,000,000	156,557,271
Courthouse Public Corporation	4,270,000	3,510,000
Lease Purchase Public Corporation	8,656,811	5,518,580
<b><u>City of Owensboro</u></b>		
Industrial Facility Revenue	22,905,999	21,368,299
Public Project General Obligation	810,000	810,000
Electric Revenue	281,230,313	173,515,800
Sewer Revenue	5,270,000	1,205,000
Water Revenue	26,410,000	26,410,000
Airport Revenue	7,900,000	7,610,000
Hospital Revenue	76,610,000	75,230,000
Governmental Project Funding	3,871,113	3,486,199
Public Project Public Corporation	4,750,000	4,275,000
Public Project Revenue	4,750,000	4,750,000
Lease Purchase Public Corporation	24,009,648	14,588,060
Kentucky Infrastructure Loan	598,846	153,927
<b><u>City of Whitesville</u></b>		
Water and Sewer Revenue	119,000	94,500
<b><u>Daviess County Coop Extension Dist.</u></b>		
Lease Purchase Public Corporation	600,000	600,000
<b><u>Daviess County Sanitation District #1</u></b>		
Sewer Revenue	197,000	106,000
<b><u>Owensboro Riverport Authority</u></b>		
Acquisition & Improv. Prop Pub Corp	1,750,000	430,000
<b><u>Owensboro-Daviess Co Hospital</u></b>		
Hospital Public Corporation	6,000,000	4,980,000
<b><u>Owensboro-Daviess Co Ind Dev</u></b>		
Public Project Revenue	1,740,000	1,740,000
<b><u>Owensboro-Daviess Reg Water Agcy</u></b>		
Sewer Revenue	5,610,000	5,065,000
<b><u>Southeast Daviess Co Water District</u></b>		
Water Revenue	1,600,000	200,000
<b><u>West Daviess County Water District</u></b>		
Water Revenue	1,500,000	505,000
<b><u>Daviess County School District</u></b>		
School Building Revenue	20,255,000	15,250,000
<b><u>Owensboro Ind School District</u></b>		
School Building Revenue	7,800,000	6,190,000

Source: 1999 Kentucky Local Debt Report

*APPENDIX B*

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*Estimated Debt Service Requirements for the Series 2002B Bonds*

**CITY OF OWENSBORO, KENTUCKY**  
**GENERAL OBLIGATION PUBLIC PROJECT REFUNDING AND IMPROVEMENT BONDS**  
**SERIES 2002B**

*Estimated Debt Service Requirements*

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Period Total</u>	<u>Fiscal Year Total</u>
9/1/02	\$250,000	\$142,288.75	\$392,288.75	
3/1/03		139,413.75	139,413.75	\$531,702.50
9/1/03	255,000	139,413.75	394,413.75	
3/1/04		136,417.50	136,417.50	530,831.25
9/1/04	260,000	136,417.50	396,417.50	
3/1/05		132,907.50	132,907.50	529,325.00
9/1/05	270,000	132,907.50	402,907.50	
3/1/06		128,857.50	128,857.50	531,765.00
9/1/06	280,000	128,857.50	408,857.50	
3/1/07		124,307.50	124,307.50	533,165.00
9/1/07	290,000	124,307.50	414,307.50	
3/1/08		119,305.00	119,305.00	533,612.50
9/1/08	300,000	119,305.00	419,305.00	
3/1/09		113,980.00	113,980.00	533,285.00
9/1/09	310,000	113,980.00	423,980.00	
3/1/10		108,245.00	108,245.00	532,225.00
9/1/10	320,000	108,245.00	428,245.00	
3/1/11		102,165.00	102,165.00	530,410.00
9/1/11	330,000	102,165.00	432,165.00	
3/1/12		95,730.00	95,730.00	527,895.00
9/1/12	345,000	95,730.00	440,730.00	
3/1/13		88,830.00	88,830.00	529,560.00
9/1/13	365,000	88,830.00	453,830.00	
3/1/14		81,347.50	81,347.50	535,177.50
9/1/14	375,000	81,347.50	456,347.50	
3/1/15		73,472.50	73,472.50	529,820.00
9/1/15	395,000	73,472.50	468,472.50	
3/1/16		64,980.00	64,980.00	533,452.50
9/1/16	410,000	64,980.00	474,980.00	
3/1/17		56,062.50	56,062.50	531,042.50
9/1/17	430,000	56,062.50	486,062.50	
3/1/18		46,387.50	46,387.50	532,450.00
9/1/18	445,000	46,387.50	491,387.50	
3/1/19		36,041.25	36,041.25	527,428.75
9/1/19	470,000	36,041.25	506,041.25	
3/1/20		24,878.75	24,878.75	530,920.00
9/1/20	495,000	24,878.75	519,878.75	
3/1/21		12,875.00	12,875.00	532,753.75
9/1/21	515,000	12,875.00	527,875.00	527,875.00
<b>Total</b>	<b><u>\$7,110,000</u></b>	<b><u>\$3,514,696.25</u></b>	<b><u>\$10,624,696.25</u></b>	

Source: Fiscal Agent

*APPENDIX C*

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*Selected Financial Information  
of the City of Owensboro*

The financial information contained in Appendix C has been derived from the audited financial statement of the City of Owensboro, Kentucky for the fiscal year ending on June 30, 2001.



**CITY OF OWENSBORO  
GENERAL FUND  
BALANCE SHEET  
June 30, 2001**

**ASSETS:**

Equity in cash management pool	\$	1,996,051
Cash, unrestricted		6,182
Accounts receivable		847,704
Taxes receivable		891,900
Delinquent taxes receivable, net of allowance for uncollectibles of \$100,000		134,629
Due from other governmental agencies: Owensboro Board of Education		28,985
Due from other funds: Transit Fund		154,432
Due from component units: Owensboro Municipal Utilities		41,953
Riverport		47,269
Supplies inventory		19,251
		19,251
 Total assets	 \$	 4,168,356

**LIABILITIES AND FUND BALANCE:**

Accounts payable	\$	309,694
Accrued liabilities		408,183
Due to other funds: City Employees Pension Fund		233
Agency Fund		59,136
Due to component units		111,714
Due to other governmental agencies		110,978
Deferred revenue		1,186,551
Total liabilities		2,186,489
 Fund balance:		
Reserved for encumbrances		127,139
Unreserved, undesignated:		1,854,728
Total fund balance		1,981,867
 Total liabilities and fund balance	 \$	 4,168,356

**CITY OF OWENSBORO**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL**  
**For the year ended June 30, 2001**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
TAXES:			
Real and personal property	\$ 5,350,000	\$ 5,338,209	\$ (11,791)
Personal tax - state collected	710,000	775,659	65,659
Total taxes	<u>6,060,000</u>	<u>6,113,868</u>	<u>(53,868)</u>
LICENSES AND PERMITS:			
Occupational:			
Employees' withholding	7,790,000	7,596,793	(193,207)
Net profits	1,440,000	1,264,941	(175,059)
Regulatory:			
Insurance license fee	2,980,000	2,944,977	(35,023)
Alcoholic beverage license fee	50,000	44,163	(5,837)
Franchise fee	458,800	415,823	(42,977)
Other	156,500	224,726	68,226
Total licenses and permits	<u>12,875,300</u>	<u>12,491,423</u>	<u>(383,877)</u>
INTERGOVERNMENTAL REVENUES:			
Computer charges	541,507	488,077	(53,430)
Federal grants	381,025	350,048	(30,977)
State grants – KLEFPF incentive and road assistance	650,000	684,203	34,203
City's portion of state gasoline tax	900,000	844,077	(55,923)
LGEA mineral severance tax	45,000	34,543	(10,457)
Total intergovernmental revenues	<u>2,517,532</u>	<u>2,400,948</u>	<u>(116,584)</u>
CHARGES FOR SERVICES:			
Tax collection	100,000	96,909	(3,091)
Management fee	500,000	462,260	(37,740)
Total charges for services	<u>600,000</u>	<u>559,169</u>	<u>(40,831)</u>
FINES AND FORFEITS	168,721	163,874	(4,847)
INVESTMENT INCOME	250,000	236,558	(13,442)
MISCELLANEOUS	486,594	501,468	14,874
Total revenues	<u>22,958,147</u>	<u>22,467,308</u>	<u>(490,839)</u>
<b>OTHER FINANCING SOURCES:</b>			
Transfers from component units	4,483,777	4,404,422	(79,355)
Sale of fixed assets	356,000	311,402	(44,598)
Total revenues and other financing sources	<u>\$ 27,797,924</u>	<u>\$ 27,183,132</u>	<u>\$ (614,792)</u>

**TABLE 1**

**CITY OF OWENSBORO  
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION  
Last Ten Fiscal Years**

FISCAL YEAR	TOTAL	GENERAL GOVERNMENT	PUBLIC SAFETY	PUBLIC WORKS	COMMUNITY AND CULTURAL SERVICES	CAPITAL OUTLAY	DEBT SERVICE
1991-1992	\$28,454,511	2,810,036	9,156,229	3,559,163	2,875,127	8,759,547	1,294,409
1992-1993	27,849,231	3,120,118	9,215,023	3,574,123	3,510,831	6,659,915	1,769,221
1993-1994	26,337,360	3,334,078	9,669,170	3,884,417	2,845,031	4,956,020	1,648,644
1994-1995	28,196,907	3,615,631	10,117,098	3,935,081	3,027,655	5,518,823	1,982,619
1995-1996	27,652,203	3,563,132	10,155,544	4,245,226	2,945,523	4,642,364	2,100,414
1996-1997	28,771,169	4,741,120	10,670,485	3,146,672	2,817,873	5,340,765	2,054,254
1997-1998	28,558,248	4,960,980	11,003,021	4,562,187	3,122,881	2,663,235	2,245,944
1998-1999	37,184,729	4,566,335	12,329,374	4,614,767	3,231,233	7,624,429	4,818,591
1999-2000	37,844,841	5,344,009	12,837,139	4,787,549	3,296,998	7,313,067	4,266,079
2000-2001	41,385,713	5,535,009	12,858,982	5,609,052	3,443,941	6,231,958	7,706,771

This table includes all governmental funds.

**TABLE 2**

**CITY OF OWENSBORO  
GENERAL GOVERNMENTAL REVENUES BY SOURCE  
Last Ten Fiscal Years**

FISCAL YEAR	TOTAL	TAXES	LICENSES AND PERMITS	INTER- GOVERNMENTAL REVENUES	CHARGES FOR SERVICES	FINES AND FORFEITS	INTEREST	MISC. REVENUES
1991-1992	\$19,493,053	4,824,759	9,303,988	2,820,305	229,061	148,044	527,437	1,639,459
1992-1993	22,380,767	4,826,094	9,077,208	5,299,038	226,340	137,322	533,664	2,281,101
1993-1994	24,508,706	4,953,789	9,834,547	3,247,173	419,678	151,817	364,522	5,537,180
1994-1995	23,486,968	5,250,216	10,666,047	4,654,057	921,498	144,507	619,674	1,230,969
1995-1996	22,315,871	4,875,198	10,282,592	4,085,515	818,973	138,962	815,288	1,299,343
1996-1997	22,333,542	5,068,244	10,805,100	4,123,321	774,949	177,722	662,748	721,458
1997-1998	25,550,305	5,405,878	13,468,054	3,899,441	590,810	177,973	916,553	1,091,596
1998-1999	29,399,449	5,429,767	14,747,523	6,998,149	700,655	173,843	774,514	574,998
1999-2000	29,220,862	5,820,136	15,225,664	5,267,504	594,010	167,262	1,187,816	958,470
2000-2001	32,249,206	6,113,868	15,686,280	5,251,379	559,169	163,874	1,239,060	3,235,576

This table includes all governmental funds.

**TABLE 3**

**CITY OF OWENSBORO  
TAX REVENUE BY SOURCE  
Last Ten Fiscal Years**

FISCAL YEAR	TOTAL	REAL AND PERSONAL PROPERTY	FRANCHISE	BANK SHARES	BANK DEPOSITS
1991-1992	\$4,824,759	4,434,679	245,733	144,347	0
1992-1993	4,826,094	4,438,050	240,651	147,393	0
1993-1994	4,953,789	4,548,924	251,497	153,368	0
1994-1995	5,250,216	4,824,325	267,943	157,948	0
1995-1996	4,875,198	4,509,069	191,350	174,779	0
1996-1997	5,068,244	4,710,563	180,131	0	177,550
1997-1998	5,405,878	5,001,656	221,550	0	186,672
1998-1999	5,429,767	5,014,706	163,559	0	251,502
1999-2000	5,820,136	5,349,065	215,224	0	255,847
2000-2001	6,113,868	5,609,223	240,159	0	264,486

Note: This table includes only the General Fund.

TABLE 4

CITY OF OWENSBORO  
PROPERTY TAX LEVIES & COLLECTIONS  
Last Ten Fiscal Years

FISCAL YEAR	TOTAL LEVY	TOTAL COLLECTIONS	PERCENT OF LEVY COLLECTED
1991-1992	\$4,824,759	4,796,066	99.4
1992-1993	4,826,094	4,790,143	99.3
1993-1994	4,953,789	4,897,511	98.9
1994-1995	5,250,216	5,163,845	98.4
1995-1996	4,875,198	4,816,617	98.8
1996-1997	5,068,244	5,029,753	99.2
1997-1998	5,405,878	5,268,143	97.5
1998-1999	5,429,767	5,368,967	98.9
1999-2000	5,820,136	5,742,631	98.7
2000-2001	6,113,868	5,909,143	96.7

**TABLE 5**

**CITY OF OWENSBORO  
 ASSESSED & ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 Last Ten Fiscal Years**

FISCAL YEAR	REAL ESTATE	PERSONAL PROPERTY <sup>1</sup>	FRANCHISE	BANK SHARES	BANK DEPOSITS	TOTAL	ESTIMATED ACTUAL VALUE <sup>2</sup>	PERCENT ASSESSED TO ESTIMATED VALUE
1991-1992	\$1,001,783,407	170,871,665	74,717,948	62,380,007	0	1,309,753,027	1,350,260,853	97.0
1992-1993	1,024,670,945	165,282,184	73,346,578	63,531,260	0	1,326,830,967	1,365,052,435	97.2
1993-1994	1,052,368,182	153,021,290	76,652,620	67,771,810	0	1,349,813,902	1,516,644,834	89.0
1994-1995	1,217,511,383	151,681,466	83,892,636	71,051,949	0	1,524,137,434	1,539,532,762	99.0
1995-1996	1,250,240,561	156,981,328	66,821,021	78,623,054	0	1,552,665,964	1,568,349,459	99.0
1996-1997	1,298,828,107	173,162,586	66,078,759	0	710,199,070	2,248,268,522	2,351,745,316	95.6
1997-1998	1,361,950,549	186,619,757	81,273,053	0	730,689,146	2,360,532,505	2,585,468,242	91.3
1998-1999	1,494,560,342	195,187,485	61,547,829	0	1,006,008,128	2,757,303,784	2,952,425,301	93.4
1999-2000	1,605,314,275	247,846,205	83,578,504	0	1,023,387,597	2,960,126,581	3,218,547,651	92.0
1999-2000	1,703,101,329	245,253,177	97,151,789	0	1,057,944,963	3,103,451,258	3,475,309,359	89.3

<sup>1</sup>Assessment on motor vehicles are not included as the State of Kentucky collects the taxes when vehicles are licensed.

<sup>2</sup>Source: Kentucky Department of Revenue - Research Division

**TABLE 6**

**CITY OF OWENSBORO  
AD VALOREM TAX RATES  
DIRECT & OVERLAPPING GOVERNMENTS  
Per \$100 of Net Assessed Valuation  
Last Ten Fiscal Years**

**REAL PROPERTY:**

Year	DIRECT	OVERLAPPING							TOTAL CITY RESIDENT <sup>1</sup>	
	City	City Schools	County Schools	State	County	Health	Extension	Library	City School	County School
1991-1992	0.3281	0.6440	0.3620	0.1870	0.1320	0.0250	0.0060	0.0000	1.3221	1.0401
1992-1993	0.3281	0.6470	0.3620	0.1840	0.1320	0.0250	0.0060	0.0000	1.3221	1.0371
1993-1994	0.3281	0.6540	0.4210	0.1800	0.1320	0.0250	0.0060	0.0000	1.3251	1.0921
1994-1995	0.3003	0.6050	0.4210	0.1720	0.1290	0.0250	0.0060	0.0000	1.2373	1.0533
1995-1996	0.2726	0.6280	0.4800	0.1670	0.1310	0.0250	0.0060	0.0400	1.2696	1.0816
1996-1997	0.2726	0.6550	0.4800	0.1630	0.1310	0.0250	0.0060	0.0400	1.2926	1.1176
1997-1998	0.2726	0.6610	0.4800	0.1570	0.1310	0.0250	0.0090	0.0400	1.2956	1.1146
1998-1999	0.2535	0.6580	0.4730	0.1530	0.1310	0.0250	0.0090	0.0395	1.2690	1.0840
1999-2000	0.2535	0.6640	0.4860	0.1480	0.1310	0.0250	0.0090	0.0405	1.2710	1.0930
2000-2001	0.2472	0.6460	0.4770	0.0148	0.1280	0.0250	0.0090	0.0390	1.2422	1.0732

**PERSONAL PROPERTY:**

Year	DIRECT	OVERLAPPING							TOTAL CITY RESIDENT <sup>1</sup>	
	City	City Schools	County Schools	State	County	Health	Extension	Library	City School	County School
1991-1992	0.3281	0.6440	0.3620	0.4500	0.1700	0.0250	0.0060	0.0000	1.6231	1.3411
1992-1993	0.3281	0.6470	0.3620	0.4500	0.1700	0.0250	0.0060	0.0000	1.6261	1.3411
1993-1994	0.3281	0.6540	0.4210	0.4500	0.1700	0.0250	0.0060	0.0000	1.6331	1.4001
1994-1995	0.3281	0.6050	0.4210	0.4500	0.1700	0.0250	0.0060	0.0000	1.5841	1.4001
1995-1996	0.2907	0.6280	0.4800	0.4500	0.1720	0.0250	0.0060	0.0400	1.6117	1.4637
1996-1997	0.2726	0.6550	0.4800	0.4500	0.1720	0.0250	0.0060	0.0400	1.6166	1.4416
1997-1998	0.2726	0.6610	0.4800	0.4500	0.1720	0.0250	0.0090	0.0400	1.6256	1.4446
1998-1999	0.2726	0.6580	0.4800	0.4500	0.1720	0.0250	0.0090	0.0405	1.6231	1.4451
1999-2000	0.2726	0.6640	0.4860	0.4500	0.1720	0.0250	0.0090	0.0450	1.6032	1.4252
2000-2001	0.2472	0.6460	0.4830	0.4500	0.1470	0.0250	0.0090	0.0395	1.5637	1.4007

<sup>1</sup>City residents can be in the City or County School Tax District.



**TABLE 7**

**CITY OF OWENSBORO  
RATIO OF NET GENERAL BONDED DEBT  
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA  
Last Ten Fiscal Years**

FISCAL YEAR	POPULATION	ASSESSED VALUE <sup>1</sup>	GROSS BONDED DEBT	DEBT PAYABLE FROM POLICE & FIREFIGHTERS' RETIREMENT FUND <sup>2</sup>	NET BONDED DEBT	RATIO OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
1991-1992	53,549	1,309,753,027	100,000	0	100,000	0.01	1.87
1992-1993	53,549	1,326,830,967	50,000	0	50,000	0.01	0.93
1993-1994	54,329	1,349,813,902	0	0	0	0.00	0.00
1994-1995	54,290	1,524,137,434	3,871,113	3,871,113	0	0.00	0.00
1995-1996	54,274	1,552,665,964	3,778,273	3,778,273	0	0.00	0.00
1996-1997	54,149	2,248,268,522	3,685,910	3,685,910	0	0.00	0.00
1997-1998	54,041	2,360,532,505	3,588,560	3,588,560	0	0.00	0.00
1998-1999	54,200	2,757,303,784	3,486,199	3,486,199	0	0.00	0.00
1999-2000	54,010	2,960,126,581	3,378,788	3,378,788	1,135,000	0.04	21.01
2000-2001	54,067	3,103,451,258	7,831,264	3,261,264	4,570,000	0.15	84.52

Sources: Bureau of the Census Count

<sup>1</sup>Taxes were collected on motor vehicles by the State when licensed and the assessments are not included.

<sup>2</sup>These amounts include the general obligation bonds that are being repaid from the Police & Firefighters' Retirement Fund.

TABLE 8

**CITY OF OWENSBORO**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**For the year ended June 30, 2001**

Net assessed value		\$ 2,045,506,295
Add exemption		115,468,500
Total assessed value		\$ 2,160,974,795
Debt limit - 10% of total assessed value <sup>1</sup>		\$ 216,097,480
Amount of debt applicable to debt limit:		
Total general bonded debt	\$	20,664,703
Less: Revenue Bonds		20,664,703
Amount available for repayment of general obligation bonds		3,261,264
Total debt applicable to limitation		4,570,000
Legal debt margin		\$ 211,527,480

<sup>1</sup>Section 158 of the Commonwealth of Kentucky Constitution states:

"Cities shall not be authorized or permitted to incur indebtedness to an amount, including existing indebtedness, in the aggregate exceeding the following named maximum percentages on the value of the taxable property therein, to be estimated by the assessment next before the last assessment previous to the incurring of the indebtedness. Cities of the first and second class, and of the third class having a population exceeding fifteen hundred, ten per centum."

**TABLE 9**

**CITY OF OWENSBORO  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
June 30, 2001**

	NET DEBT OUTSTANDING <sup>1</sup>	PERCENT APPLICABLE TO CITY OF OWENSBORO <sup>2</sup>	CITY OF OWENSBORO SHARE OF DEBT
Jurisdiction:			
City of Owensboro	\$ 24,495,967	100.0	\$ 28,495,967
Owensboro Independent Schools	7,151,070	100.0	7,151,070
Daviess County	18,457,395	58.4	10,779,119
Daviess County Schools	<u>34,240,204</u>	43.6	<u>14,928,729</u>
Total	<u><u>\$ 88,344,636</u></u>		<u><u>\$ 61,354,885</u></u>

Note: This table includes all debt for which the City is directly or contingently liable should the outstanding entity's revenue not be sufficient to retire the debt. This table excludes debt which is to be retired by the City's enterprise funds or component units through rates.

<sup>1</sup>Gross general bonded debt less reserves.

<sup>2</sup>Determined by ratio of assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in the City of Owensboro.

TABLE 10

**CITY OF OWENSBORO**  
**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR**  
**GENERAL OBLIGATION BONDED DEBT<sup>1</sup> TO TOTAL GENERAL EXPENDITURES**  
**Last Ten Fiscal Years**

FISCAL YEAR	PRINCIPAL	INTEREST	DEBT SERVICE	TOTAL GENERAL EXPENDITURES <sup>2</sup>	RATIO OF DEBT SERVICE TO TOTAL GENERAL EXPENDITURES
1991-1992	\$45,000	\$ 6,125	\$ 51,125	\$ 28,454,511	0.2
1992-1993	50,000	3,750	53,750	27,849,231	0.2
1993-1994	0	0	0	26,337,360	0.0
1994-1995	0	0	0	28,196,907	0.0
1995-1996	0	0	0	27,652,203	0.0
1996-1997	0	0	0	28,771,169	0.0
1997-1998	0	0	0	28,558,248	0.0
1998-1999	0	0	0	37,184,729	0.0
1999-2000	105,000	53,286	158,286	37,844,841	0.4
2000-2001	105,000	53,286	154,021	42,385,713	0.4

<sup>1</sup>General obligation bonds reported in the pension funds have been excluded.

<sup>2</sup>Note: Includes General Fund, Special Revenue Funds and Capital Projects Fund.

TABLE 11

**CITY OF OWENSBORO**  
**PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS**  
**Last Ten Fiscal Years**

FISCAL YEAR	COMMERCIAL CONSTRUCTION		RESIDENTIAL CONSTRUCTION		PROPERTY VALUES		BANK DEPOSITS <sup>1</sup>
	NUMBER OF UNITS	VALUE	NUMBER OF UNITS	VALUE	COMMERCIAL	RESIDENTIAL	(IN THOUSANDS)
1992-1993	100	46,582,916	296	13,048,036	375,912,341	679,046,936	697,592
1993-1994	110	28,237,120	392	14,123,075	414,371,385	803,040,910	681,656
1994-1995	121	38,947,276	522	15,805,526	429,163,941	826,223,373	544,379
1995-1996	175	60,944,425	632	21,924,119	452,759,103	849,521,524	775,362
1996-1997	177	55,964,910	416	14,447,515	490,609,618	874,147,461	710,199
1997-1998	169	55,867,479	459	16,075,465	505,798,711	992,805,451	730,689
1998-1999	180	32,134,175	581	23,522,242	586,281,791	1,019,894,884	1,006,008
1999-2000	182	53,976,832	961	42,703,287	609,493,366	1,102,829,818	1,023,388
2000-2001	144	52,839,775	1,175	52,432,144	662,141,043	1,157,111,350	1,057,945

<sup>1</sup>Source: Owensboro Banking Institutions.

**TABLE 12**

**CITY OF OWENSBORO  
DEMOGRAPHIC STATISTICS  
Last Ten Fiscal Years**

FISCAL YEAR	POPULATION <sup>1,8,9&amp;12</sup>	PER CAPITA INCOME <sup>2,6,8&amp;11</sup>	MEDIAN AGE <sup>1,5,7,8,9&amp;10</sup>	SCHOOL ENROLLMENT <sup>3</sup>	UNEMPLOYMENT RATE <sup>4</sup>
1991-1992	53,549	16,387	33.6	4,462	7.8
1992-1993	53,549	16,387	33.2	4,422	6.9
1993-1994	54,329	16,387	35.2	4,460	5.1
1994-1995	54,290	16,387	35.6	4,354	5.1
1995-1996	54,274	16,387	34.1	4,300	5.7
1996-1997	54,149	19,390	33.2	4,260	6.2
1997-1998	54,041	19,390	33.2	4,145	4.5
1998-1999	54,200	22,126	35.9	4,055	5.6
1999-2000	54,010	22,126	36.2	4,000	3.7
2000-2001	54,067	23,383	37.4	3,902	4.8

Sources:

<sup>1</sup>Sales & Marketing Management, 1997.

<sup>2</sup>1994 Kentucky Deskbook of Economic Statistics, 1991 figures.

<sup>3</sup>Board of Education; represents elementary and secondary public schools.

<sup>4</sup>Kentucky Department of Human Resources, Bureau for Manpower Services. 1989-1990 is the beginning point of a new data series. Therefore, prior figures are not comparable.

<sup>5</sup>City & County Data Book 1994

<sup>6</sup>1995 figure per U.S. Department of Commerce.

<sup>7</sup>1996 Kentucky Deskbook of Economic Statistics, 1990 figures.

<sup>8</sup>1998 Kentucky Deskbook of Economic Statistics.

<sup>9</sup>1999 Survey of Buying Power

<sup>10</sup>2000 Survey of Buying Power

<sup>11</sup>U.S. Department of Commerce, Bureau of Economic Analysis, 1998 date.

<sup>12</sup>United States Census Estimates

**TABLE 13**

**CITY OF OWENSBORO  
PRINCIPAL TAXPAYERS  
For the year ended June 30, 2001**

TAXPAYER	TYPE OF BUSINESS	ASSESSED VALUATION <sup>1</sup>	PERCENTAGE OF TOTAL ASSESSED VALUATION
BellSouth Telecommunications	Telephone	\$ 31,401,012	17%
Unifirst Corporation	Manufacturer	31,038,332	16%
Towne Square Development	Mall Developer	30,112,976	16%
Century Venture Corporation	Radio/Cable TV	26,021,000	14%
Western Kentucky Gas	Gas Company	14,997,880	8%
Field Packing Company	Food Processor	12,492,542	7%
Williams Company/Texas Gas Transmission	Gas Company	11,430,619	6%
General Electric	Manufacturer	10,822,230	6%
Dana Corporation	Manufacturer	10,766,025	6%
Barton Brands	Distillery	10,365,694	5%
		<u>\$ 189,448,310</u>	<u>100%</u>

Total Assessed Valuation (excluding bank deposits) = \$189,448,310

<sup>1</sup>Source: Daviess County Property Valuation Office





***APPENDIX D***

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***Statement of Indebtedness of the City***



(f) Leases entered into under KRS 65.940 to 65.956 after July 15, 1996 which are not tax-supported leases.....	\$1,200,000
(g) Bonds issued in the case of an emergency, when the public health or safety should so require.....	\$-0-
(h) Bonds issued to fund a floating indebtedness.....	\$3,261,264
TOTAL EXEMPT OBLIGATIONS.....	\$402,834,819

5. The total of bonds, notes and other obligations subject to the debt limitation set forth in KRS 66.041 (3 minus 4) is..... \$12,385,000

6. The total of bonds, notes and other obligations subject to the debt limitation set forth in KRS 66.041 as computed in 5 above, does not exceed 10% of the assessed valuation of all the taxable property in the City.

7. The current tax rate of the City, for other than school purposes, upon the value of the taxable property therein is .2472 which does not exceed the maximum permissible tax rate for the City as set forth in Section 157 of the Kentucky Constitution.

8. The issuance of the bonds, notes or other obligations set forth in 3 hereof will not cause the tax rate set forth in 7 hereof to increase in an amount which would exceed the maximum permissible tax rate for the City as set forth in Section 157 of the Kentucky Constitution.

\*10% for cities having a population of fifteen thousand or more;  
5% for cities having a population of less than fifteen thousand but not less than three thousand; and  
3% for cities having a population of less than three thousand.

IN WITNESS WHEREOF, I have hereunto set my hand this 7<sup>st</sup> day of March, 2002.

/S/ J. T. Fulkerson  
Finance Director

PECK, SHAFFER & WILLIAMS LLP  
BOND ATTORNEYS  
Covington, Kentucky

*APPENDIX E*

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*Form of Final Approving Legal Opinion of Bond Counsel*

[Date of Delivery]

City of Owensboro, Kentucky  
Owensboro, Kentucky

Gentlemen:

We have examined the transcript submitted relating to the issue of \$\_\_\_\_\_ General Obligation Public Project Refunding and Improvement Bonds, Series 2002B (the "Bonds") of the City of Owensboro, Kentucky (the "Issuer"), dated March 1, 2002, numbered R-1 upward and of the denomination of \$5,000 and any integral multiple thereof. The Bonds mature, bear interest, and are subject to mandatory and optional redemption upon the terms set forth therein. We have also examined a specimen Bond.

Based on this examination, we are of the opinion, based upon laws, regulations, rulings and decisions in effect on the date hereof, that:

1. The Bonds constitute valid obligations of the Issuer in accordance with their terms, which unless paid from other sources, are payable from taxes to be levied by the Issuer without limitation as to rate.

2. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest 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, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Bonds.

3. The interest on the Bonds is not subject to taxation by the Commonwealth of Kentucky, and the Bonds are not subject to ad valorem taxation by the Commonwealth of Kentucky or by any political subdivision thereof.

The Issuer has not designated the Bonds as "qualified tax-exempt obligations" with respect to investments by certain financial institutions under Section 265 of the Code.

In giving this opinion, we have relied upon covenants and certifications of facts, estimates and expectations made by officials of the Issuer and others contained in the transcript which we have not independently verified. It is to be understood that the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting creditors' rights, and to the exercise of judicial discretion.

Very truly yours,

## OFFICIAL BID FORM

Subject to the terms and conditions set forth in the Ordinance adopted by the City of Owensboro, Kentucky on March 5, 2002, providing for the sale of \$7,110,000 of its General Obligation Public Project Refunding and Improvement Bonds, Series 2002B, dated March 1, 2002 (the "Bonds"), and in accordance with the Notice of Bond Sale, as advertised, and in accordance with the Official Terms and Conditions of Bond Sale, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase the Bonds.

We hereby bid for said \$7,110,000 principal amount of the Bonds maturing on September 1 of the years and in the amounts set forth below, the total sum of \$\_\_\_\_\_ (not less than \$7,003,350) plus accrued interest from March 1, 2002, at the following annual rate(s), payable semiannually, commencing September 1, 2002 (rates on ascending scale, number of interest rates unlimited):

<u>Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>
2002	\$250,000	_____ %
2003	255,000	_____ %
2004	260,000	_____ %
2005	270,000	_____ %
2006	280,000	_____ %
2007	290,000	_____ %
2008	300,000	_____ %
2009	310,000	_____ %
2010	320,000	_____ %
2011	330,000	_____ %
2012	345,000	_____ %
2013	365,000	_____ %
2014	375,000	_____ %
2015	395,000	_____ %
2016	410,000	_____ %
2017	430,000	_____ %
2018	445,000	_____ %
2019	470,000	_____ %
2020	495,000	_____ %
2021	515,000	_____ %

\_\_\_\_\_  
\*Preliminary, subject to Permitted Adjustment

The amounts indicated above maturing in the following years: \_\_\_\_\_ are sinking fund redemption amounts for term bonds due \_\_\_\_\_.

The amounts indicated above maturing in the following years: \_\_\_\_\_ are sinking fund redemption amounts for term bonds due \_\_\_\_\_.

It is understood that the City will furnish the final, approving Legal Opinion of Peck, Shaffer & Williams LLP, Bond Counsel to the City. We understand that no certified or bank cashier's check will be required to accompany the bid, but that if we are the successful bidder, we shall be required to wire transfer an amount equal to 2% of the bonds awarded by the close of business on the day following the award. Said amount will be applied (without interest) to the purchase price when the Bonds are tendered to us for delivery.

If we are the successful bidder, we agree to accept and make payment for the Bonds in immediately available funds within forty-five (45) days from the date of sale in accordance with the terms of the sale.

Respectfully submitted,

\_\_\_\_\_

By \_\_\_\_\_  
Bidder

\_\_\_\_\_

\_\_\_\_\_ Address

Total interest cost from March 1, 2002 to final maturity \$ \_\_\_\_\_

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

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

Average interest rate or cost (i.e. N.I.C.) \_\_\_\_\_%

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

Accepted this 7<sup>th</sup> day of March, 2002 by the City of Owensboro, as follows:

<u>Maturities</u> <u>September 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>
2002	\$ _____	_____%
2003	_____	_____%
2004	_____	_____%
2005	_____	_____%
2006	_____	_____%
2007	_____	_____%
2008	_____	_____%
2009	_____	_____%
2010	_____	_____%
2011	_____	_____%
2012	_____	_____%
2013	_____	_____%
2014	_____	_____%
2015	_____	_____%
2016	_____	_____%
2017	_____	_____%
2018	_____	_____%
2019	_____	_____%
2020	_____	_____%
2021	_____	_____%

\_\_\_\_\_ Mayor

**OFFICIAL TERMS AND CONDITIONS OF BOND SALE**

**\$7,110,000\***

**City of Owensboro, Kentucky**

**General Obligation Public Project Refunding and Improvement Bonds,  
Series 2002B**

**SALE: March 7, 2002 at 11:00 A.M., C.S.T.**

As duly advertised, the City of Owensboro, Kentucky (the "City") will, until the 7<sup>th</sup> day of March, 2002, at the hour of 11:00 A.M., C.S.T., at the office of the Finance Director at City Hall, 101 East 4<sup>th</sup> Street, Owensboro, Kentucky 42302, receive sealed competitive bids for the bonds herein described (the "Bonds"). To be considered, a proposal for the purchase of such bonds must be submitted on an Official Bid Form and must be delivered to the Finance Director at the address indicated on the date of sale no later than the hour indicated. Bids will be opened and acted upon by the Board of Commissioners later that same day.

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

These Bonds are authorized pursuant to Sections 66.011 to 66.181, inclusive, of the Kentucky Revised Statutes and are being issued in accordance with a Bond Ordinance (the "Bond Ordinance") adopted by the City of Owensboro, Kentucky (the "City") on March 5, 2002. The Bonds are general obligation bonds and constitute a direct indebtedness of the City.

The Bonds are secured by the City's ability to levy and its pledge to levy an ad valorem tax on all property within the City in a sufficient amount to pay the principal of and interest on the Bonds when due.

The Bonds are being issued for the purpose of (i) refunding in advance of maturity the outstanding principal amount of a Fixed Rate Lease Purchase Agreement dated as of December 30, 1993 (the "Prior Obligations") with the Kentucky Municipal Finance Corporation, of which \$5,135,000 principal amount remains outstanding, the proceeds of which were used to finance the acquisition, improvement and construction of a performing art center and theater known as the Owensboro Riverpark Center, (ii) financing renovations and improvements to the Owensboro Riverpark Center and (ii) paying the costs of issuing the Bonds.

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

The Bonds will bear interest from March 1, 2002, payable on the first day of each March and September, commencing September 1, 2002.

The Bonds are scheduled to mature in each of the years as follows:

<b><u>Maturities</u></b> <b><u>September 1</u></b>	<b><u>Amount*</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>Maturities</u></b> <b><u>September 1</u></b>	<b><u>Amount*</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>
2002	\$250,000	_____ %	2012	\$345,000	_____ %
2003	255,000	_____ %	2013	365,000	_____ %
2004	260,000	_____ %	2014	375,000	_____ %
2005	270,000	_____ %	2015	395,000	_____ %
2006	280,000	_____ %	2016	410,000	_____ %
2007	290,000	_____ %	2017	430,000	_____ %
2008	300,000	_____ %	2018	445,000	_____ %
2009	310,000	_____ %	2019	470,000	_____ %
2010	320,000	_____ %	2020	495,000	_____ %
2011	330,000	_____ %	2021	515,000	_____ %

\*Preliminary; subject to Permitted Adjustment.



The Bonds maturing on and after September 1, 2013 shall be subject to optional redemption prior to their maturity on any date on or after September 1, 2012, in whole or in part, in inverse order of maturity and by lot within a maturity, at the election of the City upon 45 days' written notice to the Paying Agent and Registrar (as hereinafter defined) at the redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed) set forth below, plus accrued interest to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
September 1, 2012 through August 31, 2013	101.0%
September 1, 2013 and thereafter	100.0%

At least thirty (30) days before the redemption date of any Bonds, the Paying Agent and Registrar shall cause a notice of such redemption either in whole or in part, signed by the Paying Agent and Registrar, to be mailed, first class, postage prepaid, to all registered owners of the Bonds to be redeemed at their addresses as they appear on the registration books kept by the Paying Agent and Registrar, but failure to mail any such notice shall not affect the validity of the proceedings for such redemption of Bonds for which such notice has been sent. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Bonds being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive number or letters, if any, of such Bonds to be redeemed.

Fifth Third Bank, Cincinnati, Ohio, has been appointed Paying Agent and Registrar for the Bonds.

### **BIDDING CONDITIONS AND RESTRICTIONS**

The terms and conditions of the sale of the Bonds are as follows:

- (A) Bids are required to be submitted on the Official Bid Form in order to provide for uniformity in submission of bids and ready determination of the best bid.
- (B) Bidders are required to bid for the entire issue at a minimum price of not less than \$7,003,350 (98.50% of par), plus accrued interest from March 1, 2002, to the date of delivery, PAYABLE IN IMMEDIATELY AVAILABLE FUNDS.
- (C) Bidders must name an interest rate or rates in a multiple of 1/8 or 1/20 of 1%, which rates must be on an ascending scale, in that the rate on the Bonds in any maturity is not less than the rate on the Bonds for any preceding maturity and all Bonds of the same maturity shall bear the same and a single interest rate from the date thereof to maturity.
- (D) The determination of the best purchase bid for said Bonds shall be made on the basis of all bids submitted for Bonds at the maturities offered for sale hereunder, but the City may adjust (i) the principal amount of Bonds downward by up to \$710,000 to a minimum of \$6,400,000 or upwards by up to \$390,000 to a maximum of \$7,500,000 or (ii) the principal amount of any maturity (the "Permitted Adjustment") which may be awarded to such best bidder. In the event of such Permitted 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 the same price per \$1,000 of Bonds as the price per \$1,000 for the \$7,110,000 of Bonds bid.
- (E) Bidders have the option of specifying that all the Bonds maturing in any two or more consecutive years may, in lieu of maturing in each of such years, be combined to comprise one or more maturities of Bonds scheduled to mature in the latest of such year and be subject to mandatory sinking fund redemption at par in each of the years and in the principal amounts of such term Bonds scheduled in the year of maturity of the term Bonds, which principal amount shall mature in that year.
- (F) CUSIP identification numbers will be printed on the Bonds at the expense of the Purchaser. The Purchaser shall pay the CUSIP Service Bureau Charge. 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.
- (G) A reasonable quantity of Official Statements will be supplied to the Purchaser. The Purchaser of the Bonds will be required to pay the costs of printing the Official Statements

- (H) Bids need not be accompanied by a certified or bank cashier's good faith check, but the successful bidder will be required to wire transfer an amount equal to 2% of the par amount of the Bonds awarded to the successful purchaser by the close of business on the day following the award. Such amount will be forfeited as liquidated damages in the event of a failure of the successful bidder to take delivery of the Bonds when ready. The good-faith amount will be applied (without interest) to the purchase price upon delivery of the Bonds. The successful bidder shall not be required to take delivery and pay for the Bonds unless delivery is made within 45 days from the date the bid is accepted.
- (I) The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. They will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Purchases of the Bonds under the DTC system must be made by or through securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (the "Direct Participants"), which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (a "Beneficial Owner") is in turn to be recorded on the records of Direct Participants or securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant (the "Indirect Participants"). Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.
- (J) The City reserves the right to reject any and all bids or to waive any informality in any bid. The Bonds are offered for sale subject to the principal and interest not being subject to Federal or Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidder, in accordance with the final approving legal opinion of Peck, Shaffer & Williams LLP, Covington, Kentucky, which opinion will be qualified in accordance with the section hereof on TAX TREATMENT.
- (K) 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. They 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.
- (L) As required by the Code, the purchaser of the Bonds will be required to certify to the City as to certain of its activities regarding any reoffering to the public of the Bonds, including any reoffering prices. This information from the purchaser of the Bonds shall also be made available to the Financial Advisor immediately after the sale of the Bonds.

#### **CONTINUING DISCLOSURE**

In accordance with Securities and Exchange Commission Rule 15c2-12, as amended (the "Rule") the City (the "Obligated Person") will agree pursuant to a Continuing Disclosure Agreement dated as of March 1, 2002 with Fifth Third Bank (the "Disclosure Agreement"), to be delivered on the date of delivery of the Bonds, to cause the following information to be provided:

- (i) to each nationally recognized municipal securities information repository ("NRMSIR") and, if one is established for the Commonwealth, to its state information depository ("SID"), certain annual financial information and operating data, including audited financial statements prepared in accordance with generally accepted accounting principles as applied to governmental units, generally consistent with the information contained in "Appendix A" ("Financial Data") and "Appendix C" of the Official Statement; such information shall be provided on or before March 1 following the fiscal year ending on the preceding June 30, commencing with the fiscal year ended June 30, 2002, provided that the audited financial statements may not be available by such date, but will be made available immediately upon delivery thereof by the auditor to the Obligated Person;
- (ii) to each nationally recognized municipal securities information repository or to the Municipal Securities Rulemaking Board and to the SID, if any, notice of the occurrence of the following events, if material, with respect to the Bonds:
  - (a) Principal and interest payment delinquencies;

- (b) Non-payment related defaults;
- (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 events affecting the tax-exempt status of the security;
- (g) Modifications to rights of security holders;
- (h) Bond calls, except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event;
- (i) Defeasances;
- (j) Release, substitution or sale of property securing repayment of the securities;
- (k) Rating changes; and
- (l) The cure of any payment or nonpayment related default.

(iii) in a timely manner, to each NRMSIR or to the MSRB and to the SID, notice of a failure (of which the Obligated Persons have knowledge) of an Obligated Person to provide the required Annual Financial Information on or before the date specified in the Disclosure Agreement.

The Disclosure Agreement provides bondholders, including beneficial owners of the Bonds, 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 Disclosure Agreement does not constitute an event of default under the Bond Ordinance. The Disclosure Agreement may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein.

For purposes of this transaction with respect to material events as defined under the Rule:

- (a) there are no debt service reserve funds applicable to the Bonds;
- (b) there are no credit enhancements applicable to the Bonds; and
- (c) there are no liquidity providers applicable to the Bonds.

The City has entered into numerous disclosure agreements under the Rule, relative to all the financings undertaken. To the best of the City's knowledge, the City is in compliance with the continuing disclosure undertaking contained in such existing agreements.

#### **TAX TREATMENT**

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 income taxation and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

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 City has covenanted to comply with certain restrictions designed to ensure that interest on the 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 Ordinance 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 Peck, Shaffer & Williams LLP.

Although Bond Counsel for the Bonds is of the opinion that interest on the Bonds will be excludable from gross income for Federal income tax purposes and the above-described opinion with respect to Kentucky taxation of the Bonds, 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 City has not designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

/s/ Waymond Morris  
Mayor, City of Owensboro, Kentucky