

PRELIMINARY OFFICIAL STATEMENT
Dated June 15, 2017
(Bonds to be sold June 22, 2017, 11:00 a.m. E.D.T.)

BANK QUALIFIED

Moody's Rating: "___"
(See "Rating" Herein)

ELECTRONIC BIDDING VIA PARITY

BOOK-ENTRY-ONLY SYSTEM

PRELIMINARY OFFICIAL STATEMENT DEEMED NEAR FINAL UNDER SEC RULE 15c2-12(b)(1)
but subject to revision, amendment and completion in a "Final Official Statement".

\$1,010,000*
HARLAN (KENTUCKY) INDEPENDENT SCHOOL DISTRICT
FINANCE CORPORATION SCHOOL BUILDING REFUNDING REVENUE BONDS
SERIES OF 2017

Dated: Day of Delivery (July 11, 2017)

Due: August 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 Huntington national Bank, Cincinnati, Ohio, as Paying Agent and Registrar, directly to DTC or Cede & Co., its nominee. DTC will in turn remit such principal, interest or premium to the DTC Participants (as defined herein) for subsequent distribution to the Beneficial Owners (as defined herein) of the Bonds. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof, and will bear interest payable on August 1, 2017 and thereafter semiannually on each February 1 and August 1. The Bonds are not subject to optional redemption prior to their stated maturities.

SCHEDULE OF MATURITIES

<u>Due</u>	<u>Cusip #</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>Due</u>	<u>Cusip #</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>
8/1/17	412582	\$95,000			8/1/22	412582	\$105,000		
8/1/18		100,000			8/1/23		105,000		
8/1/19		100,000			8/1/24		110,000		
8/1/20		100,000			8/1/25		115,000		
8/1/21		100,000			8/1/26		80,000		

(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 Bonds are issued under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Sections 162.120 through 162.290, 162.385, and Section 58.180 of the Kentucky Revised Statutes. The Bonds constitute a limited indebtedness of the Corporation and are payable, both principal and interest, only from revenues to be derived from lease rental payments to be paid on a year-to-year basis by the Harlan Independent Board of Education to the Corporation for use of the school facilities in accordance with the terms of a Contract, Lease and Option between the Board and the Corporation.

In the opinion of Bond Counsel, interest on the Bonds is excludable from the gross income of the recipients thereof for Federal income tax purposes under existing law, regulations and court decisions, except as to certain recipients, and the Bonds and interest thereon are exempt from income taxes and ad valorem taxes in the Commonwealth of Kentucky and any political subdivision thereof. See "Tax Exemption" herein.

The Bonds are issued subject to approval of legality by Steptoe & Johnson PLLC, Louisville, Kentucky, Bond Counsel to the Corporation. Delivery of the Bonds is expected on or about July 11, 2017.

*Preliminary, Subject to Permitted Adjustment.

FIRST KENTUCKY SECURITIES CORPORATION
Fiscal Agent

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

Board of Directors

Joe Meadors, President
Matt Nunez, Director
Cindy Allison, Director
Will Miller, Director
Kathleen Stacey, Director

Charles Morton, Secretary/Treasurer

**HARLAN (KENTUCKY) INDEPENDENT SCHOOL DISTRICT
BOARD OF EDUCATION**

Board Members

Joe Meadors, Chairman
Matt Nunez, Vice Chairman
Cindy Allison
Will Miller
Kathleen Stacey

Monica Howard, Secretary/Treasurer

Charles Morton, Superintendent

BOND AND SPECIAL TAX COUNSEL

David B. Malone
Steptoe & Johnson
Louisville, Kentucky

FISCAL AGENT

First Kentucky Securities Corporation
Lexington, Kentucky

PAYING AGENT

The Huntington National Bank
Cincinnati, Ohio

BOOK-ENTRY-ONLY-SYSTEM

No dealer, broker, salesman, or other person has been authorized by the Harlan Independent School District Finance Corporation; the Harlan Independent Board of Education; or First Kentucky Securities Corporation, the Financial Advisor; to give any information or representations, other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Except where otherwise indicated, the information set forth herein has been obtained from the Kentucky Department of Education and the Harlan Independent Board of Education and is believed to be reliable; however, such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by First Kentucky Securities Corporation, the Financial Advisor; or by Bond Counsel. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to the date hereof.

TABLE OF CONTENTS

	Page
Description of the Bonds	1
Authorization	1
Terms	1
Book Entry	1
Redemption Provision	2
Authority and Purpose.....	2
Kentucky School Facilities Construction Commission	2
Proceeds to Retire All Bonds of Prior Issue	3
Security for Refunding Bonds	3
Harlan (Kentucky) Independent School District Finance Corporation	4
The Refunding Plan	4
Estimated Sources and Uses of Funds	4
Disposition of Bond Proceeds	4
Certain Provisions of the Bond Resolution.....	4
Paying Agent and Registrar.....	5
Funds Established by the Resolution.....	5
Contract, Lease and Option	5
Statutory Mortgage Lien Created.....	5
Arbitrage Provisions.....	6
Resolution to Constitute a Contract.....	6
Other Covenants.....	6
Certain Provisions of the Contract, Lease and Option.....	6
Lease to the Board.....	6
Amount and Due Date of Rentals	6
Conveyance upon Retirement of Bonds.....	6
Options to Purchase.....	6
Maintenance and Insurance	6
Kentucky Department of Education Supervision	7
State Support of Education	7
Continuing Disclosure	8
Potential Legislation	8
Tax Exemption; Bank Qualified.....	9
Approval of Legality	9
Absence of Material Litigation.....	9
Financial Advisor	9
Rating	9
Appendix A: Harlan Independent School District Tax Base Information and Operating and Financial Data	
Appendix B: Harlan, Kentucky General Information	
Appendix C: Estimated Debt Service Requirements on Series of 2017 Bonds; Estimated Total Annual District Debt Service Requirements	
Appendix D: Continuing Disclosure Agreement	
Official Terms and Conditions of Bond Sale	
Official Bid Form	

PRELIMINARY OFFICIAL STATEMENT

\$1,010,000*

HARLAN (KENTUCKY) INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REFUNDING REVENUE BONDS
SERIES OF 2017

Dated Date: Day of Delivery

This Official Statement, which includes the cover page, is being distributed by the Harlan Independent School District Finance Corporation (the "Corporation") to furnish pertinent information to all who may become holders of its School Building Refunding Revenue Bonds, Series of 2017, dated the date of delivery (the "Bonds") being offered hereby pursuant to the provisions of Sections 162.120 through 162.300 and Section 162.385 of the Kentucky Revised Statutes, ("KRS") and KRS Chapter 273 and KRS Sections 58.050 through 58.140, and 58.180, and pursuant to the terms of a Bond Resolution adopted by the Corporation.

The summaries and references to Sections of the Kentucky Revised Statutes, the Bond Resolution, and the Contract, Lease and Option, as included in this Official Statement, do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such document.

DESCRIPTION OF THE BONDS

Authorization

Pursuant to Sections 162.120 through 162.300 and Section 162.385 of the Kentucky Revised Statutes and KRS Chapter 273 and KRS 58.010 through 58.140 and 58.180, the Corporation adopted a Bond Resolution (i) authorizing the issuance of \$1,005,000* School Building Refunding Revenue Bonds; (ii) approving the publication of a Notice of Sale of Bonds; (iii) approving the terms and conditions of bond sale; and (iv) authorizing the President of the Corporation to execute the Official Statement related to the Bonds.

Terms

The Bonds will be dated the date of delivery will bear interest payable August 1, 2017, and thereafter semiannually on each February 1 and August 1 at the rates established upon acceptance of a bid for said Bonds and, will mature on the dates and in the amounts set forth on the cover page.

Book Entry

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

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

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

*Preliminary, Subject to Permitted Adjustment.

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

Principal, 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 Agency, subject to any statutory and regulatory requirements as may be in effect from time to time.

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

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

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

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

Redemption Provision

The Bonds are not subject to optional redemption prior to their stated maturities. Notwithstanding the foregoing, the Corporation reserves the right, upon thirty (30) days' notice, to call the Bonds in whole or in part on any date at par for redemption upon the total destruction by fire, lightning, windstorm or other hazard of any building constituting the Project and apply casualty insurance proceeds to such purpose.

Authority and Purpose

The Refunding Bonds are being issued under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including KRS Sections 162.120 through 162.300, 162.385, and Section 58.180, within the meaning of the decision of the Court of Appeals of Kentucky (Supreme Court) in the case of Hemlepp v. Aronberg, 369 S.W.2d 121, for the purpose of providing funds to retire all of the outstanding Harlan Independent School District Finance Corporation School Building Revenue Bonds, Series of 2006, dated July 1, 2006 (the "Series 2006 Bonds") maturing August 1, 2017 and thereafter, (the "Refunded Bonds").

KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION

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

The Commission will enter into an Adjusted Participation Agreement with the Board whereunder the Commission will agree to pay annually approximately 100% of the debt service requirements for the Bonds through August 1, 2026. The contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial budget period terminating on June 30, 2018.

The 2016 Regular Session of the Kentucky General Assembly adopted the State Budget for the biennium ending June 30, 2018. *Inter alia*, the Budget funds \$100,000,000 of the Commission' previous Offers of Assistance made during the last biennium; authorizes \$93,745,000 in special offers of assistance to be funded in the current biennium; and authorizes \$91,000,000 in additional Offers of Assistance for the current biennium to be funded in the Budget for the biennium ending June 30, 2020. The Budget also authorizes the Commission to make use of Qualified Tax Credit Bonds now available under Federal law; and funds certain technology programs and a statewide building classification study.

PROCEEDS TO RETIRE ALL BONDS OF PRIOR ISSUE

The Refunded Bonds were issued by the Corporation under the authority of KRS Sections 162.120 through 162.300 and 162.385 for the purpose of providing funds for financing the construction of a new Humanities Building with ancillary spaces attached to the middle/high school with a connecting corridor (the "Project"). Under the terms of the Bond Resolutions authorizing the Refunded Bonds, those Bonds are payable from the income and revenues of the Project financed from the proceeds thereof.

The aggregate total principal amount of the Prior Issue outstanding as of June 22, 2017 is \$975,000, scheduled to mature on August 1 in each of the years 2017 through 2026.

Upon the delivery of the Refunding Bonds sufficient proceeds thereof shall be deposited in the Bond Fund established for the Refunded Bonds in order to provide for the payment of the accrued interest requirements, and \$975,000 principal of the Series 2006 Bonds maturing August 1, 2017 and thereafter, without redemption premium, on August 1, 2017.

The 2017 Bond Resolution expressly provides that upon delivery of the Refunding Bonds and the deposit of sufficient funds in accordance with the preceding paragraph the statutory mortgage lien upon and the pledge of the revenues from the rental of the Project under the Prior Lease from the Corporation to the Board shall terminate as the security and source of payment for the Refunded Bonds and the Registered Owners of the Refunded Bonds shall be paid from and secured by the monies deposited in the Bond Fund or Escrow Fund for the retirement thereof upon the delivery of the Refunding Bonds.

SECURITY FOR REFUNDING BONDS

The Refunding Bonds will constitute a limited indebtedness of the Corporation and will be payable as to both principal and interest solely from the income and revenues of the school Project originally financed from the proceeds of the Refunded Bonds. The Refunding Bonds are secured by a statutory mortgage lien upon and pledge of the revenues derived from the rental of the school Project to the Board under a Lease Agreement dated as of July 11, 2017 (the "2017 Lease").

Title to the school Project financed from the proceeds of the Refunded Bonds is vested in the Corporation securing the Refunding Bonds in accordance with the terms of the 2017 Lease.

The 2017 Lease provides further that so long as the Board exercises its annual renewal options, its rentals will be payable according to the terms and provisions of the 2017 Lease until August 1, 2026, the final maturity date of the Refunding Bonds, and such annual rentals shall be deposited as received in the 2017 Bond Fund for the Refunding Bonds and used and applied for the payment of all maturing principal of and interest on the Refunding Bonds.

Under the terms of the 2017 Bond Resolution and the 2017 Lease the statutory mortgage lien and pledge of rental revenues securing the Refunding Bonds which are created and granted pursuant to KRS 162.200 upon the school Project properties are and shall be restricted in their application to the exact location of said school building and to such easements and rights of way for ingress, egress and the rendering of services thereto as may be necessary for the proper use and maintenance of said school building; the right being reserved to erect or construct upon any land not occupied by the school Project other independently financed school buildings, free and clear of said statutory mortgage lien and revenue pledge, which other independently financed school buildings may or may not have a party wall with and adjoin said school buildings constituting the Project, provided no part of the cost of said other independently financed school buildings is paid from the proceeds of the sale of the Refunding Bonds.

Under the terms of the 2017 Lease, and any renewal thereof, the Board has agreed so long as the Bonds remain outstanding, and in conformance with the intent and purpose of Section 157.627(5) of the Act and KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the 2017 Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the 2015 Lease and Participation Agreement to the Corporation and the Commission the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

HARLAN (KENTUCKY) INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION

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

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

THE REFUNDING PLAN

The Bonds are being issued for the purpose of providing funds to retire the outstanding Harlan Independent (Kentucky) School District Finance Corporation School Building Revenue Bonds, Series 2006 (the "Refunded Bonds"), the proceeds of which were used to finance an addition at the Harlan Middle School (the "Project").

The Corporation will issue bonds in an amount sufficient (1) to redeem the Refunded Bonds maturing August 1, 2017 and thereafter at par, plus accrued interest to the redemption date, and (2) to pay the costs of issuance of and the purchaser discount on the Bonds.

Estimated Sources and Uses of Funds

Sources of Funds

Series of 2017 Bond Proceeds	\$1,010,000	
Total		<u>\$1,010,000</u>

Uses of Funds

Cost to retire Series 2006 Bonds	\$975,000
Underwriter's Discount	10,100
Issuance Costs	21,725
Contingency	<u>3,175</u>
Total	<u>\$1,010,000</u>

DISPOSITION OF BOND PROCEEDS

Upon delivery of the Bonds, there shall first be paid all expenses incident to the authorization, sale and delivery of the Bonds.

Next, the accrued interest received, if any, shall be deposited into the "Harlan Independent School District Finance Corporation School Building Refunding Revenue Bond and Interest Redemption Fund of 2017" (the "Bond Fund") to be held therein for payment of interest on the Bonds at the next ensuing interest due date.

The entire remaining proceeds of the Bonds shall be deposited into the Harlan Independent School District Finance Corporation School Building Refunding Revenue Escrow Fund of 2017" (the "Escrow Fund") and used to retire the Refunded Bonds at the times and in the amounts set forth above.

CERTAIN PROVISIONS OF THE BOND RESOLUTION

The Bond Resolution contains various covenants of the Corporation and provisions for the payment of the Bonds in accordance with their terms, certain of which are summarized below. Reference is made to the Bond Resolution for a full and complete statement of its provisions.

The Corporation has authorized the issuance of its Harlan Independent School District Finance Corporation School Building Refunding Revenue Bonds, Series of 2017, in an aggregate amount of \$1,105,000*. The Bonds are fully registered and in denominations in multiples of \$5,000. The Bonds bear interest payable on February 1 and August 1 in each year, beginning August 1, 2017, at such interest rate or rates as a result of an advertised sale of Bonds and competitive bidding therefor. Said Bonds shall mature on the dates and in the amounts set forth on the cover page.

Paying Agent and Registrar

The Huntington National Bank, Cincinnati, Ohio, has been named Paying Agent and Bond Registrar. Interest and principal payments will be made by the Paying Agent by wire transfer to DTC on each due date. Please see "Book Entry" supra.

Funds Established by the Resolution

The Resolution establishes the following funds:

Harlan Independent School District Finance Corporation School Building Refunding Revenue Bond and Interest Redemption Fund Series of 2017 (the "Bond Fund"). -- The Corporation covenants that all amounts received as rentals pursuant to the terms of the Contract, Lease and Option shall be deposited into the Bond Fund and held apart from all other funds for the payment of the principal of and interest on the Bonds as same become due. The required annual payments due from the Board shall be made in semi-annual installments on or before each January 15 and July 15, the first such payment to be made on or before July 15, 2017.

Moneys held in the Bond Fund shall be invested at the direction of the Corporation in (i) securities of the United States Government; (ii) obligations fully guaranteed by the United States, having a maturity date prior to the date when the sums invested will be needed for meeting interest and principal payments; or (iii) in certificates of time deposit maturing as and when required to pay principal and interest. Such certificates of time deposit shall be secured by a valid pledge of United States Government securities to the extent same exceed FDIC coverage. All income from the investment of the Bond Fund shall be deposited into said Bond Fund and may be used as a credit to any future deposit required to be made by the Board into said Bond Fund.

Harlan Independent School District Finance Corporation School building Refunding Revenue Bond Escrow Fund of 2017 (the "Escrow Fund"). -- Proceeds of the Bonds, after payment of the costs of issuance and deposit of accrued interest received in the Bond Fund, shall be deposited into the Escrow Fund for the purpose of effecting the refunding plan. Moneys deposited in the Escrow Fund shall be invested in accordance with the provisions of the Escrow Agreement. The obligations invested in shall mature not later than the time funds may be needed for the payment requirements of the Refunding Bonds, all as set forth in the Escrow Agreement.

Contract, Lease and Option

The Board covenants to faithfully and punctually perform all duties required by the Lease including providing for the maintenance and insurance of the school properties.

The Corporation further agrees to collect such rents and charges for services rendered by the school Project properties as will be sufficient to pay the principal of and interest on the Bonds when same become due.

Statutory Mortgage Lien Created

The Resolution recognizes the statutory mortgage lien upon the school Project property which are granted and created by Section 162.200 of the Kentucky Revised Statutes. Said lien is and shall be restricted in its applications to the facilities, the costs of financing of which are defrayed from the proceeds of the Bonds, together with appurtenances, equipment therein, that portion of the school site physically occupied thereby, and such easements and rights-of-way for ingress, egress, and the rendering of services thereto as may be necessary for the proper use and maintenance of the same.

The right is reserved to erect or construct upon the school site described in the Resolution other structures and improvements free and clear of said statutory mortgage lien, even though the same are connected by using as party walls one or more walls of structures which are subject to said mortgage lien, providing the same are capable of use as separate entities in themselves and have their own outside entrances and providing no part of the costs of said additional structures and improvements are paid from the proceeds of these Bonds.

Arbitrage Provisions

The Corporation shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Corporation on the Bonds shall, for the purpose of Federal income taxation, be excludable from the gross income of the recipients under any valid provision of law.

The Corporation shall not permit at any time any of the proceeds of the Bonds or other funds of the Corporation to be used to acquire any securities or obligations the acquisition of which would cause any such Bond to be an "arbitrage bond", as defined in the Internal Revenue Code of 1986, as amended (the "Code"), unless, under any valid provision of law hereafter enacted, the interest paid by the Corporation on the Bonds shall be excludable from the gross income of a recipient thereof for Federal income tax purposes without regard to compliance with the Code.

Resolution to Constitute a Contract

The provisions of the Resolution shall constitute a contract between the Corporation and the Registered Owners of any Bonds from time to time outstanding and, after the sale of such Bonds, no change in the provisions of the Resolution shall be permitted while any of said Bonds remain outstanding and unpaid, except as expressly authorized in the Resolution.

Other Covenants

The Corporation binds and obligates itself not to sell, mortgage, or in any manner dispose of the school Projects property, including any and all extensions and additions that may be made thereto, except as specifically permitted and provided by the Resolution until all of the Bonds shall have been paid in full.

CERTAIN PROVISIONS OF THE CONTRACT, LEASE AND OPTION

The following summarizes certain provisions of the Lease pursuant to which the Corporation leases the school building properties to the Board. Reference is made to the Lease for a full and complete statement of its provisions.

Lease to the Board

The Corporation agrees to lease the Project to the Board and the Board agrees to lease the Project from the Corporation from year to year commencing on June 15, 2017.

The initial term of the Lease shall expire on June 30, 2017; provided, however, that the Lease shall be automatically renewed from year to year for one-year terms unless terminated by the Board upon written notice to the Corporation ninety days before the end of the fiscal year.

Amount and Due Date of Rentals

The amount of the annual rentals to be paid by the Board shall be a sum equal to the interest which will be due on February 1, together with the Bonds and interest which will be due on August 1 during the rental year, plus the costs of operation, maintenance and insurance.

Conveyance upon Retirement of Bonds

It is agreed that if the Board shall pay rentals from year to year until the first day of August, 2026, then upon completion of such payments the leased premises shall be and become the property of the Board.

Options to Purchase

It is hereby further agreed that the Board may purchase the Project and thereby terminate the Lease on any date by the payment of a sum sufficient to accomplish the retirement or defeasance of the outstanding Bonds issued by the Corporation.

Maintenance and Insurance

The Board agrees that so long as the Board continues to lease the school Project it will, at its own expense, maintain the Project in good state of repair and will procure and pay the cost of insurance on all buildings located thereon against loss by fire, lightning, and windstorm in an amount equal to the full insurable value of the Project or the face amount of the Bonds outstanding, whichever is greater.

KENTUCKY DEPARTMENT OF EDUCATION SUPERVISION

According to a report furnished by the Kentucky Department of Education, under the terms of the Kentucky Revised Statutes and the regulations of the Kentucky Board of Education (the "State Board"), the State Board, by itself and through its executive officer, the Commissioner of Education (the "Commissioner"), supervises the general operations of the local boards of education and school building revenue bond financing for school purposes. The Commissioner examines and advises on the expenditures, business methods and accounts of all local boards of education, including the Board. The Commissioner is responsible for assuring that all financial and educational accounts are accurately and neatly kept, and that all reports are made according to the forms adopted by the State Board. Each school district supported in whole or in part from taxation is required to make a report to the State Board at the close of each scholastic year, showing in detail all funds received from the Commonwealth and from all other sources during the year, and a detailed statement of all expenditures for the year.

Each local board of education must prepare and submit to the Commissioner an annual budget showing the amount needed for current expenses, capital outlay, debt service and lease rental payments for the ensuing year, the estimated amount to be received from other sources, and the amount needed to be raised from local taxation, including the assessed valuation and tax rate for property subject to taxation by the school district. If the budget is disapproved, it must be amended and resubmitted. No budget is effective until approved by the Commissioner.

Each local school board must prepare and submit to the State Board, not later than January 15 of each year, a close estimate of its working budget which must conform to the rules and regulations prescribed by the State Board, and which must be consistent in its major divisions with the general school budget previously prepared.

A local superintendent may not recommend and a local school board member may not vote for an expenditure in excess of the income and revenue of any year as shown by the budget approved by the Commissioner, except for a purpose for which bonds have been voted, or in case of an emergency declared by the State Board.

All local boards of education who have entered into contracts with respect to the issuance of revenue bonds must arrange for insurance protection in an amount equal to the amount of bonds outstanding against the particular building or buildings, or to the full insurable value of such building or buildings, whichever is greater, and must report annually to the Superintendent, on forms provided by the Department of Education, the amount of insurance coverage provided for each building which has been mortgaged for the security of outstanding revenue bonds.

The State Department of Education must approve a bond issue and its related financial, educational and construction plans prior to issuance and such approval will be obtained prior to the sale of this issue.

STATE SUPPORT OF EDUCATION

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

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

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

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

KRS 160.470(12)(a) requires that effective for fiscal years beginning July 1, 1990 each school district shall levy a minimum equivalent tax rate of \$0.30 for general school purposes. The equivalent tax rate is defined as the rate which results when the income

collected during the prior year from all taxes levied by the district (including utilities gross receipts license and special voted) for school purposes is divided by the total assessed value of property, plus the assessment for motor vehicles certified by the Revenue Cabinet of the Commonwealth. Any school district board of education which fails to comply with the minimum equivalent tax rate levy shall be subject to removal from office.

KRS 157.440(2) provides that for fiscal years beginning July 1, 1990 each school district may levy an equivalent tax rate which will produce up to 15% of those revenues guaranteed by the SEEK program. Any increase beyond the 4% annual limitation imposed by KRS 132.017 ("House Bill 44") is not subject to the recall provisions of that Section. Revenue generated by the 15% levy is to be equalized at 150% of the state-wide average per pupil equalized assessment.

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

KRS 157.620(1) also provides that in order to be eligible for participation from the Kentucky School Facilities Construction Commission for debt service on bond issues the district must levy a tax which will produce revenues equivalent to \$0.05 per \$100 of the total assessed value of all property in the district (including tangible and intangible property and motor vehicles). A district having a special voted tax which is equal to or higher than the required \$0.05 tax, must commit and segregate for capital purposes at least an amount equal to the required \$0.05 tax. Those districts which levy the additional \$0.05 tax are also eligible for participation in the Facilities Support Program of Kentucky ("FSPK") program for which funds are appropriated separately from SEEK funds and are distributed to districts in accordance with a formula taking into account outstanding debt and funds available for payment from both local and state sources.

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

CONTINUING DISCLOSURE

As a result of the Board and issuing agencies acting on behalf of the Board having outstanding at the time the Bonds referred to herein are offered for public sale municipal securities in excess of \$1,000,000, the Corporation and the Board will enter into a written agreement for the benefit of all parties who may become Registered or Beneficial Owners of the Bonds whereunder said Corporation and Board will agree to comply with the provisions of the Municipal Securities Disclosure Rules set forth in Securities and Exchange Commission Rule 15c2-12.

Although the Board is currently up-to-date in all required continuing disclosure filings, it has in the past been late in making such filings in a timely manner: specifically, the Board was late in filing financial information for Fiscal Year 2012 and Fiscal Year 2013. A Notice of Failure to File was published. The Board has adopted procedures to assure timely and complete filings in order to provide required financial reports or notices of material events.

Financial information regarding the Board may be obtained from Superintendent, Harlan Independent School District Board of Education, 420 E. Central Street, Harlan, Kentucky 40831 Telephone 606-573-8700.

POTENTIAL LEGISLATION

No assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners of the Bonds from realizing the full current benefit of the tax exemption of such interest. In addition, current and future legislative proposals, if enacted into law, may cause interest on state or local government bonds (whether issued before, on the date of, or after enactment of such legislation) to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the amount of interest on such bonds that may currently be treated as tax exempt by certain individuals. Prospective purchasers of the Bonds should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation.

Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the IRS, including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds or obligations which present similar tax issues, will not affect the market price for the Bonds.

TAX EXEMPTION; BANK QUALIFIED

With regard to the Internal Revenue Code of 1986, as amended (the "Code"), Bond Counsel advises as follows:

- (A) The Bonds and the interest thereon are exempt from income and ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.
- (B) The interest income from the Bonds is excludable from the gross income of the recipients thereof for Federal income tax purposes under existing law; provided, that the corporate entities noted below are advised of certain tax consequences as follows:
 - 1) In the computation of the corporate minimum tax, earnings and profits may include otherwise tax-exempt interest on the Bonds; this provision applies to corporations only.
 - 2) Property and casualty insurance companies may be denied certain loss reserve deductions to the extent of otherwise tax-exempt interest on the Bonds.
- (C) As a result of designations and certifications by the Board and the Corporation, indicating the issuance of less than \$10,000,000 of "qualified tax-exempt obligations" during the calendar year ending December 31, 2017, the Bonds may be treated by financial institutions as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.
- (D) The interest income from the Bonds is excludable from the gross income of the recipients thereof for Federal income tax purposes under existing law for individuals; however, said income must be included in the calculation of "modified adjusted gross income" in the determination of whether and to what extent Social Security benefits are subject to Federal income taxation.

APPROVAL OF LEGALITY

Legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Steptoe & Johnson PLLC, Louisville, Kentucky, Bond Counsel to the Corporation. The approving legal opinion of Bond Counsel will be printed on the Bonds and will contain a statement of tax exemption as represented herein. Bond Counsel has reviewed the information herein pertaining to the Bonds under the headings "Description of The Bonds", "Adoption of State Budget", "Certain Provisions of the Bond Resolution", "Certain Provisions of the Contract, Lease and Option", "State Support of Education", and "Tax Exemption; Bank Qualified", and is of the opinion that such information is a fair summary of the principal provisions of the instruments and information therein described. Bond Counsel has not otherwise participated in the preparation of the Official Statement and has not verified the accuracy or completeness of the information contained under the headings "The Refunding Plan", "Kentucky Department of Education Supervision", nor of any financial information, enrollment figures, projections, or computations related thereto, and therefore can make no representation with respect to such information.

ABSENCE OF MATERIAL LITIGATION

There is no controversy or litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Corporation taken with respect to the issuance or sale thereof.

FINANCIAL ADVISOR

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

RATING

Moody's Investors Service has given the Bonds the rating set forth on the cover page of this Official Statement. Such rating reflects only the opinion of such organization. There can be no assurance that such rating will be maintained for any given period of time or that it will not be revised or withdrawn entirely. Any downward revision or withdrawal of such rating may have a material adverse effect on the market price of the Bonds.

All quotations from, and summaries and explanations of, the Kentucky Revised Statutes, the Bond Resolution, and the Contract, Lease and Option contained herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of the Bond Resolution, and the Contract, Lease and Option may be obtained from First Kentucky Securities Corporation, 377 East Main Street, Lexington, Kentucky 40507.

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

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Corporation and the purchasers or holder of any of the Bonds.

HARLAN INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION

/s/ Joe Meadors
President

KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION

/s/ Chelsey Bizzle
Executive Director

APPENDIX A

***HARLAN INDEPENDENT SCHOOL DISTRICT
TAX BASE INFORMATION AND OPERATING AND FINANCIAL DATA***

Enrollment

Property Assessment for School Tax

History of Assessment Rates

General Fund

Capital Outlay Fund

Utilities Gross Receipts Tax for Schools

Funds Available for Debt Service

Outstanding School Building Revenue Bonds

Annual Audit Report

HARLAN INDEPENDENT SCHOOL DISTRICT

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

Enrollment

School Year	<u>Enrollment</u>
2016	691
2015	704
2014	741
2013	779
2012	806
2011	791

Property Assessment for School Tax

School Year	Total <u>Assessment</u>
2016	\$124,921,788
2015	124,855,523
2014	123,576,145
2013	126,865,737
2012	120,346,542
2011	123,690,259

History of Assessment Rates

School Year	Real Estate Tax Rate	Tangible Tax Rate	Motor Vehicle Tax Rate	Utility Tax Rate
2016	49.3¢	49.3¢	52.3¢	3%
2015	42.9¢	42.9 ¢	52.3 ¢	3%
2014	41.5¢	41.5 ¢	52.3 ¢	3%
2013	38.9¢	38.9 ¢	52.3 ¢	3%
2012	39.2¢	39.2 ¢	52.3 ¢	3%
2011	38.3¢	38.3 ¢	52.3 ¢	3%

HARLAN INDEPENDENT SCHOOL DISTRICT

Comparative Statement of Receipts and Disbursements

GENERAL FUND

Fiscal Years Ending June 30

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Beginning Cash Balance	\$1,373,332	\$1,389,648	\$1,240,440	\$1,274,058	\$1,253,975
Adjustments in Beginning Balance	<u>0</u>	<u>0</u>	<u>75,000</u>	<u>(6,680)</u>	<u>1,968</u>
Adjusted Beginning Balance	1,373,332	1,389,648	1,315,440	1,267,378	1,255,943
RECEIPTS:					
Revenue from Local Sources	722,740	757,145	745,488	727,120	679,447
Revenue from State Sources	4,532,602	4,454,100	4,417,028	4,498,768	4,681,092
Other	<u>22,881</u>	<u>20,421</u>	<u>12,072</u>	<u>17,852</u>	<u>13,006</u>
Total Receipts	<u>5,278,223</u>	<u>5,231,666</u>	<u>5,174,588</u>	<u>5,243,740</u>	<u>5,373,545</u>
Total Funds Available	<u>6,651,555</u>	<u>6,621,314</u>	<u>6,490,028</u>	<u>6,511,118</u>	<u>6,629,488</u>
DISBURSEMENTS:					
Instruction	3,507,031	3,378,261	3,203,576	3,191,025	3,356,009
Student Support Services	197,665	181,075	193,288	309,115	293,850
Instruction Staff Support	208,859	193,098	199,077	238,041	220,119
District Administrative Support	378,627	503,171	452,600	382,451	400,469
School Administrative Support	238,157	225,112	239,681	334,668	399,897
Business Support Services	119,557	123,198	100,403	138,835	80,259
Plant Operation & Maintenance	471,836	482,890	481,483	521,617	487,372
Student Transportation	122,006	140,249	149,713	229,603	143,146
Community Services	12,030	16,429	14,262	13,815	13,726
Debt Services	35,905	41,104	45,030	41,548	41,534
Transfers	<u>(116,190)</u>	<u>(40,605)</u>	<u>21,267</u>	<u>(130,040)</u>	<u>(80,951)</u>
Total Disbursements	<u>5,175,483</u>	<u>5,247,982</u>	<u>5,100,380</u>	<u>5,270,678</u>	<u>5,355,430</u>
Ending Cash Balance	<u>\$1,476,072</u>	<u>\$1,373,332</u>	<u>\$1,389,648</u>	<u>\$1,240,440</u>	<u>\$1,274,058</u>

Source: Information for fiscal year 2012 was taken from audited financial reports prepared by Gaw & Associates, PLLC, Harlan, Kentucky, Certified Public Accountants. Information for fiscal years 2013 through 2016 was taken from audited financial reports prepared by Cloyd & Associates, PSC, London, Kentucky, Certified Public Accountants.

HARLAN INDEPENDENT SCHOOL DISTRICT

Comparative Statement of Receipts and Disbursements

CAPITAL OUTLAY FUND

Fiscal Years Ending June 30

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Beginning Cash Balance	\$0	\$ 0	\$31,375	\$ 81,538	\$31,375
Adjustments in Beginning Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Adjusted Beginning Balance	0	0	31,375	81,538	31,375
 RECEIPTS:					
Capital Outlay Allotment	<u>69,100</u>	<u>70,400</u>	<u>70,166</u>	<u>72,625</u>	<u>73,046</u>
Total Receipts	<u>69,100</u>	<u>70,400</u>	<u>70,166</u>	<u>72,625</u>	<u>73,046</u>
Total Receipts and Balance	<u>69,100</u>	<u>70,400</u>	<u>101,541</u>	<u>154,163</u>	<u>104,421</u>
 DISBURSEMENTS:					
Plant Operation & Management	0	0	0	0	0
Debt Service	0	0	0	0	0
Fund Transfer	<u>69,100</u>	<u>70,400</u>	<u>101,541</u>	<u>122,788</u>	<u>22,883</u>
Total Disbursements	<u>69,100</u>	<u>70,400</u>	<u>101,541</u>	<u>122,788</u>	<u>22,883</u>
Ending Cash Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 31,375</u>	<u>\$81,538</u>

Source: Information for fiscal year 2012 was taken from audited financial reports prepared by Gaw & Associates, PLLC, Harlan, Kentucky, Certified Public Accountants. Information for fiscal years 2013 through 2016 was taken from audited financial reports prepared by Cloyd & Associates, PSC, London, Kentucky, Certified Public Accountants.

Utilities Gross Receipts Tax For Schools

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

2016	2015	2014	2013	2012	2011
\$185,220	\$264,879	\$217,389	\$214,782	\$260,848	\$241,452

Funds Available for Debt Service

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

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

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

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

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Outstanding School Building Revenue Bonds

Local Participation:

<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Original Amount Issued</u>	<u>Bonds Outstanding as of June 30, 2017</u>
July 1, 2006 ¹	8/1/2026	9,625	5,236
February 5, 2009	2/1/2029	835,553	566,686
February 12, 2009	9/1/2019	<u>1,043,884</u>	<u>408,213</u>
Subtotal		<u>\$1,889,062</u>	<u>\$980,135</u>

SFCC Participation ²:

<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Original Amount Issued</u>	<u>Bonds Outstanding as of June 30, 2017</u>
July 1, 2006 ³	8/1/2026	1,633,375	969,764
February 5, 2009	2/1/2029	494,447	333,314
February 12, 2009	9/1/2019	<u>661,116</u>	<u>186,787</u>
Subtotal		<u>\$3,326,321</u>	<u>\$1,489,865</u>
Total		<u>\$4,888,000</u>	<u>\$2,470,000</u>

¹These bonds will be eliminated by the 2017 bond issue.

²These bonds are payable by the Kentucky School Facilities Construction Commission.

³These bonds will be refunded by the 2017 bond issue.

Annual Audit Report

Click on the following link:

<http://education.ky.gov/districts/FinRept/Documents/FY2015-2016%20FA%20Harlan%20Ind.pdf>

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APPENDIX B

***HARLAN, KENTUCKY
GENERAL INFORMATION***

General Information

In the heart of the Appalachian Coal Fields, Harlan, Kentucky, county seat of Harlan County, is steeped in coal mining history. Surrounded by the picturesque Cumberland and Black mountains, Harlan (originally known as Mount Pleasant) is home to more than just mining, it's a town rich in mountain culture and pride. Harlan County, Kentucky is named after Silas Harlan, and is located in the southeastern portion of the state on the border of Virginia. Harlan has several mountain systems. Black Mountain runs along the Kentucky -Virginia border. Big Black Mountain is the highest point in the state of Kentucky at 4,145 feet above sea level, near Lynch. Another system in Harlan is Pine Mountain which runs toward Cumberland. Stone Mountain is another mountain that isn't talked about much but has very beautiful views many times of the year. This mountain is located on the Harlan-Bell-Virginia borders. Another one of nature's heavenly sites is Blanton Forest. This is by far the largest old-growth forest in Kentucky and one of the oldest in the United States. It covers 2,350 acres of Pine Mountain's south slope.

QUICK FACTS

Harlan County Statistical Summary

Population 2016

Harlan County	27,168
Labor Market Area	139,118

Harlan County

Per Capita Personal Income 2015	\$27,920
Median Household Income 2015	\$25,814
Median Home Price 2015	\$52,000

Unemployment Rate 2016

Harlan County	12.1%
Labor Market Area	10.1%
U.S.	4.9%

Average Weekly Wage 2015

Harlan County	\$673
Labor Market Area	\$670
U.S.	\$1,018

DEMOGRAPHICS

Total Population

	2012	2013	2014	2015	2016
Labor Market Area	146,103	144,475	142,773	140,963	139,118
Harlan County	28,715	28,562	28,098	27,613	27,168
Harlan	1,699	1,688	1,667	1,639	N/A
Cumberland	2,178	2,166	2,140	2,103	N/A

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

Population by Selected Age Groups, 2015

	Harlan County		Labor Market Area	
	Number	Percent	Number	Percent
Under 16	5,582	20.1	26,746	18.9
16-24	2,956	10.7	14,536	10.3
25-44	6,593	23.8	34,858	24.7
45-64	7,856	28.4	40,423	28.6
65-84	4,224	15.2	22,181	15.7
85 and older	492	1.8	2,437	1.7
Median Age	41.3		41.8	

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

Population by Race and Hispanic Origin, 2015

	Harlan County		Labor Market Area	
	Number	Percent	Number	Percent
White	26,521	95.7	135,684	96.1
Black or African American	636	2.3	3,004	2.1
Am. Indian & Alaska Native	69	0.2	338	0.2
Asian	85	0.3	458	0.3
Native Hawaiian & other Pacific Islander	66	0.2	101	0.1
Other/Multirace	326	1.2	1,596	1.1
Hispanic Origin	243	0.9	1,427	1.0

Note: Hispanic is not a race category. A person can be white, black or African American, etc. and be of Hispanic origin.
Source: U.S. Department of Commerce, Bureau of the Census.

Population Projections

	2020	2025	2030	2035
Harlan County	26,368	24,936	23,381	21,799

Source: Kentucky State Data Center, University of Louisville.

Per Capita Personal Income

	2010	2015	Pct. Change
Harlan County	\$27,538	\$27,920	1.4 %
Kentucky	\$33,031	\$38,588	16.8 %
U.S.	\$40,277	\$48,112	19.5 %
Labor Market Area Range	\$25,766- \$31,893	\$27,219- \$35,148	

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

Households

	2015		2015
	Number of Households	Persons Per Household	Median Household Income
Harlan County	11,406	2.43	\$25,814

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

Civilian Labor Force

	Harlan County		Labor Market Area	
	2016	Mar. 2017	2016	Mar. 2017
Civilian Labor Force	7,208	7,193	42,370	42,222
Employed	6,334	6,402	38,085	38,249
Unemployed	874	791	4,285	3,973
Unemployment Rate (%)	12.1	11.0	10.1	9.4

Unemployment Rate (%)

Year	Harlan County	Labor Market Area	Kentucky	U.S.
2012	13.2	12.2	8.2	8.1
2013	17.6	14.7	8.3	7.4
2014	13.9	11.0	6.5	6.2
2015	11.7	9.5	5.4	5.3
2016	12.1	10.1	5	4.9

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

EDUCATION AND TRAINING

Four-Year Colleges and Universities Within 60 Miles of Harlan

Institutions engaged in furnishing academic courses and granting degrees at baccalaureate or graduate levels.

Miles	Institution	Location	Enrollment (Fall 2015)
22	Clear Creek Baptist Bible College	Pineville	151
22	Frontier School of Midwifery and Family Nursing	Hyden	1,605
25	Lincoln Memorial University	Harrogate, TN	3,983
31	Union College	Barbourville	1,088
33	Eastern Kentucky University, Manchester Campus	Manchester	N/A
42	Alice Lloyd College	Pippa Passes	616
42	University of Virginia's College at Wise	Wise, VA	2,067
44	Eastern Kentucky University, Corbin Campus	Corbin	N/A
48	University of the Cumberlands	Williamsburg	6,276
51	Carson-Newman University	Jefferson City, TN	2,528
		Total Enrollments	18,314

Note: Miles are calculated as straight-line distance, not highway miles.

† Denotes enrollment for entire institution, including branch campuses; otherwise, enrollment is for specified campus.

Source: Kentucky Cabinet for Economic Development.

Two-Year Colleges Within 60 Miles of Harlan

Institutions engaged in furnishing academic, or academic and technical, courses and granting associate degrees, certificates, or diplomas below the baccalaureate level.

Miles	Institution	Location	Enrollment (Fall 2015)	
-	Southeast Community & Technical College, Harlan Campus	Harlan		N/A
21	Southeast Community & Technical College, Cumberland Campus	Cumberland		† 3,111
22	Hazard Community & Technical College - Leslie Co. Center	Hyden		N/A
22	Southeast Community & Technical College, Pineville Campus	Pineville		N/A
27	Southeast Community & Technical College, Middlesboro Campus	Middlesboro		N/A
29	Hazard Community & Technical College, Main Campus	Hazard		† 3,238
29	Hazard Community & Technical College, Technical Campus	Hazard		N/A
33	Southeast Community & Technical College, Whitesburg Campus	Whitesburg		N/A
39	Hazard Community & Technical College, Knott County Branch	Hindman		N/A
47	Somerset Community College, Laurel North Campus	London		N/A
50	Hazard Community & Technical College, Lees College Campus	Jackson		N/A
			Total Enrollments	6,349

Note: Miles are calculated as straight-line distance, not highway miles.

† Denotes enrollment for entire institution, including branch campuses; otherwise, enrollment is for specified campus.

Source: Kentucky Cabinet for Economic Development.

Kentucky Technical Schools Within 60 Miles of Harlan

Miles	Institution	Location	Enrollment (2015-2016)		
			Sec	P/S	Total
22	Leslie County ATC	Hyden	436	N/A	436
22	Bell County ATC	Pineville	644	N/A	644
31	Knox County ATC	Barbourville	486	N/A	486
33	Clay County ATC	Manchester	337	N/A	337
33	Letcher County ATC	Whitesburg	569	N/A	569
39	Knott County ATC	Hindman	385	N/A	385
44	Corbin ATC	Corbin	452	N/A	452
50	Breathitt County ATC	Jackson	431	N/A	431

55	Lee County ATC	Beattyville	357	N/A	357
55	Jackson County ATC	McKee	463	N/A	463
59	Floyd County ATC (GARTH)	Martin	291	N/A	291
		Total	4,851		4,851
		Enrollments			

Note: Miles are calculated as straight-line distance; not highway miles. Kentucky Tech secondary schools, called Area Technology Centers (ATC), are operated by the Department of Education, Office of Career and Technical Education. Other secondary schools are operated locally by public school districts. Secondary student enrollment is listed under Sec, and post-secondary student enrollment is listed under P/S. Source: KY Cabinet for Workforce Development; KY Dept. of Education.

BUSINESS AND INDUSTRY

Summary of Recent Locations and Expansions, 2014-Present

	Companies	Jobs	Reported	
			Investment	
Manufacturing Location	1	32	\$10,910,000	
Manufacturing Expansion	2	N/A	\$220,000	
Service & Technology Location	0	0	\$0	
Service & Technology Expansion	0	0	\$0	

[Click here](#) for detailed location and expansion information. Note: Totals include announced locations and expansions. Source: Kentucky Cabinet for Economic Development (6/5/2017).

Employment by Major Industry by Place of Work, 2015

	Harlan County		Labor Market Area	
	Employment	Percent	Employment	Percent
Total All Industries	6,227	100.0	37,322	100.0
Total Private Industries	4,490	72.1	28,099	75.3
Natural Resources and Mining	624	10.0	1,630	4.4
Construction	121	1.9	753	2.0
Manufacturing	69	1.1	1,281	3.4
Trade, Transportation and Utilities	1,194	19.2	7,170	19.2
Information	42	0.7	257	0.7
Financial Activities	181	2.9	1,219	3.3
Professional and Business Services	156	2.5	1,514	4.1
Education and Health Services	1,378	22.1	3,285	8.8
Leisure and Hospitality	490	7.9	553	1.5
Other Services and Unclassified	135	2.2	794	2.1

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

Top 20 Firms by Employment *(Manufacturing & Service & Technology Firms Only)*

Firm	Product(s)/Service(s)	Emp.	Year Established
<i>Baxter</i>			
Bluegrass Materials Company LLC	Manufacture concrete blocks, resale building materials	6	1999
UPS	Small package distribution	17	N/A
<i>Bledsoe</i>			
Bluegrass Materials Company LLC	Crushed limestone	15	1940
<i>Cumberland</i>			
Southeastern Kentucky Rehabilitation Industries Inc	Textile-related products (DOD contract)- Apparel manufacturing for US military and other cut and sew customers	120	2000
Tri-City News	Newspaper publishing & offset printing	1	1929
<i>Evarts</i>			
Forest Products Inc	Pallets, skids, wood chips, hardwood & kiln dried lumber	15	1987
<i>Harlan</i>			
Carroll Engineering Co	Headquarters, Minng safety, communications, network design, motor, power and electrical needs	22	N/A
Harlan Daily Enterprise	Newspaper publishers	11	1901
Heartland School Solutions	Payment solutions	20	2011
<i>Loyall</i>			
Mountain Construction Co	Ready-mixed concrete	9	1977
<i>Lynch</i>			
Hurberries Inc	Metal fabrication	3	2008
<i>Totz</i>			
Cumberland Mine Service Inc	Metal fabricating; custom ceramic & abrasion resistant coating service; ceramic liners, construction and maintenance	39	1980

Source: Kentucky Cabinet for Economic Development (6/5/2017).

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APPENDIX C

***ESTIMATED DEBT SERVICE REQUIREMENTS ON SERIES OF 2017 BONDS
ESTIMATED TOTAL ANNUAL DISTRICT DEBT SERVICE REQUIREMENTS***

**HARLAN INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REVENUE BONDS, SERIES OF 2017**

**ESTIMATED DEBT SERVICE REQUIREMENTS
100% SFCC**

Date	Principal	Coupon	Interest	Total	Fiscal Total
08/01/2017	95,000.00				
02/01/2018					
08/01/2018	100,000.00				
02/01/2019					
08/01/2019	100,000.00				
02/01/2020					
08/01/2020	100,000.00				
02/01/2021					
08/01/2021	100,000.00				
02/01/2022					
08/01/2022	105,000.00				
02/01/2023					
08/01/2023	105,000.00				
02/01/2024					
08/01/2024	110,000.00				
02/01/2025					
08/01/2025	115,000.00				
02/01/2026					
08/01/2026	80,000.00				
Total	1,010,000.00				

Source: Fiscal Agent

**HARLAN INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REVENUE BONDS**

**ESTIMATED TOTAL ANNUAL DISTRICT DEBT SERVICE REQUIREMENTS
NO NEW DEBT SERVICE FOR SERIES OF 2017**

FY 6/30	Existing Debt Service
2017	200,670
2018	203,693
2019	204,866
2020	200,901
2021	58,201
2022	60,576
2023	62,564
2024	60,164
2025	62,494
2026	59,356
2027	60,950
2028	61,902
2029	58,301
Totals	\$1,354,638

Note: All calculations are rounded to the nearest dollar.
Source: Fiscal Agent

APPENDIX D

CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of the 11th day of July, 2017, by and between the Board of Education of Harlan, Kentucky Independent School District ("Board"); the Harlan Independent School District Finance Corporation, an agency and instrumentality of the Board ("Corporation") and the Registered and Beneficial Owners of the Bonds hereinafter identified as third party beneficiaries to this Agreement. For the purposes of this Agreement "Beneficial Owner" means the person or entity treated as the owner of the Bonds for federal income tax purposes and "Registered Owner" means the person or entity named on the registration books of the bond registrar.

WITNESSETH:

WHEREAS, the Corporation has acted as issuing agency for the Board pursuant to the provisions of Section 162.385 of the Kentucky Revised Statutes ("KRS") and the Corporation's Bond Resolution in connection with the authorization, sale and delivery of \$1,010,000 of the Corporation's School Building Refunding Revenue Bonds, Series of 2017, dated as of July 11, 2017 ("Bonds"), which Bonds were offered for sale under the terms and conditions of a Final Official Statement ("FOS") prepared by First Kentucky Securities Corporation, Lexington, Kentucky ("Financial Advisor") and approved by the authorized representatives of the Board and the Corporation, and

WHEREAS, the Securities and Exchange Commission ("SEC"), pursuant to the Securities and Exchange Act of 1934, has amended the provisions of SEC Rule 15c2-12 relating to financial disclosures by the issuers of municipal securities under certain circumstances ("Rule"), and

WHEREAS, it is intended by the parties to this Agreement that all terms utilized herein shall have the same meanings as defined by the Rule, and

WHEREAS, the Board is an "obligated person" as defined by the Rule and subject to the provisions of said Rule, and

WHEREAS, failure by the Board and the Corporation to observe the requirements of the Rule will inhibit the subsequent negotiation, transfer and exchange of the Bonds with a resulting diminution in the market value thereof to the detriment of the Registered and Beneficial Owners of said Bonds and the Board;

NOW, THEREFORE, in order to comply with the provisions of the Rule and in consideration of the purchase of the Bonds by the Registered and Beneficial Owners, the parties hereto agree as follows:

1. ANNUAL FINANCIAL INFORMATION

The Board agrees to provide the annual financial information contemplated by Rule 15c2-12(b)(5)(i) relating to the Board for its fiscal years ending June 30 of each year to (a) the Municipal Securities Rulemaking Board ("MSRB"), or any successor thereto for purposes of its Rule, through the continuing disclosure service portal provided by the MSRB's Electronic Municipal Market Access ("EMMA") system as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the Securities and Exchange Commission and (b) the State Information Depository ("SID"), if any (the Commonwealth of Kentucky has not established a SID as of the date of this Agreement) within nine (9) months of the close of each fiscal year.

For the purposes of the Rule "annual financial information" means financial information and operating data provided annually, of the type included in the FOS with respect to the Board in accordance with guidelines established by the National Federation of Municipal Analysts, and shall include annual audited financial statements for the Board in order that the recipients will be provided with ongoing information regarding revenues and operating expenses of the Board and the information provided in the FOS under the headings "TAX BASE INFORMATION", and "OPERATING AND FINANCIAL DATA". If audited financial statements are not available when the annual financial information is filed, unaudited financial statements shall be included, to be followed by audited financial statements when available.

The audited financial statements shall be prepared in accordance with Generally Accepted Accounting Principles, Generally Accepted Auditing Standards or in accordance with the appropriate sections of KRS or Kentucky Administrative Regulations.

The parties hereto agree that this Agreement is entered into among them for the benefit of those who become Registered and Beneficial Owners of the Bonds as third party beneficiaries to said Agreement.

2. MATERIAL EVENTS NOTICES

Under the Rule, Section 15c2-12(b)(5)(i)(C), the following fifteen (15) events must be disclosed within ten (10) business days following the occurrence of said event to MSRB via EMMA and the SID, if any:

- (1) Principal/interest payment delinquency;

- (2) Nonpayment related default, if material;
- (3) Unscheduled draw on debt service reserve reflecting financial difficulties;
- (4) Unscheduled draw on credit enhancement reflecting financial difficulties;
- (5) Substitution of credit or liquidity provider, or its failure to perform;
- (6) Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the securities, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond call, if material;
- (9) Defeasance;
- (10) Tender offers;
- (11) Release, substitution or sale of property securing the repayment of the security, if material;
- (12) Rating change;
- (13) Merger, consolidation, acquisition or sale of all or substantially all assets of an obligated person, other than in the ordinary course of business, and the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to such action, other than pursuant to its terms, if material;
- (14) Bankruptcy, insolvency, receivership or similar event; and
- (15) Successor, additional or change in trustee, if material.

Notice of said material events shall be given to the entities identified in this Section by the Board on a timely basis (within ten (10) business days of the occurrence). Notwithstanding the foregoing, the provisions of the documents under which the Bonds are authorized and issued do not provide for a debt service reserve, credit enhancements or credit or liquidity providers.

In accordance with Rule Section 15c2-12(b)(5)(i)(D), the Board agrees that in the event of a failure to provide the Annual Financial Information and Operating Data required under Section 1 of this Agreement, it will notify MSRB via EMMA of such failure in a timely manner..

The Finance Officer of the Board shall be the responsible person for filing the annual financial information, operating data and/or notices of the events set forth above within the time prescribed in this Agreement. The Board shall cause the Finance Officer to institute an internal tickler system as a reminder of the obligations set forth herein. By December 1 of each fiscal year and each 30 days thereafter the Finance Officer will contact the auditor for the Board to determine when the audited financial statements will be finalized. The Finance Officer will impress upon the auditor the necessity of having such audited financial report on or before March 15. Within 5 days of receipt of such audited financial report the finance officer will cause the annual financial information to be filed as required by this Agreement.

3. SPECIAL REQUESTS FOR INFORMATION

Upon the request of any Registered or Beneficial Owner of the Bonds or the original purchaser of the Bonds or any subsequent broker-dealer buying or selling said Bonds on the secondary market ("Underwriters"), the Board shall cause financial information or operating data regarding the conduct of the affairs of the Board to be made available on a timely basis following such request.

4. DISCLAIMER OF LIABILITY

The Board and the Corporation hereby disclaim any liability for monetary damages for any breach of the commitments set forth in this Agreement and remedies for any breach of the Board's continuing disclosure undertaking shall be limited to an action for specific performance or mandamus in a court of competent jurisdiction in Kentucky following notice and an opportunity to cure such a breach.

5. FINAL OFFICIAL STATEMENT

That the Final Official Statement prepared by the Financial Advisor and approved by the authorized representatives of the Board and the Corporation is hereby incorporated in this Agreement as fully as if copied herein and the "annual financial information" required under Section 1 hereof shall in summary form update the specific information set forth in said FOS.

6. DURATION OF THE AGREEMENT

This Agreement shall be in effect so long as any of the Bonds remain outstanding and unpaid; provided, however, that the right is reserved in the Board to delegate its responsibilities under the Agreement to a competent agent or trustee, or to adjust the format of the presentation of annual financial information so long as the intent and purpose of the Rule to present adequate and accurate financial information regarding the Board is served.

7. AMENDMENT; WAIVER

Notwithstanding any other provision of this Agreement, the Board may amend this Agreement, and any provision of this Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 1, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the holders of the Bonds in the same manner as provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Registered Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Agreement, the Board shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Board. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under Section 15c2-12(b)(5)(i)(C) of the Rule, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

8. DEFAULT

In the event of a failure of the Board to comply with any provision of this Agreement, the Corporation may and, at the request of any Underwriter or any Registered Owner or Beneficial Owner of Bonds, shall take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Board to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an event of default under the Bond Resolution, and the sole remedy under this Agreement in the event of any failure of the Board to comply with this Agreement shall be an action to compel performance.

In witness whereof the parties hereto have executed this Agreement as of the date first above written.

**BOARD OF EDUCATION OF HARLAN, KENTUCKY
INDEPENDENT SCHOOL DISTRICT**

Chairman

Attest:

Secretary

**HARLAN INDEPENDENT SCHOOL
DISTRICT FINANCE CORPORATION**

President

Attest:

Secretary

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

\$1,010,000*

Harlan Independent School District Finance Corporation

School Building Refunding Revenue Bonds, Series of 2017

Dated as of July 11, 2017

SALE: June 22, 2017 AT 11:00 A.M., E.D.S.T.

The Harlan Independent School District Finance Corporation (the "Corporation") will until 11:00 A.M., E.D.S.T., on June 22, 2017 receive at the office of the Kentucky School Facilities Construction Commission, 229 W. Main Street, Suite 102, Frankfort, Kentucky 40601, competitive bids for the purchase of \$1,010,000 principal amount of Harlan Independent School District Finance Corporation School Building Refunding Revenue Bonds, Series of 2017 (the "Refunding Bonds"), dated and bearing interest from July 11, 2017, payable on August 1, 2017, and semi-annually thereafter on February 1 and August 1 of each year, in denominations in multiples of \$5,000 within the same maturity, maturing on August 1 in each of the years as follows:

<u>MATURITY</u>	<u>PRINCIPAL AMOUNT*</u>
2017	\$ 95,000
2018	100,000
2019	100,000
2020	100,000
2021	100,000
2022	105,000
2023	105,000
2024	110,000
2025	115,000
2026	80,000

* Subject to Permitted Adjustment up to \$100,000.

REDEMPTION PROVISIONS

The Bonds are NOT subject to redemption at the option of the Corporation prior to their stated maturities.

Notwithstanding the foregoing, the Corporation reserves the right, upon thirty (30) days notice, to call the Bonds in whole or in part on any date at par for redemption upon the total destruction by fire, lightning, windstorm or other hazard of any building constituting the Project and apply casualty insurance proceeds to such purpose.

The Refunding Bonds are to be issued in fully registered form (both principal and interest). The Huntington National Bank, Cincinnati, Ohio, the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to each Registered Owner of record as of the 15th day of the month preceding the due date which shall be Cede & Co., as the Nominee of The Depository Trust Company ("DTC"). Please see "Book-Entry-Only-System" below.

HARLAN INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION

The Corporation has been formed in accordance with the provisions of Sections 162.120 through 162.300 and Section 162.385 of the Kentucky Revised Statutes ("KRS"), and KRS Chapter 273 and KRS 58.180, as a non-profit, non-stock corporation for the purpose of financing necessary school building facilities for and on behalf of the Board of Education of the Harlan, Kentucky Independent School District (the "Board"). Under the provisions of existing Kentucky law, the Corporation is permitted to act as an agency and instrumentality of the Board for financing purposes and the legality of the financing plan to be implemented by the Bonds herein referred to has been upheld by the Kentucky Court of Appeals (Supreme Court) in the case of White v. City of Middlesboro, Ky. 414 S.W.2d 569.

AUTHORITY AND PURPOSE

The Refunding Bonds are being issued under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Sections 162.120 through 162.300, 162.385, and Section 58.180 of the Kentucky Revised Statutes, within the meaning of the decision of the Court of Appeals of Kentucky (Supreme Court) in the case of Hemlepp v. Aronberg, 369 S.W.2d 121, for the purpose of providing funds to retire the outstanding Harlan Independent School District Finance Corporation School Building Revenue Bonds, Series of 2006, dated July 1, 2006 (the "Prior Issue") maturing August 1, 2017 and thereafter (the "Refunded Bonds") at or prior to their stated maturities.

SCHOOL FACILITIES CONSTRUCTION COMMISSION

The Kentucky School Facilities Construction Commission is an independent corporate agency and instrumentality of the Commonwealth of Kentucky established pursuant to the provisions of Sections 157.611 through 157.640 of the Kentucky Revised

Statutes, as amended, repealed and reenacted (the "Act") for the purpose of assisting local school districts in meeting the school construction needs of the Commonwealth in a manner which will ensure an equitable distribution of funds based upon unmet need.

The Commission will enter into a Participation Agreement with the Board whereunder the Commission, will agree to continue to pay approximately \$111,487 to be applied to the debt service of the Refunding Bonds through August 1, 2026; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial budget period terminating on June 30, 2018.

The Regular Session of the General Assembly of the Commonwealth adopted the State's Budget for the biennium ending June 30, 2018. Inter alia, the Budget provides \$99,334,000 in FY 2014-15 and \$108,270,000 in FY 2015-16 to pay debt service on existing and future bond issues; \$100,000,000 of the Commission's previous Offers of Assistance made during the last biennium; and authorizes \$100,000,000 in additional Offers of Assistance for the current biennium to be funded in the Budget for the biennium ending June 30, 2020.

PROCEEDS TO RETIRE ALL BONDS OF PRIOR ISSUE

The Bonds of the Prior Issue were issued under the authority of Sections 162.120 through 162.300 and 162.385 of the Kentucky Revised Statutes for the purpose of providing funds to finance an addition at Harlan Middle School (the "Project"). Under the terms of the Resolution authorizing the Prior Issue, those Bonds are payable from the income and revenues of the Project financed from the proceeds thereof. The Bonds of the Prior Issue are secured by a lien upon and a pledge of revenues from the rental of the Project to the Board under a Contract, Lease and Option, dated July 1, 2006 (the "Prior Lease").

The total principal amount of the Prior Issue currently outstanding is \$975,000, scheduled to mature on August 1 in each of the years 2017 through 2026. The proceeds of the Refunding Bonds will be used to pay principal and accruing interest on and retire on or before August 1, 2017 the Refunded Bonds of the Prior Issue.

The 2017 Bond Resolution adopted by the Corporation's Board of Directors authorizes the payment and retirement of the Refunded Bonds including principal and accruing interest at or prior to their stated maturities through the deposit of the required amount of proceeds of the Refunding Bonds in a special Escrow Fund for application to the retirement of the Refunded Bonds.

The 2017 Bond Resolution expressly provides that upon delivery of the Refunding Bonds and the deposit of sufficient funds in accordance with the preceding paragraph neither the lien upon nor the pledge of the revenues from the rental of the Project under the Prior Lease shall constitute the security and source of payment for any of the Refunded Bonds of the Prior Issue and the Registered Owners of such Refunded Bonds of the Prior Issue shall be paid from and secured by the monies deposited in the Escrow Fund for the retirement thereof upon the delivery of the Refunding Bonds.

SECURITY FOR REFUNDING BONDS

The Refunding Bonds will constitute a limited indebtedness of the Corporation and will be payable as to both principal and interest solely from the income and revenues of the school Project financed from the proceeds of the Prior Issue. The Refunding Bonds are secured by a lien upon and a pledge of the revenues derived from the rental of the school Project to the Board under a Lease Agreement dated July 11, 2017 (the "2017 Lease").

Under the 2017 Lease the Board has leased the school property securing the Refunding Bonds in accordance with the provisions of KRS 162.140 for an initial period from July 11, 2017 through June 30, 2018, with the option in the Board to renew said 2017 Lease from year to year for one year at a time, at annual rentals, sufficient in each year to enable the Corporation to pay, solely from the rentals due under the 2017 Lease, the principal and interest on all of the Refunding Bonds as same become due.

The 2017 Lease provides that the Prior Lease will be canceled effective upon the escrow of sufficient funds to provide for the retirement of the Refunded Bonds. The 2017 Lease provides further that so long as the Board exercises its annual renewal options, its rentals will be payable according to the terms and provisions of the 2017 Lease until August 1, 2026, the final maturity date of the Refunding Bonds, and such annual rentals shall be deposited as received in the Bond Fund for the Refunding Bonds and used and applied for the payment of all maturing principal of and interest on the Refunding Bonds.

Under the terms of the 2017 Lease, and any renewal thereof, the Board has agreed so long as the Bonds remain outstanding, and in conformance with the intent and purpose of Section 157.627(5) of the Act and KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the 2017 Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the 2017 Lease and Participation Agreement to the Corporation and the Commission the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

Under the terms of the 2017 Bond Resolution and the 2017 Lease the lien securing the Refunding Bonds which is created and granted pursuant to KRS 162.200 upon the school Project are and shall be restricted in their application to the exact location of said

school building Project and to such easements and rights of way for ingress, egress and the rendering of services thereto as may be necessary for the proper use and maintenance of said school buildings; the right being reserved to erect or construct upon any land not occupied by the school Project other independently financed school buildings, free and clear of said lien, which other independently financed school buildings may or may not have a party wall with and adjoin said school building constituting the Project, provided no part of the cost of said other independently financed school buildings is paid from the proceeds of the sale of the Refunding Bonds.

BIDDING CONDITIONS AND RESTRICTIONS

(A) The terms and conditions of the sale of the Refunding Bonds are as follows:

(1) Bids must be made on Official Bid Form, contained in Information for Bidders available from the undersigned or First Kentucky Securities Corporation, Lexington, Kentucky, or by visiting www.firstky.com submitted manually, by facsimile or electronically via PARITY®.

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

(3) The minimum bid shall be not less than \$999,900 (99% of par) plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.

(4) The determination of the best purchase bid for said Refunding Bonds shall be made on the basis of all bids submitted for exactly \$1,010,000 principal amount of Refunding Bonds offered for sale under the terms and conditions herein specified; provided, however, the Corporation reserves the right to increase or decrease the total principal amount of Refunding Bonds sold to such best bidder, in the amount of not exceeding \$100,000, with such increase or decrease to be made in any maturity, and the total amount of Refunding Bonds awarded to such best bidder will be a minimum of \$910,000 or a maximum of \$1,110,000. In the event of any such adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price at which such adjusted principal amount of Bonds will be sold will be at the same price per \$5,000 of Refunding Bonds as the price per \$5,000 for the \$1,010,000 of Refunding Bonds bid.

(5) If three (3) or more bids for the Bonds are received as a result of this competitive sale, the successful purchaser will be required to certify on or before the issue date the reasonably expected initial offering price to the public for each Maturity of the Bonds which prices are the prices for each Maturity of the Bonds used by the successful purchaser in formulating its bid to purchase the Bonds.

If less than three (3) bids for the Bonds are received as a result of this competitive sale, the successful purchaser, by submitting a bid pursuant to a published Notice of Sale, has agreed in writing that they will certify on or before the issue date (and provide reasonable supporting documentation for such Certification, such as a copy of the Pricing wire or equivalent communication) for each Maturity of the Bonds (i) the first price at which at least 10% of each Maturity of the Bonds was sold to the Public, or (ii) that they will neither offer nor sell any of the Bonds of each Maturity to any person at a price that is higher than the Initial Offering Price for such maturity during the Holding Period for such Maturity.

Bids will not be subject to cancellation or withdrawal by the bidder in the event that three bids are not received and the Issuer determines to apply the hold-the-offering-price rule.

For purposes of the above the following terms are defined as follows:

(a) *Holding Period* means, with respect to a Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the successful purchaser has sold at least 10% of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b)*Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c)*Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(d)*Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is June 22, 2017.

(e)*Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

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

(7)The successful purchaser shall be required (without further advice from the Corporation) to wire transfer an amount equal to 2% of the principal amount of Refunding Bonds actually awarded to the Paying Agent The Huntington National Bank, Cincinnati, Ohio, Attn: Ms. Amy Thompson (513-762-5182) by the close of business on the day following the award as a good faith deposit said amount will be applied (without interest) to the purchase price upon delivery and will be forfeited if the purchaser fails to take delivery.

(8) All Refunding Bonds of the same maturity shall bear the same and a single interest rate from the date thereof to maturity.

(9)The right to reject bids for any reason deemed acceptable by the Corporation, and the right to waive any possible informalities or irregularities in any bid, which in the sole judgment of the Corporation shall be minor or immaterial, is expressly reserved.

(10)CUSIP identification numbers will be printed on the Refunding Bonds at the expense of the Corporation. The purchaser shall pay the CUSIP Service Bureau assignment 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 said Refunding Bonds in accordance with the terms of any accepted proposal for the purchase of said Bonds.

(B) The Bonds will be delivered utilizing the DTC Book-Entry-Only-System.

(C) Said Bonds are offered for sale on the basis of the principal of said Bonds not being subject to Kentucky ad valorem taxation and on the basis of the interest on said Bonds not being subject to Federal or Kentucky income taxation on the date of their delivery to the successful bidder. See TAX EXEMPTION below.

(D) The Corporation will provide to the successful purchaser a Final Official Statement in accordance with SEC Rule 15c2-12. A Final Official Statement will be provided in Electronic Form to the successful bidder, in sufficient time to meet the delivery requirements of the successful bidder under SEC and Municipal Securities Rulemaking Board Delivery Requirements. The successful bidder will be required to pay for the printing of Final Official Statements.

(E) If, prior to the delivery of the Bonds, any event should occur which alters the tax exempt status of the Bonds, or of the interest thereon, the purchaser shall have the privilege of avoiding the purchase contract by giving immediate written notice to the Corporation, whereupon the good faith check of the purchaser will be returned to the purchaser, and all respective obligations of the parties will be terminated.

(F) The Corporation and the Board agree to cooperate with the successful bidder in the event said purchaser desires to purchase municipal bond insurance regarding the Refunding Bonds; provided, however, that any and all expenses incurred in obtaining said insurance shall be solely the obligation of the successful bidder should the successful bidder so elect to purchase such insurance.

STATE SUPPORT OF EDUCATION

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

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

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

KRS 157.420 establishes a formula which results in the allocation of funds for capital expenditures in school districts at \$100 per ADA pupil which is included in the SEEK allotment (\$3,981) for the current biennium which is required to be segregated into a Capital Outlay Allotment Fund which may be used only for (1) direct payment of construction costs; (2) debt service on voted and funding bonds; (3) lease rental payments in support of bond issues; (4) reduction of deficits resulting from over expenditures for emergency capital construction; and (5) a reserve for each of the categories enumerated in 1 through 4 above.

KRS 157.440(1) requires that effective for fiscal years beginning July 1, 1990 each school district shall levy a minimum equivalent tax rate of \$.30 for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes levied by the district (including utilities gross receipts license and special voted) for school purposes is divided by the total assessed value of property, plus the assessment for motor vehicles certified by the Revenue Cabinet of the Commonwealth. Any school district board of education which fails to comply with the minimum equivalent tax rate levy shall be subject to removal from office.

KRS 157.440(2) provides that for fiscal years beginning July 1, 1990 each school district may levy an equivalent tax rate which will produce up to 15% of those revenues guaranteed by the SEEK program. Any increase beyond the 4% annual limitation imposed by KRS 132.017 is not subject to the recall provisions of that Section. Revenue generated by the 15% levy is to be equalized at 150% of the state-wide average per pupil equalized assessment.

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

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

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

BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2018

The Kentucky General Assembly, during its Regular Session, adopted a budget for the biennium ending June 30, 2018 which was approved and signed by the Governor. Such budget was effective beginning July 1, 2016.

POTENTIAL LEGISLATION

No assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Refunding Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Refunding Bonds from realizing the full current benefit of the tax exemption of such interest. In addition, current and future legislative proposals, if enacted into law, may cause interest on state or local government bonds (whether issued before, on the date of, or after enactment of such legislation) to be subject, directly or indirectly, to federal income taxation by,

for example, changing the current exclusion or deduction rules to limit the amount of interest on such bonds that may currently be treated as tax exempt by certain individuals. Prospective purchasers of the Refunding Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the IRS, including but not limited to regulation, ruling, or selection of the Refunding Bonds for audit examination, or the course or result of any IRS examination of the Refunding Bonds or obligations which present similar tax issues, will not affect the market price for the Refunding Bonds.

CONTINUING DISCLOSURE

As a result of the Board and issuing agencies acting on behalf of the Board offering for public sale municipal securities in excess of \$1,000,000, the Corporation and the Board will enter into a written agreement for the benefit of all parties who may become Registered or Beneficial Owners of the Bonds whereunder said Corporation and Board will agree to comply with the provisions of the Municipal Securities Disclosure Rules set forth in Securities and Exchange Commission Rule 15c2-12 (the "Rule") by filing annual financial statements and material events notices with the Electronic Municipal Market Access ("EMMA") System maintained by the Municipal Securities Rule Making Board.

Financial information regarding the Board may be obtained from Superintendent, Harlan Independent Board of Education, 420 East Central Street, Kentucky 40831 (606) 573-8700.

TAX EXEMPTION; "BANK QUALIFIED"

Bond Counsel advises as follows:

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

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

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

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

(C) As a result of certifications by the Board and the Corporation, indicating the issuance of less than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2017, the Bonds may be treated by financial institutions as "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986 (the "Code"), as amended.

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

The Corporation will provide the purchaser the customary no-litigation certificate, and the final approving Legal Opinions of Steptoe & Johnson PLLC, Bond Counsel, Louisville, Kentucky approving the legality of the Bonds. These opinions will accompany the Bonds when delivered, without expense to the purchaser.

BOOK-ENTRY-ONLY-SYSTEM

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

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

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities

certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds ("Beneficial Ownership Interest") are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their Beneficial Ownership interests in Bonds, except in the event that use of the book-entry system for the Securities is discontinued. Transfers of ownership interest in the Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

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

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

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

NEITHER THE ISSUER, THE BOARD NOR THE BOND REGISTRAR/PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE BOND REGISTRAR/PAYING AGENT AS BEING AN OWNER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND

RESOLUTION TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

**HARLAN INDEPENDENT SCHOOL DISTRICT FINANCE
CORPORATION**

By /s/ Charles Morton
Secretary

OFFICIAL BID FORM
(Bond Purchase Agreement)

The Harlan Independent School District Finance Corporation (“Corporation”), will until 11:00 A.M., E.D.S.T., on June 22, 2017, receive in the office of the Kentucky School Facilities Construction Commission, Suite 102, 229 W. Main Street, Frankfort, Kentucky 40601, (telephone 502-564-5582; Fax 888-979-6152) competitive bids for its \$1,010,000 School Building Refunding Revenue Bonds, Series of 2017, dated as of July 11, 2017; maturing August 1, 2017 through 2026 (“Bonds”).

We hereby bid for said \$1,010,000* principal amount of Bonds, the total sum of \$_____ (not less than \$999,900) plus accrued interest from July 11, 2017 payable August 1, 2017 and semiannually thereafter (rates on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on August 1, in each of the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2017	\$ 95,000	_____ %
2018	100,000	_____ %
2019	100,000	_____ %
2020	100,000	_____ %
2021	100,000	_____ %
2022	105,000	_____ %
2023	105,000	_____ %
2024	110,000	_____ %
2025	115,000	_____ %
2026	80,000	_____ %

* Subject to Permitted Adjustment up to \$100,000

We understand this bid may be accepted for as much as \$1,110,000 of Bonds or as little as \$910,000 of Bonds, at the same price per \$5,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined by the Secretary of the Corporation at the time of acceptance of the best bid.

We further understand that by submitting a bid we agree as follows:

If three (3) or more bids for the Bonds are received as a result of this competitive sale, the successful purchaser will be required to certify on or before the issue date the reasonably expected initial offering price to the public for each Maturity of the Bonds which prices are the prices for each Maturity of the Bonds used by the successful purchaser in formulating its bid to purchase the Bonds.

If less than three (3) bids for the Bonds are received as a result of this competitive sale, the successful purchaser, by submitting a bid pursuant to a published Notice of Sale, has agreed in writing that they will certify on or before the issue date (and provide reasonable supporting documentation for such Certification, such as a copy of the Pricing wire or equivalent communication) for each Maturity of the Bonds (i) the first price at which at least 10% of each Maturity of the Bonds was sold to the Public, or (ii) that they will neither offer nor sell any of the Bonds of each Maturity to any person at a price that is higher than the Initial Offering Price for such maturity during the Holding Period for such Maturity.

Bids will not be subject to cancellation or withdrawal by the bidder in the event that three bids are not received and the Issuer determines to apply the hold-the-offering-price rule.

For purposes of the above the following terms are defined as follows:

(a)*Holding Period* means, with respect to a Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the successful purchaser has sold at least 10% of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b)*Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c)*Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(d)*Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is June 22, 2017.

(e)*Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees

pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

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

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

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

It is understood that the Corporation will furnish the final, approving Legal Opinion of Steptoe & Johnson PLLC, Bond Counsel, Louisville, Kentucky.

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Refunding Bonds awarded by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through The Huntington National Bank, Cincinnati, Ohio, Attn: Ms. Amy Thompson (513-762-5182).

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

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds on or about July 11, 2017 and upon acceptance by the Issuer's Financial Advisor this Official Bid Form shall become the Bond Purchase Agreement.

Respectfully submitted,

Bidder

By _____
Authorized Officer

Address

Total interest cost from date of delivery to final maturity \$ _____

Plus discount or less any premium \$ _____

Net interest cost (Total interest cost plus discount or less any premium) \$ _____

Average interest rate or cost (ie NIC) _____%

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

Accepted by First Kentucky Securities Corporation, as Agent for the Harlan Independent School District Finance Corporation for \$ _____ amount of Bonds at a price of \$ _____ as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>
2017	_____,000	_____ %
2018	_____,000	_____ %
2019	_____,000	_____ %
2020	_____,000	_____ %
2021	_____,000	_____ %

<u>Year</u>	<u>Amount</u>	<u>Rate</u>
2022	_____,000	_____ %
2023	_____,000	_____ %
2024	_____,000	_____ %
2025	_____,000	_____ %
2026	_____,000	_____ %

Dated: June 22, 2017

First Kentucky Securities Corporation, Financial Advisor and Agent for
Harlan Independent School District Finance Corporation