

MADISON COUNTY FISCAL COURT

SUMMARY OF ORDINANCE

AN ORDINANCE OF THE FISCAL COURT OF THE COUNTY OF MADISON, KENTUCKY, RELATING TO AND PROVIDING FOR THE ISSUANCE OF \$850,000 PRINCIPAL AMOUNT OF SPECIAL OBLIGATION BONDS (SCHOOL BUILDING REVENUE BONDS) IN ACCORDANCE WITH SECTIONS 162.120 THROUGH 162.300 OF KENTUCKY REVISED STATUTES, TO PROVIDE FUNDS FOR SCHOOL BUILDING PURPOSES, PROVIDING AND DETERMINING THE DUTY OF SAID COUNTY IN CONNECTION WITH THE OPERATION OF THE SCHOOL PROPERTY AND THE CREATION OF FUNDS SUFFICIENT TO PAY THE PRINCIPAL OF AND INTEREST ON SAID REVENUE BONDS AS AND WHEN THEY MATURE AND THE CREATION OF AN ADEQUATE MAINTENANCE AND INSURANCE FUND, AND AUTHORIZING THE EXECUTION OF A LEASE OF SUCH FOREGOING PROPERTY TO THE BOARD OF EDUCATION OF MADISON COUNTY, KENTUCKY.

The Ordinance introduced and given first reading on November 4, 1987, to be given second reading and adopted on November 17, 1987, at 2:00 P.M., at the Courthouse in Richmond, authorizes the issuance of \$850,000 of County of Madison (Kentucky) School Building Revenue Bonds, Series of 1987, dated December 1, 1987, pursuant to the provisions of Sections 162.120 through 162.300, of the Kentucky Revised Statutes (the "Bonds").

The Bonds mature as to principal in each of the years 1995 through 2007 and are to bear interest from their date at rates to be established by Resolution following the advertised public competitive sale of said Bonds.

The Bonds do not constitute an indebtedness of the County but are payable only from revenues derived from the lease of the school improvements constructed from the proceeds of said Bonds to the Board of Education of Madison County, Kentucky, in accordance with the terms of a Contract, Lease and Option, dated as of December 1, 1987, by and between the County and the Board.

The proceeds of the Bonds will be used only to meet the costs of construction of a an addition to the Waco Elementary School, and the expenses incident to the authorization and sale of the Bonds. This Summary was prepared by Henry M. Reed III, Bond Counsel, Louisville, Kentucky. A copy the full text of the Ordinance is available for inspection in the office of the County Court Clerk.

s/ Mary Jane Ginter
County Clerk

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WHEREAS, it is advantageous and to the best interest of all concerned that the County of Madison, Kentucky acting by and through its Fiscal Court (the "Issuer" or the "County") construct school improvements as hereinafter more particularly described and that such school improvements be used and occupied for school purposes by the Board of Education of Madison County, Kentucky, (the "Board"), pursuant to the Contract, Lease and Option hereinafter provided for, and

WHEREAS, the Issuer, acting by and through its Fiscal Court, desires to provide funds as hereinafter set out to supplement available funds of the Board in order to construct additions to the Waco Elementary School (the "school building" or "school property" or "school improvements" or "Project"), and the plans and specifications have been heretofore prepared by the Board's Architects and filed in the office of the County Clerk and have been approved by the State Superintendent of Public Instruction, and contracts for said new improvements have been or will shortly be awarded, secured by adequate performance bonds, and

WHEREAS, the said Board has agreed to use and occupy the school improvements so to be acquired and constructed, pursuant to the terms of the Contract, Lease and Option hereinafter provided, and said instrument has been examined and is now found and declared to be in conformity with statutory requirements, and in order to pay the cost of constructing said school building Project and appurtenances, it is necessary that the County authorize \$850,000, County of Madison (Kentucky) School Building Revenue Bonds, Series of 1987, dated December 1, 1987 (the "Bonds"), all pursuant to and as permitted by Sections 162.120 through 162.300 of Kentucky Revised Statutes.

NOW, THEREFORE, BE IT ORDAINED BY THE FISCAL COURT OF THE COUNTY OF MADISON, KENTUCKY, AS FOLLOWS:

1. APPROVAL OF CONTRACT, LEASE AND OPTION. That the property upon which said school building improvements are to be constructed having been heretofore conveyed by the Board to the Issuer, the form of Contract, Lease and Option, dated as of December 1, 1987 (the "Lease"), a copy of which is attached hereto, if and when same is tendered by said Board, will be accepted by the Issuer, the form of same having been examined, considered and approved. The County Judge/Executive and County Clerk are hereby authorized and empowered to execute said Lease upon behalf of the Issuer upon said Lease being executed and tendered to the Issuer by said Board.

2. AUTHORIZATION OF SCHOOL BUILDING REVENUE BONDS. That for the purpose recited in the preamble hereto there are hereby authorized and ordered to be issued and sold the negotiable "School Building Revenue Bonds, Series of 1987" of said County, in the aggregate principal amount of \$850,000, to be dated December 1, 1987. All such Bonds to be in denominations in multiples of \$5,000 within the same maturity. Said Bonds shall be issued in fully registered (both principal and interest) form, bear interest from date, payable June 1, 1988, and semiannually thereafter on December 1 and June 1 of each year, at the interest rates not exceeding the legal maximum as may be fixed by Resolution of the Fiscal Court as a result of the advertised sale of said Bonds, and shall mature on the first day of December of the respective years as set out below.

The maturities and principal and interest requirements of said Bonds, based on assumed interest rates on all of such Bonds are as follows:

FOR THE FISCAL YEAR ENDING JUNE 30	PRINCIPAL DUE DECEMBER 1 PRIOR CALENDAR YEAR	INTEREST REQUIREMENTS	TOTAL PRINCIPAL AND INTEREST REQUIREMENTS
1988	\$ -0-	\$ 36,125	\$ 36,125
1989	-0-	72,250	72,250
1990	-0-	72,250	72,250
1991	-0-	72,250	72,250
1992	-0-	72,250	72,250
1993	-0-	72,250	72,250
1994	-0-	72,250	72,250
1995	55,000	72,250	127,250
1996	50,000	67,575	117,575
1997	40,000	63,325	103,325
1998	50,000	59,925	109,925
1999	50,000	55,675	105,675
2000	60,000	51,425	111,425
2001	60,000	46,325	106,325
2002	60,000	41,225	101,225
2003	70,000	36,125	106,125
2004	80,000	30,175	110,175
2005	85,000	23,375	108,375
2006	90,000	16,150	106,150
2007	100,000	8,500	108,500

Said Bonds shall bear interest from December 1, 1987, payable on June 1, 1988, and semiannually thereafter on December 1 and June 1 of each year; interest being payable by the Paying Agent hereinafter designated directly to the Registered Owner of said Bonds (as of the 15th day of the month preceding the due date) by remittances made through regular United States Mail. Bonds shall be payable at maturity upon their surrender to the Paying Agent.

The Bonds maturing on or after December 1, 1998, are subject to redemption prior to their stated maturities on any interest payment date falling on or after December 1, 1997, only in inverse order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent by regular United States Mail to the registered owners of the Bonds so selected not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, plus additional interest equal to 3% of the face amount if the date of redemption is on or before June 1, 2001, and on the same terms if redeemed thereafter and on or before June 1, 2004, except that the additional interest shall then be 2%, and on the same terms if redeemed thereafter and prior to maturity except that the additional interest shall then be 1%.

3. PLACE OF PAYMENT AND EXECUTION OF BONDS. That both principal of and interest on said Bonds shall be payable at or by First Security National Bank & Trust Company, Lexington, Kentucky, which bank is hereby designated as the Paying Agent and Bond Registrar in connection with the issuance of said Bonds. Principal and interest shall be payable without deduction for exchange or collection charges in lawful money of the United States of America. Under the Contract, Lease and Option, all fees and expenses of the Paying Agent and Bond Registrar shall be the responsibility of the Board and shall be considered as additional rentals under said Contract, Lease and Option.

The Bond Certificates shall be executed on behalf of the Issuer with the duly authorized facsimile signature of the County Judge/Executive and the reproduced facsimile of the Issuer's corporate seal shall be imprinted thereon, attested by the authorized, reproduced, facsimile signature of the County Clerk and said officials, by the execution of the appropriate certifications, shall adopt as and for their own proper signatures their respective facsimile signatures as same appear on the Bonds.

Notwithstanding anything contained herein to the contrary, no Bond shall be valid or binding upon the County unless and until it is validated by the manual signature of the duly authorized representative of the Bond Registrar.

The Bonds shall be in substantially the same form as the Bond Certificate attached to this Bond Ordinance as Exhibit A, with appropriate substitutions or modifications.

4. BONDS NOT TO CONSTITUTE AN INDEBTEDNESS OF ISSUER. That the Bonds issued and outstanding from time to time under the restrictions and conditions set forth in this Bond Ordinance shall be payable solely from and secured by a pledge of the fixed amount of the gross income and revenues to be derived from the leasing of the school Project identified herein, which is to be set aside into a special fund and pledged for that purpose and identified as the "County of Madison School Building Revenue Bond and Interest Redemption Fund of December 1, 1987" (the "Bond Fund") and said Bonds shall not constitute an indebtedness of the Issuer within the meaning of any constitutional provision or limitation.

By the adoption of this Bond Ordinance, the Issuer covenants that it will fix and maintain rentals and charges for the use of the school Project property identified herein, including all improvements thereon, adequate to maintain the Bond Fund referred to in the preceding paragraph at a level sufficient to meet the principal and interest requirements on the Bonds as the same become due and sufficient to maintain a fund adequate to pay the costs of depreciation, maintenance, and insurance of the school Project property.

5. FISCAL YEAR; BOND SINKING FUND ESTABLISHED; INSURANCE AND MAINTENANCE FUNDS. The school Project property securing the Bonds herein authorized shall be operated on a fiscal year basis, commencing July 1 of each year, and on that basis the income and revenues from said Project shall be set apart into a separate and special fund to be used for the retirement of the aforesaid Bonds and maintaining said property.

There shall be and there is hereby created an account to be known as the "County of Madison School Building Revenue Bond and Interest Redemption Fund of December 1, 1987" (the "Bond Fund"), to be deposited with the Paying Agent, into which there shall first be set aside from the proceeds of the sale of the Bonds the amount received from the purchaser representing accrued interest, plus such additional amount so that the total deposit in the Bond Fund upon delivery of the Bonds will equal six months' interest on the Bonds. Thereafter, there shall also be set aside into said Bond Fund from the first gross income and revenues of the Project property not less than the amounts set out in the table in Section 2 hereof, not hereinbefore otherwise provided for, if said Bonds are sold to bear interest at the rates assumed, in ample time to pay the interest and principal as they fall due, which amounts are hereby exclusively pledged to and shall be used only for the purpose of paying the interest on and the principal of said Bonds as and when same become due. The payment of rentals due by the Board under the Lease representing its portion of the principal and interest requirements on the Bonds shall be considered timely if made on the 15th day of the month preceding an interest due date.

In the event the interest rates other than at the rates assumed are established, said rental requirements shall be automatically adjusted accordingly.

In any event there shall be set aside into said Bond Fund and there are pledged such amounts as may from year to year be necessary to meet the principal and interest requirements of the outstanding Bonds herein authorized. The rental payments specified in the Lease are hereby pledged by the Issuer as the security and source of payment of the Bonds and so long as any of such Bonds remain outstanding the terms and amounts of said rental payments shall not be reduced.

There shall also be set aside sufficient revenues in a depreciation fund to be expended in making good any depreciation of said building and appurtenances and in paying the cost of any extensions, additions or improvements.

The balance of the income and revenues remaining after the aforesaid payments into the Bond Fund and depreciation fund have been made shall be set aside into a maintenance fund and used for the maintenance of said school property and to pay the cost of insuring said property against loss or damage by fire, lightning, windstorm or other hazard in an amount substantially equal to either at least the amount of the Bonds at any time outstanding or the maximum insurable value of the improvements, whichever is greater. Such insurance shall be for the use and benefit of the Registered Owners of any Bonds to the extent same are outstanding.

It is further agreed that in case the improvements on said premises are totally destroyed by fire, lightning, windstorm or other hazard covered by insurance, the Issuer shall have the right to expend such proceeds to restore the property; that if such proceeds are not expended by the Issuer for the restoration of said property at the earliest practicable date, then all such insurance proceeds shall be used for the purpose of redeeming said outstanding Bonds, and said property shall be and become the property of the Board upon all of such Bonds and the interest thereon being completely paid and retired, in which case the Issuer shall convey said property to the Board free and clear of all encumbrances. In the event of partial destruction by fire, lightning, windstorm or other hazard covered by insurance, the insurance proceeds shall be used solely and only for the purpose of making the necessary replacements and repairs to the improvements, provided further that if following such partial or complete destruction any principal or interest payment is due and there are not other funds available for said payments, such insurance proceeds must be applied to the defaulted payments.

6. ISSUER'S COVENANTS TO PERFORM OBLIGATIONS. The Issuer hereby covenants and agrees with the holder or holders of the Bonds herein authorized that it will faithfully and punctually perform all duties with reference to the school property which are required by the Constitution and laws of Kentucky, including the making and collection of reasonable and sufficient rentals for said property, and will segregate the revenues of said property and make application of the respective funds herein created.

The Issuer further binds and obligates itself not to sell, mortgage or in any manner dispose of said property until all of the Bonds shall have been paid in full both as to principal and interest; subject to the Board's option to purchase said property as set forth in Section 7.

7. BOARD'S OPTION TO PURCHASE PROPERTY. The Bonds are issued subject to the Board having the right on any interest due date to purchase from the Issuer and to secure the release from the statutory mortgage lien and pledge of revenues securing the Bonds, all of the Project property hereinafter described and identified for a price equal to the principal amount of said Bonds outstanding on the date upon which said option is exercised, plus a sum equal to the accrued interest on said principal amount of Bonds to said date upon which said option is exercised, plus a further sum sufficient to accomplish the complete redemption and retirement of such principal amount of said Bonds, including additional interest or premium.

If the Board shall desire to exercise said option, it may do so by giving notice of its election in writing to the Issuer at least sixty (60) days prior to the interest due date upon which it desires to exercise said option. Thereupon, the Issuer shall call for payment a principal amount of said Bonds equal to such sum, such call to be strictly in accordance with the provisions of such Bonds and of this Bond Ordinance. Notwithstanding anything contained in this Bond Ordinance to the contrary, the Board shall have the right to exercise its option to purchase through the defeasance of the Bonds in the event said Bonds are not immediately subject to prior redemption on the date the option is exercised; provided, however, that sufficient funds shall be deposited in escrow to provide for the principal and interest requirements becoming due on said Bonds, and all expenses incident to the defeasance of said Bonds, by the Board until such time as said Bonds are fully paid and retired.

8. STATUTORY MORTGAGE LIEN CREATED; PLEDGE OF REVENUES FROM LEASE OF PROPERTY. For the protection of the holders of the Bonds, a statutory mortgage lien and pledge of the gross revenues derived from said Project property and all improvements thereon are granted pursuant to Section 162.200 of Kentucky Revised Statutes, which lien and pledge of revenues are hereby recognized and declared to be valid and binding upon the Issuer and the Project property herein referred to and shall take effect immediately, such statutory mortgage lien and pledge of revenues being subject to the terms and conditions as set out in the form of the Bond Certificate referred to in Section 3 hereof.

Any Registered Owner of said Bonds, either at law or in equity, by suit or other legal proceedings, may enforce and compel the performance of all duties required by the Constitution and Statutes of Kentucky, including the charging and collection of sufficient rent, the segregation of income and the application thereof, insofar as the failure to perform such duties affects the interests of any Registered Owner of the Bonds herein authorized.

If there be any default in the payment of the principal of or interest on any of said Bonds, then upon the filing of suit by any Registered Owner, any Court having jurisdiction of the action may appoint a receiver to administer the property, with power to charge and collect rents sufficient to provide for the payment of interest and principal required by said Bonds and maintain the maintenance and insurance fund herein provided for. The reasonable legal fees and the court costs, if any, incurred by any Registered Owner of such Bonds in connection with the obtaining of the appointment of such a receiver shall be paid from the revenues of such Project property.

9. NO PRIORITY AMONG BONDS. The Bonds authorized to be issued hereunder shall not be entitled to priority one over the other, regardless of the fact that they may be issued and delivered at different times.

10. PARITY BONDS TO COMPLETE IMPROVEMENTS. While any of the Bonds herein authorized or permitted to be issued are outstanding, the Issuer shall not issue any additional bonds or incur any other obligations payable from the revenues of said Project property, unless the security for such bonds or other obligations is made junior and subordinate in all respects to the security for the Bonds herein authorized; provided, however, said Issuer hereby reserves the right and privilege of issuing additional bonds from time to time, payable from the income and revenues of said Project property, and ranking on a parity with the Bonds herein authorized but only if and to the extent the issuance of such additional parity bonds may be necessary to pay the costs, for which funds are not otherwise available, of completing the construction of said school Project improvements in accordance with the plans and specifications which have already been completed, approved by the Superintendent of Public

Instruction of Kentucky and by said Board of Education, and filed in the office of the Clerk of the Issuer; but before any such additional bonds ranking on a parity as aforesaid are issued, the issuance thereof shall be approved by the proper agents of the State Department of Education as required by law, and a Supplemental Contract, Lease and Option shall have been entered into, whereunder the respective annual rental payments during the life of such additional bonds are increased by the amount of annual interest and principal requirements of such additional bonds, and the interest payment dates for such additional bonds shall be June 1 and December 1 of each year and the principal maturity dates shall be on December 1.

11. COVENANT TO KEEP PROPER RECORDS. So long as any of the Bonds are outstanding, the Issuer shall require the Board to keep proper books and records (separate from all other records and accounts) of all transactions regarding said Bonds. It shall require the Board to furnish the original purchaser of said Bonds and to the Registered Owner of any of said Bonds, upon written request, not more than thirty (30) days after the close of each fiscal period, complete operating and income statements certified by the auditors or auditors of the Board, and will require the Board to grant to any Registered Owner or Owners of twenty-five per cent of the Bonds then outstanding the right at all reasonable times to inspect the Project property and all records and accounts of the Issuer or the Board relating thereto.

12. CONDITIONS OF BOND SALE. That said Bonds shall be sold at public sale after advertising according to law, and the Clerk of the Issuer is hereby authorized and directed to make such advertising. The specific terms, bidding conditions and restrictions governing the sale of said Bonds shall be as set forth in the forms of "Notice of Bond Sale," "Official Terms and Conditions of Bond Sale" and "Official Bid Form" which have been prepared by Henry M. Reed III, Bond Counsel, Louisville, Kentucky, are attached to and made a part of this Ordinance as Exhibits B, C and D, respectively, and which forms having been examined and considered, are hereby approved. The Clerk of the Issuer is hereby directed to utilize said forms in connection with the sale of said Bonds.

That the Governing body of the Issuer shall, in its action accepting the successful bid, determine the exact rates of interest which said Bonds shall bear.

13. DEPOSIT AND APPLICATION OF BOND PROCEEDS; CONSTRUCTION FUND. Upon the sale and delivery of said Bonds there shall first be paid all expenses incident to the authorization, sale and delivery of the Bonds. Next, there shall be paid into the Bond Fund established with the Paying Agent the interest on such Bonds from their date to the date same are delivered. The entire remaining proceeds shall thereafter be devoted exclusively to the payment of the costs of the Project school building and appurtenances upon the property described herein and according to the plans and specifications duly approved and filed as provided by KRS 162.120.

That pending expenditures of the proceeds then remaining, such funds shall be deposited, until needed for construction purposes, in a special construction account hereby established, with State Bank and Trust Company, Richmond, Kentucky, as Construction Depository, designated "County of Madison, Kentucky School Construction Fund of December 1, 1987" (the "Construction Fund"). The money in said account shall be expended by payments made to defray the costs of constructing and equipping the Project school building and improvements herein referred to, such payments to be made upon checks drawn upon said Construction Depository by the Treasurer of the Board, as designated by a written resolution of said Board and accompanied by a voucher in duplication entitled "Requisition for Funds" signed by the Architect having supervision of the construction of said school building Project improvements, and approved by the Chairperson of the Board in substantially the following form:

"REQUISITION FOR FUNDS"

It is hereby certified that _____ is due the sum of \$ _____, which represents an amount duly earned by and payable to said party, its successors or assigns, for labor, materials, work or services furnished under an existing contract with the County of Madison, Kentucky, and the Board of Education of Madison County, Kentucky, relating to the construction of certain school building improvements for the Board of Education of Madison County, Kentucky, financed by the issue of County of Madison School Building Revenue Bonds, dated December 1, 1987, or for other work or services in connection therewith. It is further certified that in my opinion substantially all of the labor, materials, work and/or services were furnished within the boundaries of the property described in the Ordinance of the Fiscal Court authorizing the Bonds and in the Contract, Lease and Option between said County and said Board of Education, which property is encumbered by said bond issue, or were furnished in connection with improvements located within the boundaries of said property.

Dated this _____, 19__.

Architect

Chairperson, Board of Education"

The Treasurer of the Board is hereby authorized to execute such checks from time to time in the necessary amounts upon the aforesaid voucher or "Requisition for Funds" being executed by the Architect and presented to and approved by the Chairperson of the Board; provided, however, that checks reimbursing the Board for expenditures already made for the Project in contemplation of the Bonds herein authorized being issued or for equipment and furnishings need not be approved by the Architect. Such checks, shall be fully negotiable, and any bank shall be authorized to honor and pay the same, provided it assumes the responsibility for the propriety of all endorsements, or all endorsements to it are guaranteed by a bank. Upon the completion of the Project any surplus remaining in the Construction Fund may be transferred to the Bond Fund and the Board shall receive a credit against its obligations due under the Lease to the extent of the amount transferred.

Money in the Bond Fund or Construction Fund shall be invested for the benefit of the respective accounts in such portions and in such manner as is designated by the representative of the Board. The investments shall be restricted to direct obligations of or obligations fully guaranteed by the United States Government (which may be effected through "money market" investments effected through the bond department of the Paying Agent or Construction Depository) or certificates of deposit of FDIC banks or FSLIC savings and loan associations fully secured by a pledge of direct obligations of or guaranteed by the United States Government or School Building Revenue Bonds of Kentucky School Districts to the extent investments which are not U. S. Government obligations exceed FDIC or FSLIC coverage. The obligations invested in, in any event, shall mature not later than the time funds may be needed for the payments of Bond requirements or for construction purposes, respectively. Any deposit in either account in excess of FDIC coverage not so invested shall be earmarked and secured by a pledge of an equivalent amount of United States Government obligations or Bonds of the issue herein authorized until expended. In the event checks are required to accomplish the investment of funds in the Bond Fund and Construction Fund, same shall be signed by the Treasurer of the Board, although such checks are not now contemplated. To the extent that the investment of Bond Fund monies generate funds in excess of the then current principal and interest requirements on the Bonds, the Board's obligation under the Lease shall be reduced in a like amount for the semi-annual period in question.

14. MISAPPLICATION OF BOND PROCEEDS NOT TO AFFECT VALIDITY OF BONDS. If for any reason the funds obtained by the sale of

said Bonds are not properly allocated or if there is any misapplication of the proceeds, such improper allocation or misapplication shall not affect the validity of any Bonds issued in accordance with this Bond Ordinance.

15. LEGAL DESCRIPTION OF LEASED PROPERTY. The school building Project and appurtenances financed from the proceeds of the Bonds and which are subject to the statutory mortgage lien and pledge of revenues securing said Bonds are located upon the site described in Exhibit E to this Bond Ordinance which is incorporated in full herein by reference. Notwithstanding anything contained herein to the contrary, said statutory mortgage lien and revenue pledge are restricted in their application to the exact location of the said Project building and appurtenances, with rights of way for ingress and egress, and the right is specifically reserved by the Issuer and/or the Board to construct upon any unoccupied portions of the school site described in Exhibit E hereto other structures and improvements for school purposes, which structures and improvements shall not be subject to any extent to said statutory mortgage lien and revenue pledge.

16. COVENANT AGAINST ARBITRAGE. The Issuer 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 Issuer on the Bonds shall, for the purposes of Federal income taxation, be exempt from income taxation under any valid provision of the Internal Revenue Code of 1986, as amended, and the Regulations promulgated thereunder (the "Code").

Neither the Issuer nor the Board shall permit at any time or times any of the proceeds of the Bonds to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any such Bonds to be "arbitrage bonds" as defined in the Code, as then in effect.

In order to assure compliance with this Section, thereby better securing and protecting the Registered Owners of the Bonds, the Issuer covenants that it will not purchase any obligation or invest the proceeds of said Bonds in any obligations that produce a yield in excess of the applicable maximum yield as may be permitted by the Code, nor will it permit the Board to take such action.

The Issuer further covenants that prior to the issuance of said Bonds and as a condition precedent to such issuance the Issuer shall certify by issuance of a certificate of the Treasurer of the Issuer, supplemental to this Bond Ordinance, that on the basis of the facts, estimates and circumstances in existence on the date of issue of said Bonds, it is not expected that the proceeds of said Bonds will be used in a manner which would cause such obligations to be "arbitrage bonds" under the Code; the Treasurer of the Issuer is hereby designated and charged this Bond Ordinance with the responsibility for issuing the Bonds herein authorized.

The Board in its Resolution requesting the Issuer to issue the Bonds has certified that it does not reasonably expect to issue in its own name, or request the County to issue on its behalf, bonds or other obligations considered under the Code to be "qualified tax-exempt obligations" in a principal amount in excess of \$5,000,000 during the calendar year ending December 31, 1987, and for that reason the Issuer has been advised by Bond Counsel that neither the Bond Fund, Construction Fund, nor any other fund or account established under the provisions of this Bond Ordinance is subject to the "rebate requirements" on excess earnings in favor of the United States of America imposed by the Code. The Issuer, in reliance upon the covenants of the Board contained in the Lease and advice of Bond Counsel, covenants and agrees that in the event it is subsequently determined by the Issuer or the Board, upon advice of nationally recognized bond counsel that the Bond Fund, Construction Fund, or any other fund established under this Bond Ordinance are subject to said rebate requirements and do in fact generate earnings from "non-purpose investments" in excess of the amount which said investments would have earned at a rate equal to the "yield" on the Bonds, plus any income attributable to such excess, there shall be established a separate and special fund with the Paying Agent to be designated as the "Excess Earnings and Rebate Fund," which shall be utilized for the collection and payment of any excess generated from investments and the remittance thereof to the United States on or before a date five (5) years and thirty (30) days from the date said Bond are initially delivered, and once every five years thereafter until the final retirement of the Bonds; the last installment, to the extent required, to be made no later than sixty days following the date on which funds sufficient for the complete retirement of the Bonds are deposited with the Paying Agent or any escrow agent.

Notwithstanding the fact that the Board is a separate political subdivision of the Commonwealth, derives its powers independently of the Issuer, and is not subject to control by the Issuer, the Issuer, by the adoption of this Bond Ordinance, hereby designates the Bonds as "qualified tax-exempt obligations" within the meaning of Code Section 265(b)(3) and the Issuer hereby certifies that it does not reasonably anticipate, based upon representations to it by the Board, that the total principal amount of qualified tax-exempt obligations which it will issue, including those obligations issued for its own purposes, in its own name, and on its own behalf, in addition to those obligations issued or to be issued on behalf of the Board, during the calendar year December 31, 1987, will exceed \$10,000,000.

17. OFFICIAL STATEMENT AUTHORIZED. First Kentucky Securities Corporation, Frankfort, Kentucky, Fiscal Agent for the Issuer and the Board, having prepared an Official Statement on behalf of and in conjunction with the Board and the Issuer in regard to the sale of the Bonds containing all pertinent information concerning said Bonds; the Preliminary Circular portion of said Official Statement having been reviewed by the Fiscal Court and the Board, same is hereby authorized, ratified and approved, and the County Judge/Executive and the County Clerk are hereby authorized to acknowledge same. The County Judge/Executive and County Clerk are also authorized to execute said Fiscal Agent's contract on behalf of the Issuer, which contract is hereby authorized, ratified and approved.

18. REGISTRATION OF BONDS; DUTIES OF BOND REGISTRAR AND PAYING AGENT: First Security National Bank & Trust Company, Lexington, Kentucky, is hereby designated as the Bond Registrar and Paying Agent for the Bonds. The Bond Registrar and Paying Agent shall receive compensation for its services in accordance with its Agreement with the Issuer and the Board and the County Judge/Executive and Clerk of the Issuer are hereby authorized and empowered to execute said Agreement on behalf of the Issuer upon said Agreement being executed and tendered to the Issuer by the Board and the Bond Registrar/Paying Agent in substantially the same form as that attached hereto and made a part of this Ordinance as Exhibit F. The Lease authorized under Section 1 of this Bond Ordinance shall contain provisions whereby the Board shall be responsible for and shall pay the fees and charges of the Bond Registrar/Paying Agent as additional rentals thereunder.

The duties of the Bond Registrar shall be as follows:

(a) To register all Bond Certificates in the name of the owner thereof in accordance with the provisions of of the Internal Revenue Code of 1986, as amended;

(b) Upon being supplied with properly authenticated assignment satisfactory to said Bond Registrar (in the sole discretion of said Bond Registrar), to transfer the ownership of Bond Certificates from one Registered Owner to another within three (3) business days of the receipt of proper authentication by said Bond Registrar;

(c) To cancel and destroy (or remit to the Issuer for destruction) all exchanged or matured Bond Certificates, and to maintain adequate records relative thereto;

The duties of the Paying Agent shall be as follows:

(a) To maintain the Bond Fund established under this Bond Ordinance and to invest the same in accordance with the provisions hereof;

(b) To remit, but only to the extent that all required funds are made available to the Paying Agent by the Board semiannual interest payments direct to the Registered Owner of each Bond by regular United States Mail; said interest payments shall be deposited in the United States Mail no later than each interest due date. Matured or redeemed Bonds shall be payable upon presentation to the Paying Agent. For interest payment purposes, the Paying Agent shall be entitled to rely on its records as Bond Registrar as to the ownership of each Bond as of the 15th day of the month preceding an interest due date and the Paying Agent's checks shall be drawn and mailed accordingly;

(c) To notify each Registered Owner to be prepaid and to redeem Bonds prior to their stated maturity upon their presentation in accordance with the provisions of Section 2 of this Bond Ordinance upon being supplied with sufficient funds:

(d) To supply the Board with a written accounting evidencing the payment of interest and principal within thirty days following each due date.

The Bond Registrar/Paying Agent shall be entitled to the advice of counsel and shall be protected for any acts taken by it in good faith and reliance upon such advice. The Bond Registrar/Paying Agent shall not be liable for any action taken or omitted to be taken by it in good faith and believed by it to be within its discretion or the power conferred upon it by this Bond Ordinance or its Agreement with the Issuer and Board, or be responsible for the consequences of any oversight or error of judgment.

The Bond Registrar/Paying Agent may at any time resign from its duties set forth in this Bond Ordinance and in its Agreement with the Issuer and the Board by filing its resignation with the Clerk of the Issuer and notifying the original purchaser or purchasers of the Bonds herein authorized. Thereupon, the Issuer, with the concurrence of the Board, shall designate a successor Bond Registrar/Paying Agent which shall be an incorporated bank or trust company. Notwithstanding the foregoing, in the event of the resignation of the Bond Registrar/Paying Agent, provisions shall be made for the orderly transition of the books, records and accounts relating to the Bonds to the successor Bond Registrar/Paying Agent in order that there will be no delinquencies in the payment of interest or principal due on the Bonds.

19. CONTRACTUAL NATURE OF BOND ORDINANCE. This Bond Ordinance shall constitute a contract between the Issuer and all who may become the Registered Owners of the Bonds, and any bonds subsequently issued ranking on a parity therewith, and after the issuance and delivery of such Bonds, no change, variation or alteration of any kind in the provisions of this Bond Ordinance shall be made in any manner except for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provisions contained herein.

20. SEVERABILITY. If any section, paragraph or clause hereof shall be held invalid, the invalidity of said section, paragraph or clause shall not affect any of the remaining provisions of this Bond Ordinance.

21. CONFLICTS REPEALED. All ordinances, orders, resolutions or parts thereof in conflict with the provisions of this Bond Ordinance are hereby repealed and this Bond Ordinance shall take effect and be in force upon its adoption.

Given First Reading November 4, 1987.

Given Second Reading, Passed and Adopted November 17, 1987.

County Judge/Executive

(Seal of County)

Attest:

County Clerk

BOND NO. _____

(FORM OF BOND CERTIFICATE)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF MADISON
SCHOOL BUILDING REVENUE BOND
SERIES OF 1987

INTEREST RATE MATURITY DATE DATE OF ORIGINAL ISSUE CUSIP

DECEMBER 1, 1987

REGISTERED OWNER:

PRINCIPAL AMOUNT:

The County of Madison, Kentucky (the "Issuer") hereby acknowledges itself to owe and for value received hereby promises to pay to the Registered Owner identified above, or registered assigns as hereinafter provided, on the Maturity Date identified above, the Principal Amount identified above and to pay interest on such Principal Amount from the Date of Original Issue (or most recent date to which interest has been paid) at the Interest Rate set forth above commencing June 1, 1988 and semiannually thereafter until said Principal Amount is paid, except as the provisions hereinafter set forth with respect to redemption prior to maturity may be and become applicable thereto

Both principal and premium (if any) on this Bond are payable at the principal office of FIRST SECURITY NATIONAL BANK & TRUST COMPANY, LEXINGTON, KENTUCKY (the "Bond Registrar and Paying Agent") upon presentation and surrender of this Bond. Payment of each installment of interest shall be made to the Registered Owner hereof as shown by the registration books of the Bond Registrar at the close of business on the 15th day of the calendar month next preceding the interest payment date and shall be paid by check of the Paying Agent mailed to such Registered Owner through regular United States mail postmarked no later than the due date thereof.

This Bond is part of an authorized issue of \$850,000 of Bonds authorized to be issued by the Issuer pursuant to a Bond Ordinance of its Fiscal Court in order to provide funds for the construction of school building improvements (the "Project") for the Board of Education of Madison County, Kentucky (the "Board") pursuant to the provisions of Sections 162.120 through 162.300 of

the Kentucky Revised Statutes. This Bond and the issue of which it forms a part are equally secured by a statutory mortgage lien upon and a pledge of the revenues derived from the school Project building improvements acquired and constructed with the proceeds of said Bonds which have been leased from the Issuer to the Board on a year to year basis under a certain Contract, Lease and Option (the "Lease"), with the exclusive option in the Board to renew said Lease each year until the Bonds have been completely paid and retired. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional provision or limitation and is payable only from the revenues generated under the Lease of the school improvements from the Issuer to the Board.

The statutory mortgage lien upon and the pledge of the revenues derived from said school building property, which are hereby recognized as valid and binding, are hereby created and granted in favor of the holder of this Bond and the issue of which it forms a part, and said school building property and any appurtenances thereto shall remain subject to said statutory mortgage lien and revenue pledge until the payment in full of the principal and interest on this Bond and the issue of which it forms a part; provided, however, that said statutory mortgage lien and revenue pledge are and shall be restricted in their application to the school building and appurtenances thereto financed by this Bond and the issue of which it forms a part, 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 being hereby expressly reserved to erect or construct upon the school site described in the Ordinance authorizing the issuance of said Bonds and in the Contract, Lease and Option under which same are leased to the Board of Education of the Madison County, Kentucky, other independently financed school building projects free and clear of said statutory mortgage lien and revenue pledge, which other independently financed school building projects may or may not have a party wall with and adjoin the school building and appurtenances which are subject to said statutory mortgage lien and revenue pledge, provided no part of the cost of said other independently financed school building projects is paid from the proceeds of the sale of this Bond and the issue of which it forms a part; and provided the necessary easements for ingress and egress shall be deemed to exist and continue to exist for all school buildings, improvements and additions financed by this or other bonds.

The right is reserved in the Issuer to issue additional bonds ranking on a parity herewith as to security and source of payment, but only for the purpose of completing the construction of the school improvements initially scheduled to be financed from the proceeds of this issue.

The Bonds maturing on or after December 1, 1998, are subject to redemption prior to their stated maturities on any interest payment date falling on or after December 1, 1997, only in inverse order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent by regular United States Mail to the registered owners of the Bonds so selected not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, plus additional interest equal to 3% of the face amount if the date of redemption is on or before June 1, 2001, and on the same terms if redeemed thereafter and on or before June 1, 2004, except that the additional interest shall then be 2%, and on the same terms if redeemed thereafter and prior to maturity except that the additional interest shall then be 1%.

This Bond shall be transferable only upon the presentation and surrender hereof at the principal office of the Bond Registrar duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his authorized representative. Bonds of the same principal maturity may be issued at the request of the Registered Owner in denominations of multiples of \$5,000.

This Bond shall not be a valid obligation of the Issuer unless and until it has been authenticated by the manual signature of the duly authorized officer of the Bond Registrar, its successor or successors, by the execution of the Authentication Certificate hereon.

This Bond is exempt from ad valorem and income taxation by the Commonwealth of Kentucky and all of its political subdivisions as of the date same is issued and delivered.

By the execution hereof, the Issuer certifies, recites and declares that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond and the issue of which it forms a part, do exist, have happened and have been performed in due time, form and manner as required by law in order to make this a valid and legal revenue obligation of the Issuer and the Issuer covenants that so long as this Bond and the issue of which it forms a part remain outstanding and unpaid, it shall perform all duties imposed upon it by the Constitution and Statutes of Kentucky and the Ordinance authorizing the Bonds.

IN WITNESS WHEREOF, the County of Madison, Kentucky has caused this Bond to be executed on its behalf with the reproduced facsimile signature of its County Judge/Executive, the Corporate Seal of the County to be imprinted hereon, attested by the reproduced facsimile signature of its County Clerk, all as of the 1st day of December, 1987.

COUNTY OF MADISON, KENTUCKY

By (Facsimile Signature)
County Judge/Executive

ATTEST:

By (Facsimile Signature)
County Clerk

(Facsimile Seal of County)

AUTHENTICATION CERTIFICATE

This Bond is one of the issue of Bonds described and provided for in the within-mentioned Bond Ordinance passed and adopted by the Fiscal Court of the County of Madison, Kentucky authorizing \$850,000 of County of Madison (Kentucky) School Building Revenue Bonds, Series of 1987, dated December 1, 1987.

FIRST SECURITY NATIONAL BANK &
TRUST COMPANY
Lexington, Kentucky, Bond Registrar

By _____
(Manual Signature)
Authorized Officer

Date: _____

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

Please insert Social Security or other taxpayer identification number of Assignee

: _____ :

(Name and Address of Assignee)

the within Bond and all rights thereunder and does hereby irrevocably constitute and appoint

attorney or legal representative to transfer the said Bond on the books of the Bond Registrar kept for registration thereof with full power of substitution in the the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name of the Registered Owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

SIGNATURE GUARANTEED

NOTICE OF BOND SALE

The County Clerk of the County of Madison, Kentucky, will until 2:00 P.M., E.S.T., on November 17, 1987, receive at her office in the Courthouse in Richmond, Kentucky, sealed competitive bids for \$850,000 of the County's School Building Revenue Bonds, Series of 1987, dated December 1, 1987, being fully registered bonds in denominations in multiples of \$5,000 (within the same maturity), maturing as to principal in varying amounts on December 1 in each of the years 1995 through 2007. Bonds are subject to redemption prior to their stated maturities on December 1, 1997.

Bids must be on Official Bid Form contained in Information for Bidders, which also contains Official Terms and Conditions of Bond Sale and is available from First Kentucky Securities Corporation, Suite 400, State National Bank Building, Frankfort, Kentucky 40601.

Sale on tax-exempt basis, subject to qualified approving legal opinion of Henry M. Reed III, Bond Counsel, Louisville, who considers the Bonds as "qualified tax-exempt obligations" which financial institutions may treat as acquired before August 8, 1986.

Right to reject bids or waive informality reserved.

COUNTY OF MADISON, KENTUCKY

By s/ Mary Jane Ginter
County Clerk

OFFICIAL
TERMS AND CONDITIONS OF BOND SALE

\$850,000
County of Madison, Kentucky
School Building Revenue Bonds, Series of 1987
Dated December 1, 1987

SALE: November 17, 1987, AT: 2:00 P.M., E.S.T.

As advertised in The Courier-Journal, published in Louisville, Kentucky and The Daily Bond Buyer, published in New York, New York, the County Clerk of the County of Madison, Kentucky, will until the 17th day of November, 1987, at the hour of 2:00 P.M., E.S.T., at the office of the County Clerk, Courthouse, Richmond, Kentucky, receive sealed competitive bids for the revenue bonds herein described. To be considered, a proposal for the purchase of such Bonds must be submitted on an Official Bid Form and must be delivered to the County Clerk, Courthouse, Richmond, Kentucky 40475, on the date of sale no later than the hour indicated. The bids will be opened and considered at the hour indicated and referred to the Fiscal Court for formal action later the same date.

STATUTORY AUTHORITY, PURPOSE OF ISSUE AND SECURITY

These Bonds are authorized pursuant to KRS 162.120 through 162.300 and are issued in accordance with an Ordinance of the Fiscal Court of the County of Madison, Kentucky (the "County"). Such Bonds are revenue bonds and do not constitute a direct indebtedness of the County. Such Bonds are issued to finance the construction of a school building (the "Project") and are secured by a statutory mortgage lien upon and a pledge of the revenues from the rental of the school building to the Board of Education of Madison County, Kentucky (the "Board").

ADDITIONAL PARITY BONDS FOR COMPLETION OF PROJECT

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

BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT

All such Bonds shall be in denominations in multiples of \$5,000 within the same maturity, bear interest from December 1, 1987, payable on June 1, 1988, and semiannually thereafter and shall mature as to principal on December 1 in each of the years:

<u>YEAR</u>	<u>AMOUNT</u>
1995	\$55,000
1996	50,000
1997	40,000
1998	50,000
1999	50,000
2000	60,000
2001	60,000
2002	60,000
2003	70,000
2004	80,000
2005	85,000
2006	90,000
2007	100,000

Such Bonds shall be subject to prior redemption in inverse order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, at the County's option on any interest due date falling on or after December 1, 1997, and prior to maturity, upon thirty days' notice mailed by the Paying Agent to the registered owners of the Bonds so selected and upon payment of the face amount plus accrued interest plus additional interest equal to 3% of the face amount if the date of redemption is on or before June 1, 2001, and on the same terms if redeemed thereafter and on or before June 1, 2004 except that the additional interest shall then be 2%, and on the same terms if redeemed thereafter and prior to maturity except that the additional interest shall then be 1%.

The Bonds are to be issued in fully registered form (both principal and interest). First Security National Bank & Trust Company, Lexington, Kentucky 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 by regular United States Mail postmarked as of the interest due date. Principal shall be paid upon submission of matured Bond Certificates to the Paying Agent. Upon the submission of proper authentication, the Bond Registrar shall transfer ownership of Bonds within three (3) business days of receipt without expense to the Registered Owner.

BIDDING CONDITIONS AND RESTRICTIONS

Bids must be made on Official Bid Form, contained in Information for Bidders available from the undersigned or First Kentucky Securities Corporation, State National Bank Building, Suite 400, Frankfort, Kentucky 40601, enclosed in sealed envelopes marked "Bid for School Building Revenue Bonds".

The minimum bid shall be not less than \$833,000 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 for Bonds of any maturity must not be less than the interest rate stipulated for any preceding maturity. There is no limit on the number of different interest rates.

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

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

Each bid must be accompanied by a certified or bank cashier's good faith check in the amount of \$17,000 which will be forfeited as liquidated damages in the event of a failure of the successful bidder to take delivery of such Bonds when ready. The good-faith check of the successful bidder will be cashed and applied (without interest) against the purchase price. The successful bidder shall not be required to take up and pay for said Bonds unless delivery is made within 45 days from the date the bid is accepted.

Delivery will be made in Louisville or Lexington, Kentucky, or Nashville or Memphis, Tennessee, or Cincinnati, Ohio, at no expense to the purchaser or at any other place in the Continental United States desired by the purchaser at his expense; PROVIDED, HOWEVER, the purchaser shall bear any bank service charge for processing the delivery of the Bonds and closing the transaction if delivery is made at a location other than the principal office of the Bond Registrar. Payment shall be in FEDERAL FUNDS. Delivery may be effected by a fully registered manuscript (typed) Master Bond in the name of the manager of the purchasing syndicate in the full amount of the issue, but it is now anticipated that Bond Certificates will be available.

The purchaser shall be required to supply the Bond Registrar with the name, address, Social Security or Taxpayer Identification number, principal amount and principal maturities for each person in whose name Bonds are to be registered at least five (5) business days prior to delivery. Failure of the purchaser to fully designate the registered owners of Bonds shall result in the issuance of Bond Certificates by the Registrar in "street name" to the extent a purchaser fails to designate.

The County reserves the right to reject any and all bids or to waive any informality in any bid. The Bonds are offered for sale subject to the principal and interest not being subject to Federal or Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidder.

The County will furnish the purchaser with the final approving Legal Opinion of Henry M. Reed III, Bond Counsel, Louisville, Kentucky, subject to whose approving Legal Opinion said Bonds are sold (please see TAX EXEMPTION below), and will furnish printed Bond Certificates and the usual closing proofs, including the customary no-litigation certificate.

TAX EXEMPTION

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

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

(B) The interest income from the Bonds is exempt from Federal income taxation 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 County, indicating the issuance of less than \$10,000,000 of qualified tax-exempt obligations during either of the calendar year ending December 31, 1987, the Bonds may be treated by financial institutions as if they were acquired before August 8, 1986.

(D) The interest income from the Bonds is exempt from Federal income taxation 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.

PENDING LITIGATION

A Complaint has been filed in Franklin Circuit Court, Frankfort, Kentucky by the Council for Better Education, Inc., a non-profit corporation comprised of 66 School Districts of the Commonwealth and certain individual Kentucky school students against the Governor, the State Superintendent of Public Instruction, the State Treasurer, the President Pro Tempore of the Senate and Speaker of the House of Representatives of the General Assembly seeking, inter alia, (1) that the action be declared a class action pursuant to the Kentucky Civil Rules; (2) that the Court declare the present statutory structure for funding public schools in Kentucky unconstitutional and inadequate; (3) that the State Superintendent of Public Instruction be enjoined from implementing the unconstitutional educational funding statutes; (4) that the Governor be required to recommend to the General Assembly legislation designed to correct the alleged constitutional violations; (5) that the General Assembly be required to increase the funding for public schools in amounts sufficient to provide an equitable and adequate funding program for all school children of the Commonwealth so as to establish "an efficient system for common schools" as required in the Constitution.

The thrust of the litigation attacks the present system of school financing in Kentucky on the basis of the financial resources available to school districts being presently dependent upon the fiscal capacity of the local districts and questions the disparities in the market values of assessable properties located within the boundaries of the different districts as a basis for local contributions. The suit alleges that children in poorer school districts generally have lower paid teachers and inferior classroom facilities as compared to those of the more affluent districts. The ultimate remedy sought by the Plaintiffs is to reapportion state financial aid to school districts in a manner other than that presently utilized under existing law and without the present requirement for local school district contributions as a prerequisite to state assistance to the extent now required.

No one can say with certainty as to what the outcome of the litigation will be; however, Bond Counsel does not believe that any court order or legislative reapportionment of state funding to local school districts will jeopardize the payment of these Bonds in accordance with their terms or their tax exempt status for state income tax purposes.

COUNTY OF MADISON, KENTUCKY

s/Mary Jane Ginter
County Clerk

OFFICIAL BID FORM

In accordance with the Notice of Bond Sale of \$850,000 of County of Madison, (Kentucky) School Building Revenue Bonds, Series of 1987, dated December 1, 1987, as advertised in The Courier-Journal, and The Daily Bond Buyer, and the Official Terms and Conditions of Bond Sale, to all of which the undersigned agrees, the undersigned hereby submits the following offer for said Bonds.

We hereby bid for said \$850,000 principal amount of Bonds the sum of \$_____ (not less than \$833,000); plus accrued interest from December 1, 1987, at the following rates (interest rates on ascending scale; number of interest rates unlimited):

<u>YEAR</u>	<u>AMOUNT</u>	<u>RATE</u>
1995	\$55,000	_____%
1996	50,000	_____%
1997	40,000	_____%
1998	50,000	_____%
1999	50,000	_____%
2000	60,000	_____%
2001	60,000	_____%
2002	60,000	_____%
2003	70,000	_____%
2004	80,000	_____%
2005	85,000	_____%
2006	90,000	_____%
2007	100,000	_____%

It is understood that such Bonds are offered for sale subject to the principal and interest on such Bonds not being subject to Kentucky ad valorem or Federal or Kentucky income taxation on the date of their delivery to the successful bidder. It is also understood that the County will furnish a final approving Legal Opinion of Henry M. Reed III, Bond Counsel, Louisville, Kentucky (which will be qualified as to certain recipients of interest), subject to whose approving Legal Opinion said Bonds are sold, and will furnish printed bond certificates and the usual closing proofs, including the customary no-litigation certificate, to the successful bidder. Payment shall be in FEDERAL FUNDS.

The successful bidder shall not be required to take up and pay for said Bonds unless delivery is made within forty-five days from the date said bid is accepted.

A certified check or bank cashier's check in the amount of \$17,000, payable to the County of Madison, Kentucky, is

enclosed in accordance with the Official Terms and Conditions of Bond Sale and we understand it will be cashed and applied against the purchase price (without interest) if we are the successful bidder.

Authorized Signature

Name of Bidder

Address

- (a) Total interest cost from date of Bonds to final maturity \$ _____
- (b) Plus discount \$ _____
- (c) Net interest cost \$ _____
- (d) Average net interest rate _____ %

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

Accepted this _____ day
of November, 1987.

County Judge/Executive

County Clerk

In re: \$850,000 County of Madison (Kentucky)
School Building Revenue Bonds, Series of 1987,
Dated December 1, 1987

WACO ELEMENTARY SCHOOL

CLASSROOM ADDITION

Beginning at the center line of an entrance in the North wall of the existing school building located 82.33'+ from the Northwest corner of the building;

Thence with the North wall of the existing building in a Northwest direction 5.17 feet to a point;

Thence 90°00' perpendicular to the existing wall in a Northeast direction 15.00 feet to a point;

Thence 90°00' parallel to the existing wall in a Northwest direction 76.67 feet to a point;

Thence 90°00' perpendicular to the existing wall in a Northeast direction 72.00 feet to a point;

Thence 90°00' parallel to the existing wall in a Southeast direction 217.67 feet to a point;

Thence 90°00' perpendicular to the existing wall in a Southwest direction 72.00 feet to a point;

Thence 90°00' parallel to the existing wall in a Northwest direction 130.67 feet to a point;

Thence 90°00' perpendicular to the existing wall in a Southwest direction 15.00 feet to a point on the existing wall;

Thence 90°00' with the North wall of the existing building in a Northwest direction 5.17 feet to the point of beginning of the Classroom Addition.

Said school building is located upon the following described real estate:

APPOINTMENT OF

FIRST SECURITY NATIONAL BANK & TRUST COMPANY
LEXINGTON, KENTUCKY

AS

BOND REGISTRAR AND PAYING AGENT

for the

\$850,000 COUNTY OF MADISON (KENTUCKY)
SCHOOL BUILDING REVENUE BONDS, SERIES OF 1987
DATED DECEMBER 1, 1987

This appointment of Bond Registrar and Paying Agent (the "Appointment") made as of the first day of December 1987, by and between the County of Madison, Kentucky (the "Issuer") acting for and on behalf of the Board of Education of Madison County, Kentucky (the "Board") and First Security National Bank & Trust Company, Lexington, Kentucky, (the "Bank");

W I T N E S S E T H:

APPOINTMENT

1. That the Bank is hereby appointed Bond Registrar and Paying Agent for the \$850,000 County of Madison (Kentucky) School Building Revenue Bonds, Series of 1987, dated December 1, 1987 (the "Bonds") and the rights and duties of the Bank, the Issuer and the Board shall be as set forth in this Appointment.

DOCUMENTS REQUIRED

2. That prior to the initial delivery of the Bonds the Issuer shall file with the Bank the following documents:

(a) A certified copy of the Resolution of the Board authorizing the execution of this Appointment by the Board.

(b) A certified copy of the Bond Ordinance passed and adopted by the Fiscal Court of the Issuer authorizing the issuance of the Bonds and the execution of this Appointment by the Issuer.

(c) A certified copy of the Contract, Lease and Option (the "Lease") by and between the Issuer and the Board whereunder the Board shall agree to pay the principal and

interest requirements of the Bonds and the fees and charges of the Bank incurred under the terms of this Appointment as additional rentals due under said Lease.

(d) Printed Bond Certificates prepared and executed in accordance with the Bond Ordinance in sufficient numbers as requested by the Bank.

(e) An Opinion of Henry M. Reed III, Bond Counsel, stating, inter alia, that the Bond Ordinance has been duly adopted by the Issuer and that the Bonds are valid and legally binding obligations of the Issuer in accordance with their terms, and that the Bank has been duly appointed as Bond Registrar and Paying Agent.

(f) A copy of this Appointment duly executed by the Issuer and the Board.

DUTIES OF BOND REGISTRAR

3. That the duties of the Bank as Bond Registrar shall be as follows:

(a) The Bank shall authenticate and deliver Bond Certificates in exchange for the Master Bond contemplated by the Bond Ordinance at the time of the initial delivery of the Bonds upon the Bank being supplied with the necessary registration information as set forth in the Participation Certificates attached and made part of the Master Bond; said initial issue of Bond Certificates shall be completed within not more than ten (10) days from the date the Master Bond is delivered by the Issuer to the initial purchaser.

(b) The Bank shall issue new Bond Certificates upon the surrender of outstanding Bond Certificates submitted in form deemed by the Bank as properly endorsed for transfer and with all necessary endorsers' signatures guaranteed in such manner and form as the Bank may require; such subsequent transfers shall be accomplished within not more than three (3) days following the Bank's receipt of a properly endorsed Bond Certificate.

(c) The Bank as Bond Registrar may rely upon the Uniform Commercial Code or any other statutes that in the opinion of Counsel for the Bank protect the Bank and the Issuer in not requiring complete documentation, in registering transfers without inquiry into adverse claims, in delaying registration for purposes of making such inquiry, or in refusing registration where in the Bank's judgment an adverse claim requires such refusal.

(d) When mail is utilized in the delivery of Bond Certificates, the Bank shall forward Bond Certificates in "non-negotiable form" by first class mail, and Bond Certificates in "negotiable" form by registered or certified mail, all mail deliveries to be covered while in transit to the addressee by insurance arranged by the Bank.

(e) The Bank may issue new Bond Certificates in place of Bond Certificates represented to have been lost, destroyed or stolen upon the Bank's receipt of indemnity satisfactory to the Bank and the Issuer, and may issue new Bond Certificates in exchange for, and upon surrender of, mutilated Bond Certificates.

(f) The Bank shall manually authenticate each Bond Certificate following its completion by the Bank as Bond Registrar, such completion shall include, but not be limited to, the following information: principal amount, interest rate, maturity date, CUSIP number, name, address and tax identification number of Registered Owner, and such additional information as the Bank as Bond Registrar may require.

(g) The Bank shall maintain customary records indicating the information required under Section 3(f) of this Appointment for all Registered Owners of Bond Certificates in accordance with this Appointment and Section 149 of the Internal Revenue Code of 1986, as amended, and U. S. Treasury Regulations promulgated thereunder, and shall forward all books, documents and records deemed no longer needed for current purposes to the Issuer (or the Board should the Issuer so designate) which shall safely store such books, documents and records as required by law.

(h) The Bank shall be entitled to rely on the information provided in the Bond Certificates and in the event any official of the Issuer who shall have executed the Bond Certificates, by manual or facsimile signature, shall die, resign or be removed from office prior to the issuance of such Bond Certificates, the Bank may authenticate and register such Bond Certificates notwithstanding such death, resignation or removal.

DUTIES OF PAYING AGENT

4. That the duties of the Bank in its capacity as Paying Agent shall be as follows:

(a) The Bank, upon "timely receipt" of funds from the Issuer or the Board sufficient for the payment of interest

on the Bonds as the same shall become due shall remit to the Registered Owners of Bond Certificates as shown on the records of the Bank as Bond Registrar as of the 15th day of the month preceding the interest due date the interest then due on said Bonds by regular United States Mail postmarked as of the interest due date.

(b) The Bank, upon "timely receipt" of funds from the Issuer or the Board sufficient for the payment of principal on the Bonds as the same shall become due shall pay to each Registered Owner the principal amount of each matured Bond Certificate in accordance with the Bank's records as Bond Registrar upon the submission and surrender of said Bond Certificate to the Bank accompanied by documentation as to ownership in a form satisfactory to the Bank.

(c) The Bank, upon "timely receipt" of funds from the Issuer or the Board sufficient for the prepayment of principal on Bonds called for redemption prior to their stated maturities and redemption premium, if any, shall pay to each Registered Owner the principal amount, plus the redemption premium, if any, for each Bond Certificate submitted and surrendered in accordance with the terms of the redemption.

(d) The Bank shall maintain customary records in connection with its duties as Paying Agent and shall remit to the Issuer and the Board not more than thirty (30) days following each interest due date a written accounting evidencing the payment of interest and principal, investment earnings and such other explanation regarding funds supplied to the Bank in connection with the Bonds.

BANK MAY RELY ON OPINION OF COUNSEL

5. That the Bank at any time may apply to the Issuer for instructions and may consult with Counsel in respect to any matter arising in connection with its appointment hereunder and the Bank shall not be liable or accountable for any action taken or omitted to be taken by it in good faith in accordance with such instructions or in reliance upon said opinion of Counsel.

DUTY OF BOARD TO MAKE TIMELY PRINCIPAL AND INTEREST PAYMENTS

6. That the Board, in accordance with the terms of the Lease and the Bond Ordinance, shall pay to the Bank the principal and interest requirements due on the Bonds no later than the 15th day of the month preceding a principal and/or interest due date; the Bank's acceptance of the funds so transferred in accordance with this paragraph shall constitute "timely receipt" within the meaning of this Appointment.

PAYMENT OF FEES

7. That the Board, in accordance with the terms of the Lease, upon the receipt of periodic invoices from the Bank, shall pay to the Bank the fees in effect at the time the services are performed and shall reimburse the Bank for out-of-pocket expenses, including the fees and expenses of its Counsel, incurred by the Bank in connection with its duties as Bond Registrar and Paying Agent; said fees shall be in accordance with the schedule attached to and made a part of this Appointment.

RESIGNATION OF BANK

8. That the Bank may resign as Bond Registrar and Paying Agent at any time upon giving thirty (30) days written notice of such resignation to the Issuer and the Board. The Bank may be removed as Bond Registrar and Paying Agent at any time by appropriate Order of the Issuer, a certified copy of which shall be furnished to the Bank. Upon the resignation or removal of the Bank, the Bank shall, to the extent permitted by law, deliver to its successor or to the Issuer appropriate records regarding its actions as Bond Registrar and Paying Agent. Notwithstanding anything herein to the contrary, in the event of the resignation or removal of the Bank, the Bank in conjunction with the Issuer and the Board shall make provisions for the orderly transfer of books, records, accounts and funds relating to the Bonds to its successor in order that there will be no delinquencies in the payment of interest or principal due on the Bonds.

IN TESTIMONY WHEREOF, witness the signatures of the parties pursuant to authority vested in the persons whose signatures are affixed hereto all as of the date first above written.

COUNTY OF MADISON, KENTUCKY

By: _____
County Judge/Executive

Attest:

County Clerk

BOARD OF EDUCATION OF
MADISON COUNTY, KENTUCKY

By: _____
Chairman

Attest:

Secretary

FIRST SECURITY NATIONAL BANK
& TRUST COMPANY
Lexington, Kentucky

By: _____

Title

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Ohio Valley Securities, Inc. \$ 1,127,000.00

1977-1988	-	5.25%
1984	-	4.7%
1985	-	4.3%
1986	-	5.0%
1987	-	5.1%
1988	-	5.2%
1989	-	5.3%
1990	-	5.5%
1991-1992	-	5.7%
1993-1995	-	5.9%

Upon comparison of the bids, it was apparent to the Fiscal Court that the best bid received was that of Magnus and Company, offering \$1,150,850.00 and accrued interest to delivery upon condition that said \$1,150,000 of said bonds be caused to bear interest at the respective coupon rates, as follows:

All bonds maturing on November 1, 1977	4.5	%
All bonds maturing on November 1, 1978	4.5	%
All bonds maturing on November 1, 1979	4.5	%
All bonds maturing on November 1, 1980	4.5	%
All bonds maturing on November 1, 1981	4.5	%
All bonds maturing on November 1, 1982	4.6	%
All bonds maturing on November 1, 1983	4.7	%
All bonds maturing on November 1, 1984	4.8	%
All bonds maturing on November 1, 1985	4.9	%
All bonds maturing on November 1, 1986	5.0	%
All bonds maturing on November 1, 1987	5.2	%
All bonds maturing on November 1, 1988	5.3	%
All bonds maturing on November 1, 1989	5.4	%
All bonds maturing on November 1, 1990	5.5	%
All bonds maturing on November 1, 1991	5.6	%
All bonds maturing on November 1, 1992	5.7	%
All bonds maturing on November 1, 1993	5.75	%
All bonds maturing on November 1, 1994	5.9	%
All bonds maturing on November 1, 1995	6.0	%
All bonds maturing on November 1, 1996	6.0	%

Thereupon, Fiscal Court Member COBB introduced, caused to be read, and moved the adoption of the following Resolution and Order:

A RESOLUTION AND ORDER OF THE FISCAL COURT OF MADISON COUNTY, KENTUCKY, ACCEPTING THE BEST BID RECEIVED FOR \$1,150,000 "COUNTY OF MADISON SCHOOL BUILDING REVENUE BONDS - SERIES OF 1976."

THE FISCAL COURT OF MADISON COUNTY, KENTUCKY, DOES HEREBY RESOLVE AND ORDER, AS FOLLOWS:

Section 1. It is hereby found and declared that the best bid received in the office of the County Court Clerk prior to 10:00 A.M., EDT (Local Time) on October 26, 1976, for the purchasing of \$1,150,000 "County of Madison School Building Revenue Bonds - Series of 1976," dated November 1, 1976, as authorized by a Resolution duly adopted and entered by this Fiscal Court, was and is the bid of Magnus and Company

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_____ , offering \$ 1,130,356.00 (together with accrued interest to delivery), upon condition that said bonds be caused to bear interest at the following respective coupon rates:

All bonds maturing on November 1, 1977	<u>4.5</u>	%
All bonds maturing on November 1, 1978	<u>4.5</u>	%
All bonds maturing on November 1, 1979	<u>4.5</u>	%
All bonds maturing on November 1, 1980	<u>4.5</u>	%
All bonds maturing on November 1, 1981	<u>4.5</u>	%
All bonds maturing on November 1, 1982	<u>4.6</u>	%
All bonds maturing on November 1, 1983	<u>4.7</u>	%
All bonds maturing on November 1, 1984	<u>4.8</u>	%
All bonds maturing on November 1, 1985	<u>4.9</u>	%
All bonds maturing on November 1, 1986	<u>5.0</u>	%
All bonds maturing on November 1, 1987	<u>5.2</u>	%
All bonds maturing on November 1, 1988	<u>5.3</u>	%
All bonds maturing on November 1, 1989	<u>5.4</u>	%
All bonds maturing on November 1, 1990	<u>5.5</u>	%
All bonds maturing on November 1, 1991	<u>5.6</u>	%
All bonds maturing on November 1, 1992	<u>5.7</u>	%
All bonds maturing on November 1, 1993	<u>5.75</u>	%
All bonds maturing on November 1, 1994	<u>5.9</u>	%
All bonds maturing on November 1, 1995	<u>6.0</u>	%
All bonds maturing on November 1, 1996	<u>6.0</u>	%

Said bid is hereby found to be satisfactory as to price and coupon rates and to conform with the official "Statement of Terms and Conditions of Bond Sale." Said bid is hereby accepted in the name and on behalf of Madison County, Kentucky, and said bid, together with this Resolution and Order of acceptance, shall constitute a firm contract for the purchasing and selling of said bonds subject to the official terms and conditions to which reference is hereby made.

Section 2. It is hereby ordered that said bonds shall bear interest from their date until paid at the respective coupon rates stipulated by the purchase bidder as set forth in Section 1 hereof.

Section 3. The good faith checks of unsuccessful bidders shall immediately be returned to them by the County Court Clerk; the good faith check of the purchaser shall be held by the County Treasurer and treated and applied as set forth in paragraph (6) of the official "Statement of Terms and Conditions of Bond Sale."

Section 4. This Resolution and Order shall be in full force and effect from and after its adoption.

ADOPTED AND ORDERED ENTERED BY THE FISCAL COURT OF MADISON COUNTY, KENTUCKY, On October 26, 1976, on the same occasion signed in open session by the County Judge as evidence of his approval, attested under seal by the County Court Clerk, and declared to be in full force and effect.

After full discussion, the Motion to adopt said Resolution and Order was seconded by Fiscal Court Member Farris Parks, whereupon the County Judge put

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Voting "Aye": Farris Parks, Richard Cobb III, Charley Todd and Bill Rice.

Voting "Nay": None.

The County Judge then announced that said Resolution and Order had been duly adopted, signed his name as evidence of his approval, caused it to be attested under seal by the County Court Clerk, and declared it to be in full force and effect.

IN RE: JAIL-REGIONAL JAIL

Comes now James S. Sekhon and Mike Diehl from the Blue Grass Area Development District and speaks to the court about the construction of a regional jail in Madison County.

Said some financial assistance from the Federal Government will be available. Only one county out of the 120 counties in Kentucky will receive a grant out of LEAA Funds during Fiscal Year October 1, 1977-October 1, 1978. Amount of grant estimated to be \$400,000.00, remainder to be made available locally. Can come out of Revenue Sharing Funds. Also, Public Work Acts, Title II will add about \$40,000.00 to the Revenue Sharing money to be received by the county which could be used to finance or fund the construction of the jail. Such Federal funds up to 100% needed could be used if they can be obtained from the various Federal Agencies.

There is no doubt that sometime in the not too distant future improvements will have to be made in the present Madison County Jail. This Regional Jail plan will provide the county an opportunity to get a new modern county jail. Estimated cost of such jail is \$800,000.00-\$1,000,000.00. First step an architectural plan must be prepared. Cost of such plan is \$15,000.00, \$3,500.00 will probably be cost to county. Really the first step is to notify the Crime Commission that the county is interested so that they can allocate the necessary funds for architectural planning. The preliminary request to them should be made not later than December, 1976 for presentation to the Crime Commission at their February, 1977 meeting. If everything progresses favorable, the formal application for funds would be made in the fall of October 1977. The local funds possibly needed would be 25%-30% of total cost or roughly \$300,000.00, such regional jail would include 4 other counties with Madison County to be a feasible operation.

Court expressed themselves as favorable to the plan but took no official action as this was a "Special Meeting" for other purposes. Court will take the plan up further at the regular November, 1976 meeting of the court.

There being no further business to come before the court at this time, motion by Richard Cobb, seconded by Farris Parks, that court adjourn