

**BREATHITT COUNTY SCHOOL DISTRICT (“DISTRICT” or “BOARD”)
TOTAL KSBIT ASSESSMENT(S) \$ 691,699**

PARTICIPATION RESOLUTION

A RESOLUTION OF THE DISTRICT’S BOARD OF EDUCATION AUTHORIZING THE EXECUTION OF A LOAN AGREEMENT WITH AND LOAN NOTE IN FAVOR OF THE KENTUCKY INTERLOCAL SCHOOL TRANSPORTATION ASSOCIATION PROVIDING FOR THE LOAN TO THE DISTRICT OF AN AMOUNT SUFFICIENT TO PAY IN FULL THE DISTRICT’S TOTAL ASSESSMENT REQUIRED BY THE REORGANIZATION PLAN FOR THE KENTUCKY SCHOOL BOARDS INSURANCE TRUST LIABILITY AND/OR COMPENSATION FUNDS.

WHEREAS, the Kentucky School Boards Association (“KSBA”) has established the Kentucky School Boards Insurance Trust (“KSBIT”) for the purpose of providing various types of insurance to KSBA Members, and

WHEREAS, KSBIT established and maintained the KSBIT Property and Liability Self Insurance Fund (“Liability Fund”) and the Workers’ Compensation Self - Insurance Fund (the “Compensation Fund”), and

WHEREAS, pursuant to the provisions of Section 304.33-160(5) of the Kentucky Revised Statutes (“KRS”) the Franklin Circuit Court has appointed the Commissioner of Insurance of the Commonwealth as “Rehabilitator” to effect a Reorganization Plan for the reorganization, conversion, consolidation, reinsurance, merger or other transformation of the KSBIT Liability Fund and the KSBIT Compensation Fund, and

WHEREAS, the District is a KSBIT Member and Insured under the KSBIT Liability Fund and / or KSBIT Compensation Fund and as such is subject to an Assessment under the Reorganization Plan in order to properly and adequately fund the KSBIT Liability Fund and KSBIT Compensation Fund, and

WHEREAS, the Assessment of the District is authorized pursuant to KRS 304.33-160(5) and mandated under the Reorganization Plan; provided, however, that the District is financially unable to pay the full amount of its Assessment or Assessments as set forth above, and

WHEREAS, the provisions of KRS 65.210 through 65.300 designated as the Interlocal Cooperation Act (“Act”), set forth the procedure by which any two or more governmental units may enter into agreements with one another and the Kentucky Interlocal School Transportation Association (“KISTA”) has been established in accordance with the Act to provide financing services to Kentucky school districts, and

WHEREAS, the District desires to enter a Loan Agreement with KISTA in order to borrow from KISTA the amount or amounts necessary to pay its Assessment or Assessments in full in a timely manner in accordance with the Reorganization Plan, and

WHEREAS, in order to generate the funds necessary to make the loans to the District and other KSBIT Members electing to pay their Assessments in installments KISTA proposes to issue its Assessment Funding Certificates of Participation , Taxable Series of 2014 (“Certificates” or “COPS”) in the required principal amount;

NOW, THEREFORE, BE IT AND IT IS HEREBY RESOLVED BY THE BOARD OF EDUCATION AS FOLLOWS:

SECTION 1. APPROVAL OF GENERAL FINANCING PLAN

That KISTA has been established pursuant to the Act to act as an issuing agency for participating boards of education in the issuance of Certificates of Participation, which, after providing for the expenses of their authorization, sale, issuance shall be utilized on a pro rata basis among the participating boards of education for the payment of their respective Assessments. The KISTA COPS, shall be issued pursuant to the terms of a Trust Indenture by and between KISTA and U.S. Bank National Association, Louisville, Kentucky (“Trustee”) and shall be secured exclusively by loan repayments due under a certain Loan Agreement (“Loan Agreement”) whereunder the District’s pro rata portion of the proceeds of the COPS have been loaned to the Board to be applied to its Assessment(s) only.

SECTION 2. AUTHORIZATION OF LOAN AGREEMENT AND LOAN NOTE

The Loan Agreement and Loan Note shall be prepared by KISTA's Bond Counsel and, together with other necessary closing documents shall be executed as herein authorized without further action of the Board.

The Chairman and Secretary of the Board are hereby authorized to execute said Loan Agreement and the related Loan Note whereunder the Board shall promise to pay to the Trustee on behalf of KISTA the Board's pro rata portion of the principal and interest requirements of the COPS.

The principal amount of the Loan Note shall be the District's KSBIT Assessment(s), plus the District's pro rata share of the costs of issuance of the COPS, including marketing discount, rating agency fees, trustee's fee and legal expenses.

SECTION 3. SECURITY FOR PAYMENT OF LOAN NOTE

In order to secure the repayment of the Loan Note and the interest thereon as the same become due the Board hereby acknowledges and consents to the application of KRS 304.33-160(5) and KRS 160.160(5) whereunder KISTA, or the Trustee on its behalf, shall request the Kentucky Department of Education to intercept and collect any funds then due the Board in the event of a failure by the Board to pay the principal and interest requirements of the Loan Note and accordingly the Board's pro rata share of the COPS.

SECTION 4. ACKNOWLEDGEMENT OF POSSIBLE VARIATIONS

That by the adoption of this Resolution the Board acknowledges its understanding that estimated interest rates for the KISTA COPS, are subject to some variation based upon the conditions of the municipal bond market at the time the KISTA COPS are publicly advertised and sold and that the annual repayments under the Loan Note will be impacted by the interest requirements of the COPS, as well as the amount of the Board's participation.

The Board acknowledges and understands that the interest due on the COPS will be subject to Federal Income Taxation to the recipient thereof.

SECTION 5. WAIVER AND CONSENT ON BIDDING

That Ross, Sinclair & Associates, LLC, Lexington, Kentucky, is acting as Financial Advisor to KISTA. In accordance with Municipal Securities Rulemaking Board Rule G-23 as amended November 28, 2011, said Financial Advisor shall not provide any underwriting services. Compensation of said Financial Advisor will be in accordance with the fee schedule approved by the Kentucky Department of Education.

SECTION 6. SEVERABILITY AND REPEAL OF CONFLICTS

That 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 Resolution. All resolutions or parts thereof in conflict with the provisions of this Resolution are hereby repealed and this Resolution shall take effect and be in force upon its adoption.

SECTION 7. DIRECTIONS TO SUPERINTENDENT

The Superintendent shall file a signed copy of this Resolution with Ross, Sinclair & Associates, LLC as soon as possible following its adoption in order that the Financial Advisor may properly size and prepare the COPS issue for marketing at a public, competitive sale.

Passed and adopted by the Board of Education on the ____ day of _____ 2014.

ATTEST:

Chairperson

Secretary

CERTIFICATE OF SECRETARY

I, the undersigned Secretary of the Board of Education certify that the foregoing Resolution was passed and adopted by said Board on the _____ day of _____, 2014 by a vote of _____ voting for the motion to adopt said Resolution and _____ voting against said motion.

Dated this _____ day of _____, 2014.

Secretary, Board of Education