

**FINAL OFFICIAL STATEMENT
DATED FEBRUARY 18, 2014**

NEW ISSUE

**RATING
Moody's: "Aa3"**

**NOT BANK ELIGIBLE
BOOK-ENTRY-ONLY SYSTEM**

In the opinion of Certificate Counsel, based upon present laws, regulations, rulings and decisions in effect on the date of delivery of the Certificates, and assuming continuing compliance with certain covenants made by the Association, interest on the Certificates is excludable from gross income for federal income tax purposes upon the conditions and subject to the limitations set forth herein under "Tax Treatment." Interest on the Certificates held by corporations is includable in the computation of such corporation's adjusted current earnings and modified alternative minimum taxable income. Receipt of interest on the Certificates may result in other federal income tax consequences to certain holders of the Certificates. The Certificates and interest thereon are exempt from income taxation and ad valorem taxation by the Commonwealth of Kentucky and political subdivisions thereof. The Certificates are not "Bank Eligible" (see "Tax Treatment" herein).

**\$13,720,000
KENTUCKY INTERLOCAL
SCHOOL TRANSPORTATION ASSOCIATION (KISTA)
EQUIPMENT LEASE CERTIFICATES OF PARTICIPATION,
SERIES OF 2014**

Dated: March 1, 2014

Due: March 1 as shown below

Interest on the Certificates is payable each March 1 and September 1, beginning September 1, 2014. The Certificates will mature as to principal each March 1 as shown below. The Certificates are being issued in Book-Entry-Only Form and will be available for purchase in principal amounts of \$5,000 and integral multiples thereof.

<u>Maturing</u> <u>March 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Reoffering</u> <u>Yield</u>	<u>CUSIP</u>	<u>Maturing</u> <u>March 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Reoffering</u> <u>Yield</u>	<u>CUSIP</u>
2015	\$1,485,000	2.000%	0.300%	491325GU4	2020	\$1,380,000	2.000%	1.850%	491325GZ3
2016	\$1,515,000	2.000%	0.500%	491325GV2	2021	\$1,405,000	2.125%	2.200%	491325HA7
2017	\$1,300,000	2.000%	0.750%	491325GW0	2022	\$1,440,000	2.500%	2.600%	491325HB5
2018	\$1,325,000	2.000%	1.100%	491325GX8	2023	\$1,240,000	2.750%	2.800%	491325HC3
2019	\$1,350,000	2.000%	1.500%	491325GY6	2024	\$1,280,000	3.000%	3.000%	491325HD1

The Certificates are subject to redemption prior to maturity as described herein (except mandatory redemption in the event of the issuance of Term Certificates).

The Certificates are not general obligations of the Issuer but are limited obligations payable only from and secured by a pledge of the rental income derived by leasing the school buses acquired from the net Bond proceeds, on an annually renewable basis, to forty-two (42) school districts within Kentucky (the "Participating Districts").

The Certificates will be delivered utilizing the BOOK-ENTRY-ONLY-SYSTEM administered by The Depository Trust Company.

The Corporation deems this Official Statement to be final for purposes of the Securities and Exchange Commission Rule 15c2-12(b)(1).

**BOARD OF DIRECTORS
KENTUCKY INTERLOCAL SCHOOL
TRANSPORTATION ASSOCIATION
(KISTA)**

Jack Moreland, President
Marvin Moore, Vice President
Chuck Brown, Secretary/Treasurer

Maurice Reeder, Member
Charles Mitchell, Member
Anthony Strong, Member
Bruce Johnson, Member

BOND COUNSEL

Step toe & Johnson PLLC
Louisville, Kentucky

FINANCIAL ADVISOR

Ross, Sinclaire & Associates, LLC
Lexington, Kentucky

TRUSTEE, PAYING AGENT AND REGISTRAR

Monticello Banking Company
Somerset, Kentucky

BOOK-ENTRY-ONLY SYSTEM

REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Kentucky Interlocal School Transportation Association (KISTA) Equipment Lease Revenue Certificates, Series of 2014 identified on the cover page hereof. No person has been authorized by the Association to give any information or to make any representation other than that contained in the Official Statement, and if given or made such other information or representation must not be relied upon as having been given or authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Certificates by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

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

Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency, except the Association will pass upon the accuracy or adequacy of this Official Statement or approve the Certificates for sale.

The Official Statement includes the front cover page immediately preceding this page and all Appendices hereto.

DEFINITIONS

That the following definitions shall be utilized in the interpretation of this Series 2014 Authorizing Resolution, the Second Trust Indenture, and the 2013 Lease as applied to KEAP for 2014 and the Series 2014 Certificates.

"Act" means the Interlocal Cooperation Act codified as Sections 65.210 through 65.300 of KRS.

"Acquisition Contract" means the agreement between the Participating District and the Vendors relation to the purchase of Equipment.

"Acquisition Fund" means the "KISTA Equipment Acquisition Fund" established pursuant to the provisions of the Second Indenture in order to provide for the acquisition of Equipment for the Participating Districts.

"Administrative Expenses" shall mean those annual fees and expenses incurred by or on behalf of KISTA by the Second Trustee from the Insurance Reserve Fund in order to provide for the costs of administering KEAP, including, but not being limited to fees and expenses of the, Second Trustee, Bond Registrar, Paying Agent, Insurance Premiums, Legal, Financial Advisory, fees and operational expenses of KISTA; including extraordinary fees and expenses incurred by KISTA outside the administration of KEAP.

"Appraisal" means the determination by the Claims Adjuster as to the nature and financial extent of damage to Equipment.

"Authorized Officers" means the President, Vice-President, Secretary or Treasurer of KISTA or any officer of the Second Trustee or any agents or employees of either duly authorized by Resolution of the KISTA Board or the Second Trustee to perform the act or sign the document in question.

"Bond Fund" means the "KISTA Equipment Lease Revenue Bond and Interest Redemption Fund" established pursuant to the provisions of the First Indenture for the purpose of administering funds for the payment of the principal and interest requirements on Series Bonds.

"Bond Registrar" means the Second Trustee acting in the capacity of Bond Registrar or its successor appointed pursuant to the terms of the Second Indenture.

"Bonds" or "KISTA Bonds" or "Series Bonds" or "COPS" means those Bonds of various annual series issued by KISTA pursuant to the First Indenture under authorization of a Series Resolution, including the Series of 2004 Certificates of Participation dated January 1, 2004.

"Certificate" shall mean a document signed by an authorized officer to or acknowledging the circumstances or other matters therein stated.

"Certificate Fund" means KISTA's "Equipment Lease Certificates of Participation Debt Service Fund" established pursuant to the provisions of the Second Indenture for the purpose of administering funds for the payment of the principal and interest requirements on Series Certificates.

"Certificates of Participation" or "COPS" means the Series 2005 Certificates, the Series 2006 Certificates, the Second Series 2006 Certificates, the Series 2007 Certificates, the Series 2008 Certificates, the Second Series 2008 Certificates, the Series 2009 Certificates, Second Series 2009 Certificates, Third Series 2009 Certificates, Series 2010, Series 2011, Second Series 2011, Series 2012, Second Series 2012, Series 2013 and Series 2014 Certificates and all subsequent Series Certificates issued under the Second Indenture which KISTA shall treat as Certificates of Participation in the Series 2005, Series 2006, Second Series 2006, Series 2007, Series 2008, Second Series 2008, Series 2009, Second Series 2009, third Series 2009, Series 2010, Series 2011, Second Series 2011, Series 2012, Second Series 2012, Series 2013 and Series 2014 Leases and subsequent Series Leases of the Participating Districts.

"Claims Adjuster" means the independent insurance company or agent thereof, or such other entity, as the KISTA Board may select and designate to process claims for collision damage to Equipment in excess of \$5,000 made by Participating Districts.

"Code" means the Internal Revenue Code of 1986, as amended, and any Regulations of the United States Treasury Department promulgated thereunder.

"Collision Insurance" means collision insurance coverage on Equipment in excess of \$5,000 to be provided by KISTA from the Insurance Reserve Fund; Participating Districts being responsible for damages up to \$5,000 for each separate incident from their own funds other than the Insurance Reserve Fund.

"Commonwealth" shall mean the Commonwealth of Kentucky.

"Cost of Issuance Fund" means the fund established pursuant to provisions of the Second Indenture from the proceeds of Series 2014 Certificates in order to provide for the costs of issuance of the Series 2014 Certificates and subsequent Series Certificates and any administrative fees in connection with the Second Indenture, the Series Leases, or KEAP generally.

"Counsel's Opinion" shall mean an opinion signed by an attorney or firm of attorneys of recognized national standing in the field of law relating to municipal finance as may be selected by KISTA or the Second Trustee.

"Delivery Date" or "Closing" shall mean with respect to each Series Certificate, the date upon which such Certificate is delivered to the successful purchaser thereof and payment is received by the Second Trustee on behalf of KISTA.

"Department" means the Kentucky Department of Education of the Commonwealth.

"Depreciated Value" means the value for the purposes of the Second Indenture and Series Leases of a particular piece of Equipment determined as of March 1 of each year calculated by deducting from the Equipment Cost the pro rata portion of the principal of the KISTA Series Certificates applied to the acquisition of the Equipment paid and retired as of the date the calculation is made; said pro rata portion shall be based upon a fraction with the Equipment Cost of the unit in question as a numerator and the Equipment Cost of all Equipment purchased with the proceeds of the particular Series Certificates as the denominator.

"Depreciation Allotment" means the calculation under 702 KAR 5:020 by the Department for the particular Equipment identified.

"District" or "Participating District" means the Board of Education of any school district entering into a Series Lease with KISTA to provide financing for Equipment purchased from the proceeds of KISTA Certificates.

"Equipment" means school buses financed from the proceeds of Series Certificates and subject to lien imposed by the Second Indenture and the security interest of the Registered Owners; depending upon the context said terms shall include the plural as well as the singular.

"Equipment Cost" means the total amount paid by the Second Trustee from the Acquisition Fund on behalf of a Participating District to the Vendors for a particular piece of Equipment.

"Equipment Lease and Security Agreement" or "Series Lease" means the agreement made and entered into by and between KISTA, as Lessor, and the Participating District, as Lessee, relating to the lease of the Equipment from KISTA to said Participating District and providing for annual Rentals sufficient to retire the District's Participation in KEAP.

"Excess Earnings and Rebate Fund" means the fund established pursuant to the provisions of the Second Indenture to provide for the collection and remittance of any rebate payments due the United States Government under the Code.

"Fiduciary" or "Fiduciaries" shall mean the First Trustee and Second Trustee, any Bond Registrar or Registrars or Paying Agent or Paying Agents or any of them as may be appropriate.

"Fiscal Year" shall mean each annual period of accounting for KISTA and each Participating District which shall begin on July 1 in any calendar year and end on June 30 of the following calendar year.

"Funds" means the Cost of Issuance Fund, Acquisition Fund, Bond Fund, Insurance Reserve Fund, Excess Earning and Rebate Fund, and any subaccounts established within said Funds under the Second Indenture; the same named Funds established under the First Indenture shall remain effective in accordance with their terms under the First Indenture until the retirement of KISTA's Series 2004 Certificates.

"Indentures" or "Trust Indentures" means the First Indenture of Trust by and between KISTA and the First Trustee dated as of December 15, 1991, as amended by an Amended Trust Indenture, dated September 1, 1997, (the "First Indenture") and/or the Second Indenture of Trust by and between KISTA and the Second Trustee dated as of January 1, 2005, (the "Second Indenture") and all future amendments and supplements thereto.

"Initial Term" means the first term of any Series Lease beginning as of the date of the Series Certificates to which it relates and ending on the next succeeding June 30.

"Insurance Reserve Fund" means the "KISTA Insurance Reserve Fund" established pursuant to the terms of the Second Indenture to provide, under certain terms and conditions, collision, insurance for the Equipment financed from the proceeds of the Certificates and for the purpose of providing a Debt Service Reserve for Series Certificates.

"Interest Payment Date" shall mean, for each Series Certificates, the date upon which interest on the Certificates of such series shall be payable, which shall be March 1 and September 1 of each Fiscal Year.

"Issue Date" means with respect to any Series Certificates of KISTA, the "dated" date of the Series Certificates specified and determined by the Series Resolution authorizing same.

"KAR" means Kentucky Administrative Regulations promulgated by agencies of the Commonwealth pursuant to the Kentucky Revised Statutes.

"KEAP" or "Program" means the KISTA Equipment Acquisition Program wherein KISTA, on behalf of the Participating Districts, acts as an issuing agency in the sale of the Series Certificates and the application of the proceeds of said Series Certificates to the acquisition of Equipment, the funding the Insurance Reserve Fund, and the administration of the Series Certificates.

"KISTA Board" or "Board of Directors of KISTA" means the membership of the Board of Directors of KISTA consisting of the Superintendents of schools representing the Boards of Education of Lewis, Rowan, Elliott, Morgan, and Pendleton Counties (the "Initial Districts"), and the Superintendents of schools representing other Boards of Education as may from time to time be and become members of KISTA's Board of Directors as the KISTA Board shall elect (the "Subsequent Districts"). Retired superintendents may also serve on the KISTA Board.

"KRS" means the Kentucky Revised Statutes.

"Lease Term" means for any KEAP the Initial Term and all Renewal Terms of the Lease through June 30 of the fiscal year ten (10) years following the Initial Term.

"Liability Insurance" means liability insurance coverage required by KRS 160.310 and 702 KAR 5:070 to be maintained by Participating Districts in connection with the ownership and operation of Equipment.

"Mandatory Principal Payment" means the annual installment of principal established for Term Certificates by a Series Resolution (or certificate of KISTA accepting the successful bid for the sale of Series Certificates) which shall be paid on March 1 of each year for the retirement of Outstanding Certificates which mature after said March 1 date.

"Outstanding" when used with reference to the Bonds and Certificates, shall mean, as of any date, all Bonds and Certificates, theretofore or then being authenticated and delivered under the First and Second Indentures except: (a) Bonds or Certificates canceled by the First or Second Trustee prior to such date; (b) Bonds or Certificates for the payment or redemption of which there shall be held in the Bond or Certificates Fund (or other account) in cash or Permitted Investments sufficient funds to pay when due, the principal amount, Mandatory Principal Payment, or redemption price, with all interest to said payment (provided appropriate notice shall have been given of redemption, if required); (c) Bonds or Certificates in lieu of or in substitution for other Bonds or Certificates which have been

authenticated and delivered; and (d) Bonds or Certificates deemed to have been paid as provided under the provisions of the First or Second Indenture.

"Owner" or "Registered Owner" means the owner of any KISTA Bond or Certificate issued pursuant to the terms of the First or Second Indenture.

"Parity Certificates" means subsequent Series Certificates issued under the Second Indenture ranking on the basis of parity as to security and source of payment with the Series 2013 Certificates issued thereunder and secured by the Insurance Reserve Fund and includes all Series Bonds, the Series 2004 Certificates, the Series 2005 Certificates, the Series 2006 Certificates, the Second Series 2006 Certificates, the Series 2007 Certificates, the Series 2008 Certificates, the Second Series 2008 Certificates, the Series 2009 Certificates, the Second Series 2009 Certificates, Third Series 2009 Certificates, Series 2010 Certificates, Series 2011 Certificates, Second Series 2011 Certificates, Series 2012 Certificates, Second Series 2012 Certificates and Series 2013 Certificates.

"Participation" means the total financial obligation of a Participating District determined by applying the Participation Factor to the aggregate principal amount of an issue of Series Certificates.

"Participant Account" means the subaccount established within the Acquisition Fund for each Participating District to provide for that Participating District's pro rata acquisition of Equipment and the receipt of that Participating District's pro rata portion of the proceeds of Series Certificates.

"Participation Factor" means the percentage of participation of each Participating District calculated by the division of the cost of that Participating District's particular Equipment (numerator) by cost of all Equipment purchased from the proceeds of a particular Series of Certificates (denominator) which shall be applied to the aggregate principal amount of Certificates of that particular series in order to determine that District's pro rata portion of certificate discount, cost of issuance, accrued interest, Insurance Reserve Fund contribution, and any fees, expenses and costs incident to the authorization, sale and issuance of the Series Certificates.

"Paying Agent" means the First Trustee under the First Trust Indenture or the Second Trustee under the Second Trust Indenture acting in their respective capacities as Paying Agent for the KISTA Bonds or Certificates or their successors appointed pursuant to the terms of the respective Indentures.

"Permitted Investments" means any of the following investments permitted under KRS 66.480 which may be effected by the First or Second Trustee through "Money Market" or "Bond Fund" or "Common Trust Fund" certificates of a Fiduciary or through the Kentucky Governmental Organizations Liquidity Fund by virtue of an Investment Agreement to which KISTA is a party, as follows:

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

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

1. United States Treasury;
2. Export-Import Bank of the United States;
3. Farmers Home Administration;
4. Government National Mortgage Corporation; and
5. Merchant Marine bonds;

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

1. Federal Home Loan Mortgage Corporation;
2. Federal Farm Credit Banks;
3. Bank for Cooperatives;
4. Federal Intermediate Credit Banks;

5. Federal Land Banks;
6. Federal Home Loan Banks;
7. Federal National Mortgage Association; and
8. Tennessee Valley Authority;

(iv) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by KRS 41.240(4);

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

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

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

(viii) Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities;

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

(x) Shares of mutual funds, each of which shall have the following characteristics:

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

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

(iii) All of the securities in the mutual fund shall be eligible investments as set forth above.

* The Permitted Investments set forth above in one or more of subsections (v), (vi), (vii) and (ix) above shall not exceed twenty percent (20%) of the total of all funds of KISTA on deposit with the either Trustee pursuant to either Indenture.

"Person" shall mean any individual, firm, partnership, association, corporation, or governmental agency or political subdivision.

"Principal Payment" means the payment of principal on Outstanding Bonds or Certificates scheduled to become due on March 1 of the year in which paid.

"Principal Payment Date" shall mean, for each Series Bonds or Series Certificates, the date upon which principal on the Bonds or Certificates of such series shall be payable, which shall be March 1 of each fiscal year.

"Purchase Option" means the right of each Participating District to purchase its respective equipment on any Interest Due Date for a price equal to the Depreciated Value of its Equipment, plus accrued interest to the Interest Due Date upon which the pro rata portion of the appropriate Series Bonds or Certificates are retired, but without premium.

"Refunding Certificates" means Series Certificates issued by KISTA under the Second Indenture to provide for the payment and retirement of previously issued Series Bonds or Certificates.

"Registered Owners" means the persons or legal entities (including Cede & Co.) which are the Owners of Series Certificates (or Series Bonds) as shown on the books of the Certificate/Bond Registrar for the particular Series.

"Renewal Term" means each additional term of the Lease beginning July 1 of each year and ending on June 30 of the following year.

"Rental Payments" or "Rentals" shall mean the amounts due to KISTA each year as Rentals from Participating Districts under the Leases.

"Schedule of Participation" means Exhibit A to each Lease setting forth the respective Participating Board's Participation, Participation Factor, Rentals, and identifying the Equipment leased.

"Serial Certificates" means those Certificates designated in a Series Resolution (or certificate of KISTA accepting the successful bid for the sale of Series Certificates) as having sequential principal maturities on March 1 of consecutive years.

"Series Resolution" means a Resolution adopted by the KISTA Board authorizing the issuance, sale, and delivery of a particular series of KISTA Certificates in accordance with the terms of the Second Indenture.

"State" shall mean the Commonwealth of Kentucky.

"Supplemental Trust Indenture" means a document amending the original provisions of the Second Indenture as permitted thereunder.

"Term Certificates" means those Certificates designated in a Series Resolution (or certificate of KISTA accepting the successful bid for the sale of Series Certificates) as having a single maturity date, but which are subject to Mandatory Principal Payments.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., Cincinnati, Ohio, as successor First Trustee under the First Indenture and Monticello Banking Company, Somerset, Kentucky, as successor Second Trustee under the Second Indenture or their successors pursuant to the terms of the respective Indentures.

"Vendors" or "Equipment Vendors" shall mean the vendors of the Equipment to the Participating Districts.

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OFFICIAL STATEMENT
Relating to the Issuance of

\$13,720,000
KENTUCKY INTERLOCAL
SCHOOL TRANSPORTATION ASSOCIATION (KISTA)
EQUIPMENT LEASE CERTIFICATES OF PARTICIPATION,
SERIES OF 2014

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to set forth certain information pertaining to the Kentucky Interlocal School Transportation Association ("KISTA") Equipment Lease Certificates of Participation, Series of 2014 (the "Certificates" or the "Series 2014 Certificates").

The Certificates are being issued by KISTA on behalf of forty-two (42) Kentucky school districts (the "Participating Districts") to provide the needed funds for i) the acquisition by the Participating Districts of approximately 143 school buses (the "Equipment") to be used in their respective school districts to transport students to and from school; ii) an additional deposit to the self-funded insurance pool (see "Insurance Reserve Fund") for the purpose of providing a reasonable level of affordable collision insurance for the school buses acquired from the Certificate proceeds; and, iii) paying the costs of issuance of the Certificates (see "Plan of Financing" herein).

The Certificates are Certificates of Participation and constitute a limited indebtedness of the Kentucky Interlocal School Transportation Association. The Certificates will be secured by assignments of the rental payments of the Participating Districts' Equipment Lease and Security Agreements (the "Leases") and a first lien on each school bus purchased from the Acquisition Fund pool (see "Security" herein); provided, however, the lien will not be perfected by recording the security interest.

All financial and other information presented in this Official Statement has been provided by the Kentucky Department of Education ("DOE") or the Participating Districts from their records, except for information expressly attributed to other sources. The presentation of financial and other information is intended to give a general overview of the method and amount of funds available for the Participating Districts to meet the operational costs of their respective school systems, including its payment of the rental due for the school buses under the Leases. The presentation of demographic and socioeconomic data for the State of Kentucky and the Participating Districts is intended to provide a general overview of the Commonwealth and Participant school district systems. Any financial data and demographic or socioeconomic data shown is not intended to indicate future or continuing trends in the financial position or other affairs of the Participating Districts. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

This Official Statement should be considered in its entirety, and no one subject discussed should be considered more or less important than any other by reason of its location in the text. Reference should be made to laws, reports or other documents referred to in this Official Statement for more complete information regarding their contents.

Copies of the Series 2014 Authorizing Resolution authorizing the issuance of the Certificates, the Equipment Lease and Security Agreement, dated as of March 1, 2014, and the Second Indenture of Trust, dated as of January 1, 2005, may be obtained at the office of Steptoe & Johnson PLLC, Certificate Counsel to KISTA, 2218 Frankfort Avenue, Louisville, Kentucky 40206.

BOOK-ENTRY-ONLY-SYSTEM

The Certificates shall utilize the Book-Entry-Only-System.

DTC will act as securities depository for the Certificates. The Certificates initially will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee).

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

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

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

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

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

Neither DTC nor Cede & Co. will consent or vote with respect to Certificates. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns

Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Certificate certificates are required to be printed and delivered, as described below under "THE CERTIFICATES-Revision of Book-Entry System; Replacement Certificates.

NEITHER THE ISSUER, THE BOARD NOR THE CERTIFICATE REGISTRAR/PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE CERTIFICATE REGISTRAR/PAYING AGENT AS BEING AN OWNER WITH RESPECT TO: (1) THE CERTIFICATES; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED CERTIFICATES OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE CERTIFICATES; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE AUTHORIZING RESOLUTION TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE CERTIFICATES; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

KISTA

Sections 65.210 through 65.300 of the Kentucky Revised Statutes ("KRS"), designated as the Interlocal Cooperation Act (the "Act"), sets forth the procedure by which any two or more governmental units may enter into agreements with one another and with third parties for joint or cooperative actions.

The Boards of Education of the initial five (5) school districts of Elliott, Lewis, Morgan, Pendleton and Rowan, all bodies corporate and politic of the Commonwealth of Kentucky, by adopting resolutions approving the execution of an Interlocal Cooperative Compact (the "Compact") dated July 1, 1991, authorized their respective Superintendents to form KISTA.

The affairs and business of KISTA are conducted by its members who constitute the governing body of KISTA to be known as its Board of Directors (the "Board"). The Board consists of the incumbent Superintendents

of the initial five districts which formed KISTA (the "Initial Districts"); the KISTA Compact permits the Board to be expanded to up to fifteen (15) members in order to promote geographic representation throughout the Commonwealth; however, all members must be incumbent or retired Superintendents of school districts in Kentucky.

The officers of KISTA consist of a President, Secretary, Treasurer, and such Vice Presidents as the Board may elect. Officers, except the office of President, do not have to be members of the Board.

KISTA has no capital stock and is not formed for profit, but to provide adequate educational facilities for boards of education throughout the Commonwealth of Kentucky. The assets and earnings of KISTA are to be used exclusively for the purposes set forth in the Compact, and no part of the net earnings may inure to the benefit of any member or individual. The life of KISTA is deemed perpetual, unless sooner dissolved by a majority vote of its members; provided however, KISTA cannot be dissolved so long as any indebtedness is outstanding and unpaid.

The general purpose of KISTA, recognized and promulgated by its Compact, is to act as an issuing agency of Certificates or other debt obligations in order that certain economies of scale inherent in pooled financings may be realized by the Participating Districts. Upon the preparation of the necessary documentation of plans to incur debt by KISTA, a complete financing plan must be submitted to the Commissioner of Education and the Kentucky Department of Education for approval regarding the involvement of the Participating District pursuant to KRS 160.160 and KRS 65.944 (1)(c).

The Compact which establishes KISTA has received the written approval of the Commissioner of Education of the Commonwealth and the written approval of the Attorney General of the Commonwealth as to the form and legality of said Agreement.

OUTSTANDING INDEBTEDNESS

The following table shows the outstanding indebtedness of KISTA by the original principal amount, the outstanding principal, the approximate interest rate range and the final maturity date of the indebtedness:

Bond Series	Original Principal Amount	Current Principal Outstanding	Approximate Interest Rate Range	Final Maturity
2005	\$19,020,000	\$1,820,000	3.625%	2015
2006	\$12,075,000	\$2,295,000	3.800% - 4.000%	2016
2006B	\$16,530,000	\$4,485,000	3.750% - 3.875%	2017
2007	\$2,320,000	\$705,000	3.625% - 3.750%	2017
2008	\$11,435,000	\$4,615,000	3.500% - 3.750%	2018
2008B	\$1,680,000	\$665,000	3.600% - 4.000%	2018
2009	\$13,555,000	\$6,770,000	3.100% - 3.900%	2019
2009B	\$1,780,000	\$510,000	3.250% - 3.800%	2019
2009C	\$11,060,000	\$6,520,000	2.600% - 3.600%	2020
2010	\$2,235,000	\$1,325,000	2.000% - 3.300%	2020
2011	\$9,755,000	\$6,705,000	2.100% - 4.000%	2021
2011 COPS	\$1,180,000	\$1,080,000	1.500% - 4.300%	2031
2011B	\$880,000	\$600,000	2.000% - 3.600%	2021
2012	\$13,010,000	\$10,130,000	2.000% - 2.625%	2022
2012 COPS	\$1,615,000	\$1,585,000	2.000% - 3.375%	2032
2012B COPS	\$825,000	\$790,000	1.250% - 3.250%	2032
2012 COPS REF	\$3,815,000	\$3,300,000	2.000% - 3.000%	2024
2012B	\$2,955,000	\$2,290,000	1.500% - 2.500%	2022
2013	\$14,095,000	\$12,550,000	2.000% - 2.000%	2023
Totals:	\$139,820,000	\$68,740,000		

AUTHORITY

The Board of Directors of KISTA at their December 17, 2013 meeting, adopted a Series 2014 Authorizing Resolution which authorized among other things:

- i) the issuance of \$13,925,000 of Series 2014 Certificates subject to a permitted adjustment of \$2,785,000;
- ii) the advertisement for the public sale of the Certificates;
- iii) the Official Terms and Conditions for the sale of the Certificates to the successful bidder; and,
- iv) the President and Secretary of KISTA to execute certain documents relative to the sale and delivery of the Certificates.

The Series 2014 Authorizing Resolution further provides that the Indenture of Trust dated as of December 15, 1991, as amended by a Supplemental Indenture of Trust dated as of September 1, 1997 (the "First Indenture") by and between KISTA and The Bank of New York Trust Company, N.A., Cincinnati, Ohio (as successor to Fifth Third Bank) and the Second Indenture of Trust dated as of January 1, 2005 (the "Second Indenture") by and between KISTA and Monticello Banking Company, Somerset, Kentucky (as successor to Central Bank & Trust Co., Lexington, Kentucky) shall remain in full force and effect so long as any of the debt obligations set forth *supra* under "Outstanding Indebtedness" remain unpaid. The Second Indenture provides that the Second Trustee and First Trustee shall have reciprocal access to the respective Insurance Reserve Funds established under the First and Second Indentures for the purpose of i) paying collision insurance claims on Equipment and/or ii) preventing a default in the payment of the principal and interest requirements on debt obligations issue under both the First and Second Indentures.

THE CERTIFICATES

General

The Certificates will be dated March 1, 2014, will bear interest from that date as described herein, payable semiannually on March 1 and September 1 of each year (both "Interest Payment Dates"), commencing September 1, 2014 and will mature as to principal on March 1, 2015 and each March 1 thereafter in the years and in the principal amounts as set forth on the cover page of this Official Statement; subject to the Purchaser's right to designate Term Certificates.

Registration, Payment and Transfer

The Certificates are to be issued in fully-registered form (both principal and interest). Monticello Banking Company, Somerset, Kentucky, the Certificate Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co., as the nominee of The Depository Trust Company. Please see "Book-Entry-Only-System" *supra*. The record date is the 15th day of the month preceding an interest due date.

Redemption

The Certificates maturing on and before March 1, 2019 are not subject to redemption prior to maturity. The Certificates scheduled to mature on any date falling on and after March 1, 2020, are subject to redemption by the Corporation prior to maturity, in whole or from time to time in part, in any order of maturities (less than all of a single maturity to be selected by lot) on any date falling on or after March 1, 2019 at the redemption prices, expressed in percentages of the principal amount with respect to each redeemed Certificate as set forth below, plus accrued interest to the date of redemption.

Redemption Dates	Redemption Price
March 1, 2019 and thereafter	100.0%

Extraordinary Redemption

The Certificates are subject to extraordinary redemption in the event a Participating District exercises its option to purchase Equipment. Extraordinary redemption shall be effected upon terms of par, plus accrued interest to the redemption date, but without premium on any interest payment date falling on or after March 1, 2014.

SECURITY

General

The Certificates are Certificates of Participation and constitute a limited indebtedness of KISTA. The Certificates are payable as to both principal and interest solely from the total aggregate rental income of the Equipment Lease and Security Agreements between the Participating Districts and KISTA and certain deposits made to the Certificate Fund received for collision insurance claims or the Participants' purchase of Equipment provided for through an Extraordinary Redemption of the Certificates. The Equipment Lease and Security Agreement is subject to annual termination each June 30, beginning June 30, 2014 (see "Equipment Lease and Security Agreement").

Security Interest

The Certificates will be further secured by a security interest in the Equipment as set forth in the Lease, but not recorded, for each school bus unit acquired from the Acquisition Fund. Title to the school bus units are to be vested in the names of the Participating Districts.

Equipment Lease and Security Agreement

Certificate Counsel has prepared a form of Participation Resolution authorizing the participation of the Participating Districts in KEAP and the Financial Advisor has disseminated said Participation Resolutions, accompanied by explanations of KEAP to school districts throughout the Commonwealth.

The Participation Resolution authorizes the Participating Districts to execute an Equipment Lease and Security Agreement with KISTA, as Lessor, and the Participating Districts, as Lessees. The President and Secretary of KISTA are authorized under the Series 2014 Authorizing Resolution to execute said Lease with the Participating Districts.

The Equipment Lease and Security Agreement provides:

- A) that annual rentals due thereunder in amounts sufficient to pay each Participating District's portion of the principal and interest requirements due on the Series 2014 Certificates as determined by the Participation Factor of each Participating District applied to the annual principal and interest requirements of the Series 2014 Certificates;
- B) that the rentals due shall be payable semiannually on the 15th day of August and the 15th day of February, commencing August 15, 2014;
- C) that in the event of a failure of a Participating District to pay any Rental installment on the due date stated, the Trustee shall be entitled to notify the Kentucky Department of Education and request that said Department intercept the amount required for said Rental installment from any funds then due said delinquent Participating District and remit same amount to the Trustee for deposit to the Certificate Fund

in order to prevent a default in the payment of the principal and interest requirements on the Series 2013 Certificates;

- D) that title to the Equipment leased thereunder shall be vested in the Participating District; provided, however, that in the event of a default in the payment of any Rental installment, the Trustee, on behalf of KISTA, may take possession of the Equipment of the defaulted Participating District and liquidate said Equipment in order to meet the obligations of the Participating District. The Lease provides that a defaulting Participating District shall surrender its Equipment to the Trustee upon demand;
- E) that a Participating District shall have the right to terminate the Lease at the end of any rental year (June 30) and shall have the additional right to purchase all or part of the Equipment leased thereunder on any interest payment date for the Series 2014 Certificates upon ninety days written notice to the Trustee and the payment of the Participating District's pro rata portion of the Series 2014 Certificates for the Equipment purchased determined from the Participation Factor, including accrued interest on said amount until such portion is paid in full. The Lease shall automatically renew on July 1 of each year unless the Participating District shall give written notice to the Kentucky Department of Education, the Trustee, and KISTA of its intention not to so renew not less than sixty (60) days prior to June 30;
- F) that the Equipment shall be insured against damage from collision to the full Depreciated Value for all amounts in excess of \$5,000 from the Insurance Reserve Fund and the cost for said insurance shall be included in the Participating District's Rental; provided, however, that the Participating District shall be responsible for the first \$5,000 of any collision damage incurred in connection with any one accident;
- G) that should the Participating District pay the Rentals due thereunder through June 30, 2024, then the security interest of KISTA and the Trustee in the Equipment shall terminate and each Participating District shall own its respective Equipment free and clear of the lien and security interest of KISTA therein; and,
- H) that each Participating District shall be responsible for maintaining liability insurance in connection with the operation of its Equipment as required by KRS 160.310 and 702 KAR 5:070.

ISSUANCE OF SUBSEQUENT SERIES CERTIFICATES AS ADDITIONAL PARITY CERTIFICATES

The KISTA Board has reserved the right to issue subsequent, additional Series Certificates, ranking on the basis of parity as to security and source of payment with the Series 2014 Certificates authorized and secured by monies on deposit in the Insurance Reserve Fund in the same fashion as said, Series 2004 Certificates, Series 2005 Certificates, Series 2006 Certificates, Second Series 2006 Certificates, Series 2007 Certificates, Series 2008 Certificates; Second Series 2008 Certificates, Series 2009 Certificates, Second Series 2009 Certificates, Third Series 2009 Certificates, Series 2010 Certificates, Series 2011 Certificates, Second Series 2011 Certificates, Series 2012 Certificates, Second Series 2012 Certificates and Series 2013 Certificates; provided, however, that any Series Authorizing Resolution authorizing any subsequently issued Series Certificates shall provide that a Participating District shall pay not less than the principal and interest requirements on its pro rata portion of said Series Certificates based upon its Participation Factor, but KISTA shall reserve the right to provide for collision insurance coverage and/or liability insurance coverage through deposits from Rentals due from said Participating Districts to the Insurance Reserve Fund in a manner other than the formula determined for the Series 2014 Certificates.

It shall be a condition precedent to the issuance of any subsequent Series Certificates on the basis of parity with the Series 2004 Certificates, Series 2005 Certificates, Series 2006 Certificates, Second Series 2006 Certificates, Series 2007 Certificates, Series 2008 Certificates, Second Series 2008 Certificates, Series 2009 Certificates, Second Series 2009 Certificates, Third Series 2009 Certificates, Series 2010 Certificates, Series 2011 Certificates, Second Series 2011 Certificates, Series 2012 Certificates, Second Series 2012 Certificates, Series 2013 Certificates and Series 2014 Certificates and that KISTA be current in all requirements and covenants set forth under the First and Second Indentures of Trust and that each Participating District be current in the payment of Rentals due under its Lease.

Nothing contained in the Second Indenture of Trust shall be construed as a limitation upon KISTA in the issuance of other certificates, notes, or debt obligations under separate indentures of trusts for other financing purposes, including a pooled financing for the acquisition of school buses. It is the stated intention of KISTA at the present time to utilize the Second Indenture of Trust herein referred to for all subsequent financings employed to fund KEAP.

The Series 2014 Certificates rank on a parity with the Series 2004 Certificates, Series 2005 Certificates, Series 2006 Certificates, Second Series 2006 Certificates, Series 2007 Certificates, the Series 2008 Certificates, Second Series 2008 Certificates, Series 2009 Certificates, the Second Series 2009 Certificates, the Third Series 2009 Certificates, Series 2010 Certificates, Series 2010 Certificates, Series 2011 Certificates, the Second Series 2011 Certificates, the Series 2012 Certificates, Second Series 2012 Certificates and the Series 2013 Certificates.

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THE PARTICIPATING DISTRICTS

The following table shows the Participating Districts which have adopted a Participation Resolution to participate in KISTA's Equipment Acquisition Program for 2013 financed from the Series of 2014 Certificates. The table shows the name of each Participant, the number of school bus units to be acquired and paid for from the Acquisition Fund, the budgeted amount for deposit to each Participant District's Account, and the Participation Factor of each Participant:

District Name	Number of Acquisition Units	Participants Account
Adair CSD	2	\$181,830
Bardstown ISD	2	\$185,000
Bath CSD	2	\$181,738
Bellevue ISD	1	\$93,551
Boyd CSD	5	\$457,677
Breathitt CSD	3	\$273,280
Burgin ISD	1	\$91,825
Caverna ISD	1	\$91,500
Clay CSD	6	\$507,938
Crittenden CSD	3	\$294,315
East Bernstadt ISD	1	\$100,815
Eminence ISD	1	\$112,540
Fairview ISD	1	\$100,328
Fayette CSD	15	\$1,453,664
Fort Thomas ISD	1	\$86,485
Gallatin CSD	1	\$114,973
Grant CSD	4	\$342,650
Greenup CSD	2	\$181,774
Jenkins ISD	1	\$90,771
Kenton CSD	15	\$1,329,690
Knox CSD	10	\$919,560
Lawrence CSD	4	\$397,412
Lee CSD	1	\$87,873
Leslie CSD	2	\$162,000
Lewis CSD	3	\$296,935
Lincoln CSD	4	\$403,983
Lyon CSD	1	\$86,165
Magoffin CSD	4	\$330,101
McCracken CSD	4	\$364,850
Monroe CSD	3	\$273,954
Montgomery CSD	6	\$595,769
Morgan CSD	3	\$266,640
Owen CSD	2	\$215,824
Paris ISD	1	\$90,000
Pendleton CSD	2	\$200,172
Pulaski CSD	8	\$771,998
Rowan CSD	4	\$410,000
Simpson CSD	2	\$173,922
Somerset ISD	1	\$120,803
Spencer CSD	3	\$255,225
Webster CSD	5	\$520,300
Wolfe CSD	2	\$205,274
	143	\$13,421,104

THE PROJECT

School Bus Acquisition

The Participating Districts, by adoption of their Participation Resolutions and filing of their purchase orders through the DOE, have elected to participate in the Series of 2014 KISTA school bus leasing program.

There are a total of 174 public school districts in Kentucky with a student average daily attendance (ADA) population of approximately 589,846, for grades kindergarten through 12 (K-12). The districts range in size from the smallest of West Point Independent (ADA 125.2) to the largest system of Jefferson County (ADA 84,452.0).

The State Department of Education (DOE), Division of Pupil Transportation reports there are approximately 8,400 school buses that are in daily service during the school year transporting students to and from school. In addition, there are approximately 1,172 school buses that serve as back-up in case a school bus is being serviced or is unable to complete its scheduled routes. The DOE competitively bids each year school buses of various capacity and options for school districts to select from. School buses available for purchase from the state bid prices for the 2013-14 school year are generally classified as:

Type A; 16 to 18 passenger (including handicapped equipped)

Type C; 34, 52 and 66 passenger (including handicapped equipped)

Type D; 70, 74 and 78 passenger (including handicapped equipped) [forward control buses]

Insurance Reserve Fund

At the time of delivery of the Certificates, KISTA plans to make an additional deposit to the Insurance Reserve Fund under the Second Indenture for the purpose of providing funds for the Participating Districts to draw upon to pay for certain collision related accidents, or to prevent a default in the payment of the principal and/or interest requirements of the Certificates. The Insurance Reserve Fund will not provide uninsured motorist, comprehensive (fire, theft, window breakage, etc.) or liability coverage to the Participating Districts. Participating Districts must provide liability insurance at the levels and coverage required by Kentucky Law.

The deposit from the Certificate proceeds to the Insurance Reserve Fund will be approximately that amount of monies equal to two percent (2%) of the total amount of Certificate proceeds deposited to the Acquisition Fund at the time of delivery of the Certificates. The Insurance Reserve Fund shall be a segregated account held by the Trustee, specifically dedicated to assist Participating Districts to provide a reasonable level of collision insurance on all school buses acquired from the Certificate pool. There will be a five thousand dollar (\$5,000) deductible for each collision claim so that each Participating District is its own insurer to that extent. The maximum claim amount may not exceed the original acquisition cost of the school bus unit for which a claim is presented for payment and which was paid from the Acquisition Fund times the exact percentage of Certificates then outstanding at the date the claim is officially filed and received in proper form by the Trustee (the "Depreciated Value").

All Participating Districts are scheduled to pay through their Rental Payment their proportionate amount of debt service payments to fully amortize the Series 2014 Certificates being issued to fund the Insurance Reserve Fund. The cost to each Participant shall be determined by multiplying their Participation Factor by the total amount deposited from the Certificate proceeds to the Insurance Reserve Fund. This amount, when added to the proportionate cost of Certificate issuance costs and the Acquisition Fund computed in a similar manner, shall represent the principal amount to be amortized by the Participant's share of the Certificates.

This manner of funding the Insurance Reserve Fund provides a plan of retiring the debt associated with the Insurance Reserve Fund, regardless of the claims-paying ability of the Fund. In subsequent years, if other school bus revenue Certificate leasing pools are issued through KISTA, the KISTA Board can decide whether to continue the Fund, the coverages to be offered from the Fund, and the levels and computation of each Participant District's contribution to the Fund. The First Trustee has reported as of December 31, 2009 only thirty-one (31) claims have been made against the Insurance Reserve Fund leaving a fund balance of \$2,181,558.41; however, no assurances can be provided to the Participating Districts that the Insurance Reserve Fund is sufficiently funded to be self-sustaining through the life of the Certificates and, even though the Participating Districts will have in

effect made payments for insurance coverage and must continue to meet payments for insurance through the life of the Certificates, the Fund could be exhausted prior to the Certificates being retired in full and the Participating Districts claims would not be paid. However, the claims paid from the Fund could be less than that projected.

All claims to be paid from the Insurance Reserve Fund shall be administered as follows in the alternative:

- A. If it is determined the school bus for which a claim has been filed will not to be safe and of satisfactory condition after the repairs are completed, to be evidenced by safety inspections performed pursuant to 702 KAR 5:030 ("Kentucky Administrative Regulations"), which in effect removes that school bus from the DOE depreciation allowance; or, if the Participant determines the costs of the repairs to the school bus unit exceeds its fair market value and the repairs are therefore economically unfeasible; then the Participant must either:
 - i) decide it is not in its best interest to replace the school bus. The claim payment shall then be directly deposited by the Trustee to the Certificate Fund. Said amount of deposit to the Certificate Fund will then be applied by the Trustee to call a certain portion of the Certificates in accordance with the Extraordinary Redemption provisions of the Second Indenture. Said amount of Certificates called representing the claim shall be applied as a credit to the Participant's principal of the debt schedule for its proportionate share of the Certificates and the Trustee shall cause a new amortization schedule to be prepared and presented to the Participant which will reflect the lesser outstanding principal amount; or,
 - ii) decide it is in its best interest to replace the school bus and assign a security interest in the replacement school bus to the Trustee. The Participant shall notify the Trustee of the exact amount to be owed upon delivery of the new replacement school bus and deposit with the Trustee that exact amount of difference of the claim and the new replacement school bus unit price. The Trustee shall then make payment on behalf of the District to the school bus vendor and take the appropriate steps to assure a security interest in favor of the Trustee.
- B. If the Participant certifies to the Trustee, that the repairs being made to the school bus for which a claim is presented for payment will allow the school bus to remain on the Participant's inventory for DOE depreciation allowances, the claim payment shall be made directly to the Participant and be expended only for the costs of reasonable and necessary repairs to the school bus. The Trustee or the KISTA Board may elect to appoint an independent adjuster, whose appraisal of a fair claim amount shall be final, in case of a dispute between the claimant's amount and the amount which is determined to be paid from the Fund.

Other than an approved insurance claim to a Participant, any monies in the Insurance Reserve Fund cannot be distributed to any Participating Districts as long as any Certificates of KISTA, providing for coverage of the school bus units through the Insurance Reserve Fund in the KISTA Board's Series Authorizing Resolutions authorizing said Certificate issues, remain outstanding. The Trustee shall maintain a master list of all Participating Districts in any KISTA Series Certificate issue which may provide for the continued funding and maintenance of the Insurance Reserve Fund identifying the amount of the principal and corresponding interest the Participating Districts were assigned to pay to service the debt of their proportionate share of the Fund. The amount of the principal assigned to a Participant in all KISTA Certificate issues representing the initial capitalization of the Insurance Reserve Fund, divided by the total amount of Certificates issued by KISTA to fund the Insurance Reserve Fund up to the time of the distribution of the balance in the Fund, times the amount of distribution to be made to the Participating Districts will represent the amount of the rebate in the Fund to each Participant.

SEEK TRANSPORTATION ALLOTMENT

Participant Transportation Cost Reimbursement

Kentucky Revised Statutes (KRS) 157.370 sets forth the basic statutory framework by which local school districts are to be reimbursed from the fund to Support Education Excellence in Kentucky (SEEK) for transportation costs. Kentucky Administrative Regulation (KAR) 702 KAR 5:020 implements and interprets, where necessary, the statutory provisions of KRS 157.370 in order to set out the method and steps for completion of the calculation of each school district's transportation program costs. Section 1-8 of the Regulation sets forth a strict formula whereby a school district's population density by distance of travel to and from school and the district's average daily attendance, are the major determinant factors in computing the district's pupil transportation program cost allotment under SEEK. Sections 9 through 12 of the Regulation provides for an amount to be added

each year to the district's pupil transportation program cost for pupil transportation vehicle depreciation (referred to herein as "Depreciation Allotment").

The Participating Districts plan to use the Depreciation Allotment provided for under SEEK as the main source of revenue to meet the debt service payments of the Certificates. Based on current projections, it is estimated the Depreciation Allotment should be adequate to meet approximately 76% of the principal and interest requirements of the Certificates. The projected Depreciation Allotment is based on a statewide average. Individual Participating Boards may receive a Depreciation Allotment greater or less than the average based on their density of pupils per square mile, growth in average daily attendance transported and local taxing effort. The DOE has determined the Participant Districts may appropriate from their general fund the remaining portion required to service the debt of the Certificates. A Participant District will not be permitted to appropriate capital funds (i.e. Capital Outlay, the local 5 cents tax effort for participation in the School Facilities Construction Commission building programs, and the Facilities Support Program of Kentucky state matching funds). See "School Reform Legislation" herein for a more descriptive source and application of school financing under SEEK.

The Regulation currently provides, in part, that the Participant's Depreciation Allotment, is that amount calculated for annual depreciation on each vehicle of the same type and rating purchased new through the state bid price contract plan according to the following schedule:

<u>Years</u>	<u>Depreciation Rate</u>
1 and 2	12%
3 through 8	10%
9 and 10	8%
11 through 14	6%

The depreciation rate is the percentage shown by the schedule above times the state bid price for the school bus acquired. Only those wholly district owned school buses having a rated capacity of 10 or more students and that are properly equipped and maintained in safe and satisfactory condition for the transportation of pupils are included in the district's vehicle depreciation schedule.

PLAN OF FINANCING

General

Immediately after the interest rates are established at the time bids are received for the Series 2014 Certificates, the amount of Certificates to mature each year will be adjusted accordingly to provide for the total net principal and interest due each fiscal year to approximately equal the same percentages as the like corresponding years of the total aggregate Participant's Depreciation Allotment through SEEK.

In effect, the Participating Districts total payment due each year on the Certificates, after being off-set by their respective Depreciation Allotment through SEEK for the buses to be acquired through KISTA, will represent the interest costs of their proportionate participation in the Certificate pool taking into account the cost of issuance of the Certificates and the funding from Certificate proceeds of the initial deposit to the Insurance Reserve Fund.

Total Certificate Pool

The following tables show the projected sources and uses of the Series of 2014 Certificate proceeds and the principal, interest and total payment due on the Certificates each fiscal year.

Sources & Uses of Certificate Funds

Sources:

Par amount of Bonds	<u>\$13,720,000</u>
Total Sources of Funds:	\$13,720,000

Uses:

Deposit to Acquisition Fund	\$13,421,104
Deposit to Insurance Reserve Fund	270,351
Underwriter's Discount	60,335
Cost of Issuance	<u>88,880</u>
Total Uses of Funds:	\$13,720,000

Total Debt Service Schedule

Payment Date	Principal	Interest	Total Payment
2015	\$1,485,000	\$305,456	\$1,790,456
2016	\$1,515,000	\$275,756	\$1,790,756
2017	\$1,300,000	\$245,456	\$1,545,456
2018	\$1,325,000	\$219,456	\$1,544,456
2019	\$1,350,000	\$192,956	\$1,542,956
2020	\$1,380,000	\$165,956	\$1,545,956
2021	\$1,405,000	\$138,356	\$1,543,356
2022	\$1,440,000	\$108,500	\$1,548,500
2023	\$1,240,000	\$72,500	\$1,312,500
2024	\$1,280,000	\$38,400	\$1,318,400
Subtotals:	\$13,720,000	\$1,762,794	\$15,482,794

Notes: Numbers are rounded to the nearest \$1.00.

FUNDS AND ACCOUNTS

The Series 2014 Authorizing Resolution provides that the following separate and special funds and accounts established under the Second Indenture of Trust be maintained and shall be utilized in the manner and for the purposes indicated in said Second Indenture of Trust.

The proceeds derived from the issuance of any KISTA Series Certificates, including the Series 2014 Certificates, shall be applied as follows:

Cost of Issuance Fund

The Cost of Issuance Fund shall be established from the proceeds of the Series Certificates in order to provide for the payment of all expenses incident to the authorization, sale, issuance, and delivery of the Series 2014 Certificates; including, but not being limited to, the fees and expenses of the Trustee, Financial Advisors, and Certificate Counsel, and Certificate Rating Agencies.

Certificate Fund

With delivery of the Certificates, the amount representing accrued interest on the Certificates from the dated date to the delivery date shall be deposited to the Certificate Fund. Thereafter, the Participating District shall pay its debt service payments on each February 15 and August 15, beginning August 15, 2014 and until all Certificates are redeemed in full. Collectively, all payments of the Participating Districts should then be adequate to meet the required principal and interest payments of the Certificates. If any Participant fails to meet in a timely manner his payment of the Certificates, and monies are not available in the Certificate Fund, the Trustee is automatically empowered to notify the State Department of Education, Division of School Finance of the delinquent payment identifying the amount of principal and interest due, the date the payment was due, and the name of the Participant. In the event the delinquent payment is not received from the Department, it shall be paid from the Insurance Reserve Fund.

Acquisition Fund

The Acquisition Fund shall be established from the proceeds of Series Certificates in amounts sufficient to provide the total purchase price for all Equipment intended for the KISTA Program to be financed under that particular Series Certificates; including such amounts as may be necessary to provide any Participating District with amounts necessary to refinance existing Equipment in accordance with an Equipment Lease and Security Agreement with KISTA.

The Trustee shall be authorized to pay the Vendors of the Equipment pursuant to the direction of each Participating District upon the submission of invoices for the Equipment.

Pending the expenditure of monies on deposit in the Acquisition Fund the Trustee shall invest said monies in the Permitted Investments identified under the Second Indenture of Trust and earnings shall be carried to the credit of the Acquisition Fund until the payment of the last and final item of Equipment from the Acquisition Fund when the Trustee shall then transfer any balance remaining in the Acquisition Fund to the Insurance Reserve Fund.

Insurance Reserve Fund

There shall be established with the Trustee under the Second Indenture of Trust a separate and special account designated as the Insurance Reserve Fund which shall be funded from the proceeds of any Series Certificates as determined by KISTA at the time said Series Certificates are authorized and shall be utilized by the Trustee as follows:

Operations Account

The Trustee, upon written direction of the of KISTA President, Secretary or Treasurer, may transfer from said Insurance Reserve Fund such amounts as are necessary to pay the administrative expenses incurred by KISTA in connection with KEAP, including, but not being limited to, the fees and expenses of the Trustee incurred as Trustee, Certificate Registrar and Paying Agent; insurance premiums for Outside Coverage for collision or liability insurance, financial advisory fees, legal fees, recording fees, and such other administrative charges as KISTA, in its sole discretion, shall determine.

Reserve Account

In the event of a failure of any Participating District to pay Rentals due under its Lease in a timely fashion, and a failure by the State Department of Education to pay to the Trustee monies then held by it for the benefit of said delinquent Participating District after a request by the Trustee in accordance with the Second Indenture of Trust and Lease, to the extent of said delinquency, the Trustee shall transfer from the Insurance Reserve Fund to the Certificate Fund such amounts as are necessary in order to prevent a default in the payment of the principal and interest requirements on the Series 2014 Certificates.

All monies on deposit within any Fund or Account shall be fully invested at all times in Permissible Investments. The interest earned on any of the accounts or funds, except the Certificate Fund, shall be deposited to the Insurance Reserve Fund. Any balances in any of the funds or accounts, after all the Certificates are paid in full, shall be deposited to the Insurance Reserve Fund.

Rebate Fund

There shall be established with the Trustee under the Second Indenture of Trust a separate and special account designated as the Excess Earnings and Rebate Fund which is required under the provisions of the Internal Revenue Code of 1986, as amended and the U.S. Treasury Department Regulations promulgated thereunder (the "Code") in order that the investment earnings from any fund or account of KISTA established under the Second Indenture of Trust which is subject to rebate to the United States of America under the Code shall be segregated, accounted for, and remitted as required.

KISTA and the Trustee shall be entitled to rely upon the opinions and advice of Certificate Counsel, or a nationally recognized law firm with expertise in the area of municipal finance, in the determination of the extent and method of said required rebates, if so required.

STATE SUPPORT OF EDUCATION

Support Education Excellence in Kentucky (SEEK). In determining the cost of the program to Support Education Excellence in Kentucky (SEEK), the statewide guaranteed base funding level is computed by dividing the amount appropriated by the prior year's statewide average daily attendance. The SEEK fund is a guaranteed amount of money per pupil in each school district of Kentucky. The current amount is \$3,866 per pupil. The \$100 capital outlay allotment per each average daily attendance is included within the guaranteed amounts. Each district's base funding from the SEEK program is adjusted for the number of at-risk students, the number and types of exceptional children in the district, and cost of transporting students from and to school in the district.

Capital Outlay Allotment. The per pupil capital outlay allotment for each district from the public school fund and from local sources shall be kept in a separate account and may be used by the district only for capital outlay projects approved by the State Department of Education. These funds shall be used for the following capital outlay purposes:

- a. For direct payment of construction costs.
- b. For debt service on voted and funding bonds.
- c. For payment or lease-rental agreements under which the board will eventually acquire ownership of the school plant.
- d. For retirement of any deficit resulting from over-expenditure for capital construction, if such deficit resulted from certain declared emergencies.
- e. As a reserve fund for the above named purposes, to be carried forward in ensuing budgets.

The allotment for each school board of education in the Commonwealth for fiscal year 1978-79 was \$1,800 per classroom unit. The 1979 Session of the Kentucky General Assembly approved increases in this allotment in 1979-80 to \$1,900 per classroom unit. This rate remained unchanged in 1980-81. The 1981 Session of the Kentucky General Assembly decreased the allotment per classroom to \$1,800 and this allotment rate did not change from the 1981-82 rate, until the 1990-91 school year. Beginning with 1990-91, the Capital Outlay allotment for each district is based on \$100 per average daily attendance.

If the school district has no capital outlay needs, upon approval from the State, the funds can be used for school plant maintenance, repair, insurance on buildings, replacement of equipment, purchase of school buses and purchase of modern technological equipment for educational purposes. If any district has a special levy for capital outlay or debt service that is equal to the capital outlay allotment or a proportionate fraction thereof, and spends the proceeds of the levy for eligible purposes, the State may authorize the district to use all or a proportionate fraction of its capital outlay allotment for current expenses (school districts which use capital outlay allotments to meet current expenses are not eligible to participate in the School Facilities Construction Commission funds).

Facilities Support Program of Kentucky

School districts may be eligible to participate in the Facilities Support Program of Kentucky (FSPK), subject to the following requirements:

- 1) The district must have unmet needs as set forth and approved by the State Department of Education in a School Facilities Plan;
- 2) The district must commit to establish an equivalent tax rate of at least 5 cents, in addition to the 30 cents minimum current equivalent tax rate; and,
- 3) The new revenues generated by the 5 cent addition, must be placed in a restricted account for school building construction bonding.

Local Support

Homestead Exemption. Section 170 of the Kentucky Constitution was amended at the General Election held November 2, 1971, to exempt from property taxes \$6,500 of value of single unit residential property of taxpayers 65 years of age or older. The 1972 General Assembly amended KRS Chapter 132 to permit counties and school districts to adjust their local tax revenues lost through the application of this Homestead Exemption. The "Single Unit" qualification has been enlarged to subsequent sessions of the General Assembly to provide that such exemption shall apply to such property maintained as the permanent resident of the owner and the dollar amount has been construed to mean \$6,500 in terms of the purchasing power of the dollar in 1972. Every two years thereafter, if the cost of living index of the U.S. Department of Labor has changed as much as 1%, the maximum exemption shall be adjusted accordingly. The highest Court of the Commonwealth of Kentucky has upheld the Legislature's increase at \$7,700 based on increases in the cost of living. Under the cost of living formula, the maximum was increased to \$34,000 effective January 1, 2013.

Limitation on Taxation. The 1979 Special Session of the Kentucky General Assembly enacted House Bill 44 which provides that no school district may levy a general tax rate, voted general tax rate, or voted building tax rate which would generate revenues that exceeds the previous years revenues by four percent (4%).

The 1990 Regular Session of the Kentucky General Assembly in enacting the "School Reform" legislative package amended the provisions of KRS 160.470 which prohibited school districts from levying ad valorem property taxes which would generate revenues in excess of 4% of the previous year's revenues without said levy subject to recall to permit exceptions to the referendum under (1) KRS 160.470(12) and (2) an amended KRS 157.440.

Under KRS 160.470(12)(a) for fiscal years beginning July 1, 1990 school districts are required to levy a "minimum equivalent tax rate" of thirty cents (\$.30) for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes (including occupational or utilities) levied by the district for school purposes divided by the total assessed value of property plus the assessment for motor vehicles certified by the State Revenue Cabinet. Failure to levy the minimum equivalent rate subjects the board of the district to removal.

The exception provided by KRS 157.440(1)(a) permits school districts to levy an equivalent tax rate as defined in KRS 160.470(12)(a) which will produce up to 15% of those revenues guaranteed by the program to support education excellence in Kentucky. Levies permitted by this section of the statute are not subject to public hearing or recall provisions as set forth in KRS 160.470.

Local Thirty Cents Minimum. Effective for school years beginning after June 30, 1990, the board of education of each school district shall levy a minimum equivalent tax rate of thirty cents (\$.30) for general school purposes. If a board fails to comply, its members shall be subject to removal from office for willful neglect of duty.

Additional 15% Not Subject to Recall. Effective with the school year beginning July 1, 1990, each school district may levy an equivalent tax rate which will produce up to 15% of those revenues guaranteed by the SEEK program. Effective with the 1990-91 school year, the State will equalize the revenue generated by this levy at one hundred fifty percent (150%) of the statewide average per pupil equalized assessment. For 1990-92, this level is set at \$225,000. The additional 15% rate levy is not subject to the public hearing or recall provisions.

Assessment Valuation. No later than July 1, 1994, all real property located in the state and subject to local taxation shall be assessed at one hundred percent (100%) of fair cash value.

Special Voted and Other Local Taxes. Any district may, in addition to other taxes for school purposes, levy not less than four cents nor more than twenty cents on each one hundred dollars (\$100) valuation of property subject to local taxation, to provide a special fund for the purchase of sites for school buildings and the erection, major alteration, enlargement, and complete equipping of school buildings. In addition, districts may levy taxes on property tangible and intangible and on utilities, except generally any amounts of revenues generated above that provided for by House Bill 44 is subject to voter recall.

CONTINUING FINANCIAL DISCLOSURE

As a result of KISTA having outstanding at the time the Certificates referred to herein are offered for public sale municipal securities in excess of \$1,000,000, KISTA will enter into a written agreement with the Trustee for the benefit of all parties who may become Registered or Beneficial Owners of the Certificates whereunder KISTA will agree to comply with the provisions of the Municipal Securities Disclosure Rules set forth in Securities and Exchange Commission Rule 15c2-12 by filing annual financial statements and material events notices with the Electronic Municipal Market Access (EMMA) System maintained by the Municipal Securities Rule Making Board.

Financial information regarding KISTA may be obtained from Mr. Jack Moreland, President, Kentucky Interlocal School Transportation Association, 325 W. Main Street, Suite 300, Lexington, Kentucky, 40507 (Telephone 859-977-6600).

POTENTIAL LEGISLATION

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

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

TAX EXEMPTION; NOT BANK QUALIFIED

Bond Counsel is of the opinion that the Certificates are NOT "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended, and therefore advises as follows:

(A) The Certificates 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 Certificates is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law; certain exceptions and modifications affecting corporate entities.

(C) KISTA and each Participating District have certified that either may exceed the aggregate sum of \$10,000,000 in debt obligations issued the calendar year ending December 31, 2014, and KISTA has not designated the Series 2014 Certificates as "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

PENDING LITIGATION

While some of the Participating Districts may be involved in litigation arising from operations, no litigation is known to be pending or threatened with regard to KEAP or KISTA or the proposed execution of a Lease by any Participating District.

APPROVAL OF LEGALITY

Legal matters incident of the authorization and issuance of the Certificates are subject to the approving legal opinion of Steptoe & Johnson, PLLC, Louisville, Kentucky, Certificate Counsel. The form of the approving legal opinion of Certificate Counsel will appear on each printed Certificate.

NO LEGAL OPINION EXPRESSED AS TO CERTAIN MATTERS

Certificate Counsel has reviewed the information contained in the Official Statement describing the Certificates and the provisions of the Certificate Resolution and related proceedings authorizing the Certificates, but Certificate Counsel has not reviewed any of the financial data, computations, tabulations, balance sheets, financial projections, and general information concerning KISTA or the Participating Districts, and expresses no opinion thereon, assumes no responsibility for same and has not undertaken independently to verify any information contained herein.

CERTIFICATE RATING

As noted on the cover page of this Official Statement, Moody's Investors Service have given the Certificates the indicated rating. Such rating reflect only the views of such organization. Explanations of the significance of the ratings may be obtained from the rating agency. There can be no assurance that such ratings will be maintained for any given period of time or that they will not be revised or withdrawn entirely by such rating agencies, if in the judgement of such rating agencies circumstances so warrant. Any such downward revisions or withdrawals of such ratings may have an adverse effect on the market price of the Certificates.

FINANCIAL ADVISOR

Prospective bidders are advised that Ross, Sinclair & Associates, LLC (the "Financial Advisor") has been employed as Financial Advisor in connection with the issuance of the Series of 2014 Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery thereof. Bidders may submit a bid for the purchase of the Certificates at the time of the advertised public sale, either individually or as a member of a syndicate organized to submit a bid for the purchase of the Certificates.

APPROVAL OF OFFICIAL STATEMENT

KISTA has approved and caused this "Official Statement" to be executed and delivered by its President. In making this "Official Statement" KISTA relied upon information furnished to it by the Participating Districts and does not assume any responsibility as to the accuracy or completeness of any of the information in this Official Statement except as to copies of documents denominated "Official Terms and Conditions" and "Bid Form." The financial information supplied by KISTA is represented by KISTA to be correct. KISTA deems this Official Statement to be final for purposes of the Securities Exchange Commission Rule 15c2-12(b)(1) as qualified by the cover hereof.

No dealer, broker, salesman, or other person has been authorized by KISTA or the Financial Advisor to give any information or representations, other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Except when otherwise indicated, the information set forth herein has been obtained from the Kentucky Department of Education and the Participating District and believed to be reliable, however, such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Financial Advisors or by Counsel. The delivery of this

Official Statement at any time does not imply that information herein is correct as of any time subsequent to the date hereof.

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

By /s/ _____
President

By /s/ _____
Secretary

APPENDIX A

KENTUCKY INTERLOCAL SCHOOL TRANSPORTATION ASSOCIATION (KISTA) EQUIPMENT LEASE REVENUE CERTIFICATES OF PARTICIPATION SERIES OF 2014

Demographic and Economic Data

**PERSONAL INCOME IN KENTUCKY AND U.S.: 1929-2012
(SELECTED YEARS)**

<u>Year</u>	<u>Total Personal Income (000,000)</u>		<u>Personal Income Per Capita (000,000)</u>		
	<u>Kentucky</u>	<u>U.S.</u>	<u>Kentucky</u>	<u>U.S.</u>	<u>Kentucky as % of U.S.</u>
1930	\$ 851	\$ 76,234	\$ 325	\$ 619	52.5
1940	912	78,178	319	592	53.9
1950	2,911	229,156	992	1,509	65.7
1960	4,970	409,630	1,634	2,276	71.8
1970	10,287	834,455	3,184	4,095	77.8
1980	30,159	2,313,921	8,231	10,183	80.8
1981	33,438	2,588,335	9,110	11,280	80.8
1982	35,318	2,756,954	9,589	11,901	80.6
1983	36,422	2,935,040	9,859	12,554	78.5
1984	40,877	3,260,064	11,062	13,824	80.0
1985	42,703	3,498,662	11,558	14,705	78.6
1986	44,233	3,697,359	11,995	15,397	77.9
1987	47,080	3,945,515	12,782	16,284	78.5
1988	48,527	4,255,000	13,570	17,403	78.0
1989	49,938	4,582,429	14,602	18,566	78.6
1990	57,175	4,885,525	15,484	19,584	79.1
1991	60,328	5,065,416	15,719	20,089	80.8
1992	65,059	5,376,622	16,241	21,082	82.2
1993	67,558	5,598,446	17,320	21,718	82.0
1994	70,781	5,878,362	17,815	22,581	82.0
1995	74,079	6,192,235	18,514	23,562	81.6
1996	78,221	6,538,103	20,155	24,651	81.8
1997	83,180	6,942,114	21,286	25,924	83.0
1998	87,273	7,351,547	22,183	27,203	82.0
1999	91,217	7,779,521	22,702	27,880	81.0
2000	98,214	8,398,871	24,258	29,760	82.0
2001	101,222	8,677,490	24,878	30,413	82.0
2002	105,013	8,891,093	25,657	30,832	82.5
2003	106,292	9,150,908	25,819	31,463	82.1
2004	111,991	9,717,173	27,039	33,090	81.7
2005	118,180	10,224,761	28,317	34,495	82.1
2006	125,000	10,966,808	29,719	36,629	81.1
2007	130,583	11,631,571	30,787	38,564	79.8
2008	135,873	12,086,534	31,826	39,751	80.1
2009	137,546	12,015,535	31,883	39,138	81.5
2010	143,211	12,423,332	32,947	40,163	82.0
2011	150,850	13,179,561	34,545	42,298	81.7
2012	156,131	13,729,063	35,643	43,735	81.5

Source: U.S. Bureau of Economic Analysis, Regional Economic Information System.

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Sources of Personal Income by Major Industry Groups for Kentucky: 1930-2012 (000's)

Year	Total Earnings	Farm Earnings	NonFarm Earnings	Forestry, Fishing & Related	Mining	Construction	Manufacturing	Trans. & Public Utilities	Wholesale & Retail Trade	Finance & Insurance	Services	Government
2012	98,294,821	314,714	97,980,107	248,307	1,662,070	3,901,933	15,075,140	*	10,922,781	5,291,690	*	22,878,762
2011	95,245,531	265,521	94,980,010	235,797	1,881,142	3,755,477	13,958,877	*	10,635,986	5,063,215	*	23,035,427
2010	92,268,048	301,468	91,966,580	237,689	1,784,023	3,700,261	13,315,051	*	10,220,194	4,747,965	*	23,155,928
2009	89,030,116	320,475	88,719,641	240,251	1,770,585	4,021,653	12,981,162	*	10,123,116	4,584,024	*	21,310,314
2008	101,302,993	1,094,326	100,208,667	330,273	2,090,218	5,687,356	15,320,786	*	12,060,178	5,128,877	*	20,942,231
2007	98,447,416	799,147	97,648,269	406,958	2,132,264	5,283,846	16,619,560	*	11,806,190	5,125,804	*	19,678,233
2006	94,608,283	1,023,650	93,584,633	390,165	2,149,729	5,085,231	16,665,746	*	11,160,528	4,781,779	*	18,947,831
2005	90,881,980	1,520,583	89,361,397	369,758	1,879,758	5,133,964	16,363,872	*	10,857,190	4,292,172	*	17,594,550
2004	85,767,091	829,491	84,937,600	359,362	1,495,850	4,819,082	16,145,002	*	10,475,781	4,099,106	*	16,196,257
2003	109,442,026	614,357	81,463,163	357,783	1,396,237	4,734,051	16,127,624	*	9,993,976	3,853,343	*	15,064,026
2002	77,174,819	649,804	76,525,015	391,018	1,339,312	4,573,765	14,557,539	*	9,585,169	3,513,316*	*	14,210,697
2001	70,499,498	973,207	69,526,282	521,541	1,335,332	4,330,048	13,636,644	5,493,532	10,697,978	3,775,760	16,509,978	13,225,469
2000	68,645,875	1,485,015	67,160,860	492,829	1,272,246	4,185,147	13,787,876	5,353,340	10,430,086	3,681,312	15,560,337	12,397,687
1999	64,139,098	625,552	63,513,546	459,849	1,315,571	3,862,868	13,242,357	4,894,952	10,057,683	3,181,998	14,730,845	11,767,423
1998	60,822,684	952,860	59,869,824	418,178	1,350,043	3,564,391	12,618,214	4,606,452	9,416,761	3,047,022	13,710,920	11,137,843
1997	57,595,442	1,089,030	56,506,412	381,650	1,285,732	3,327,836	12,115,301	4,139,689	8,799,661	2,879,266	12,756,524	10,820,753
1996	54,445,989	1,005,924	53,440,065	343,124	1,280,840	3,076,508	11,589,170	3,923,834	8,196,534	2,638,070	11,967,410	10,424,575
1995	51,781,433	651,984	51,129,449	341,495	1,322,910	2,877,756	11,424,900	3,702,916	7,828,796	2,469,422	11,128,883	10,032,371
1994	50,078,486	1,062,592	49,015,894	319,445	1,435,725	2,875,033	10,975,287	3,577,361	7,355,968	2,330,102	10,454,944	9,692,029
1993	47,689,766	1,038,066	46,651,700	337,604	1,426,899	2,684,113	10,274,871	3,321,852	6,911,573	2,354,124	9,951,554	9,389,110
1992	45,748,456	1,218,102	44,530,354	292,038	1,491,082	2,463,938	9,774,810	3,179,558	6,608,880	2,075,570	9,382,867	9,261,611
1991	41,806,161	992,423	40,813,738	277,061	1,501,106	2,198,997	8,957,637	2,974,582	6,161,601	1,830,408	8,498,816	8,413,530
1990	40,269,338	962,565	39,306,773	249,402	1,677,881	2,236,258	8,999,691	2,806,167	5,878,371	1,755,510	7,942,779	7,760,714
1989	38,145,757	1,034,116	37,111,641	226,178	1,548,216	2,212,828	8,492,718	2,649,048	5,622,060	1,645,049	7,397,627	7,317,917
1988	35,790,728	660,557	35,130,171	227,479	1,667,153	2,090,677	8,035,477	2,521,982	5,359,845	1,531,214	6,726,261	6,970,083
1987	33,776,172	688,825	33,087,347	207,191	1,802,363	2,018,691	7,519,287	2,440,858	5,109,566	1,433,752	6,016,125	6,539,514
1986	31,334,323	582,428	30,751,895	164,412	1,776,162	1,799,997	7,063,780	2,270,660	4,881,070	1,247,378	5,386,265	6,162,171
1985	30,390,945	824,836	29,566,109	156,042	1,942,698	1,602,941	6,920,098	2,171,817	4,814,154	1,151,790	4,910,373	5,896,196
1980	22,454,801	571,505	21,883,296	74,006	1,945,153	1,386,080	5,368,741	1,671,797	3,407,372	853,107	3,146,834	4,030,206
1975	13,171,253	512,733	12,658,520	43,614	994,479	809,748	3,088,143	946,524	2,109,096	451,280	1,724,913	2,490,723
1970	8,160,524	433,482	7,727,042	23,394	317,428	569,676	2,018,286	589,843	1,311,365	299,638	1,074,840	1,522,572
1965	5,312,401	404,449	4,907,952	16,282	173,161	364,544	1,288,376	403,473	881,556	209,597	686,165	884,798
1960	3,923,519	348,164	3,575,355	11,300	175,511	244,150	904,382	317,304	675,876	146,363	473,609	626,860
1955	3,215,389	330,474	2,884,915	10,348	172,043	221,338	724,684	260,174	551,163	100,916	328,585	515,664
1950	2,349,182	357,577	1,991,605	6,868	199,525	127,326	440,076	211,316	385,546	59,018	220,407	341,523
1945	1,875,329	392,287	1,483,042	1,724	129,300	40,488	310,880	151,143	273,103	30,698	139,316	406,390
1940	780,380	144,766	635,614	1,616	65,497	27,645	112,731	81,034	132,977	21,401	75,365	117,348
1935	604,801	139,158	465,643	1,362	50,088	14,015	87,558	61,679	87,938	19,162	60,663	83,178
1930	684,329	124,529	559,800	1,578	60,255	26,989	96,714	92,481	113,972	24,684	85,771	57,356

Source: U.S. Bureau of Economic Analysis, Regional Economic Information System

* After 2001, due to the switch from SIC to NAICS, some categories were realigned. Finance & Insurance - Formerly F.I.R.E. For details, see: www.bea.gov

Labor Force and Employment

The Commonwealth's total civilian labor force has increased from 1,227,000 in 1970 to 2,080,409 in 2009.

Historic Civilian Labor Force Estimates for Kentucky Annual averages: 1970-2009

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate (%)</u>
1970	1,227,000	1,173,000	54,000	4.4
1971	1,265,000	1,199,000	65,000	5.2
1972	1,289,000	1,213,000	77,000	5.9
1973	1,389,000	1,338,000	52,000	3.7
1974	1,431,000	1,366,000	65,000	4.5
1975	1,430,000	1,326,000	105,000	7.3
1976	1,482,000	1,399,000	83,000	5.6
1977	1,549,000	1,476,000	72,000	4.7
1978	1,597,000	1,513,000	84,000	5.2
1979	1,607,000	1,517,000	89,000	5.6
1980	1,658,573	1,524,710	133,863	8.1
1981	1,661,470	1,517,346	144,124	8.7
1982	1,686,793	1,504,720	182,073	10.8
1983	1,706,596	1,514,224	192,372	11.3
1984	1,699,975	1,544,894	155,081	9.1
1985	1,704,436	1,549,162	155,274	9.1
1986	1,717,682	1,559,365	158,317	9.2
1987	1,714,485	1,572,029	142,456	8.3
1988	1,724,784	1,593,312	131,472	7.6
1989	1,736,023	1,623,638	112,385	6.5
1990	1,747,605	1,640,875	106,730	6.1
1991	1,770,336	1,639,343	130,993	7.4
1992	1,782,402	1,658,511	123,891	7.0
1993	1,804,000	1,689,100	114,900	6.4
1994	1,829,325	1,729,483	99,842	5.5
1995	1,860,896	1,757,111	103,785	5.6
1996	1,880,267	1,777,259	103,008	5.5
1997	1,912,591	1,809,785	102,806	5.4
1998	1,920,292	1,832,775	87,517	4.6
1999	1,944,384	1,854,270	90,114	4.6
2000	1,949,013	1,866,348	82,665	4.2
2001	1,954,142	1,852,056	102,086	5.2
2002	1,950,470	1,838,495	111,975	5.7
2003	1,974,511	1,851,017	123,494	6.3
2004	1,968,952	1,859,902	109,050	5.5
2005	1,999,118	1,879,413	119,705	6.0
2006	2,038,971	1,922,163	116,808	5.7
2007	2,043,770	1,932,028	111,742	5.5
2008	2,042,915	1,911,240	131,675	6.4
2009	2,080,409	1,862,872	217,537	10.5

Source: U.S. Department of Labor, Bureau of Labor Statistics,
Not seasonally adjusted.

KISTA PARTICIPATING DISTRICTS

General

The Kentucky Interlocal School Transportation Association (referred to hereinafter as "KISTA"), was formed to provide tax-exempt pool financing on behalf of Kentucky school districts desiring to participate in the program (referred to hereinafter as "Participating Districts"). Economic statistics related to the Participating Districts are provided for the county the Participating District is located in.

SEEK and Local Revenues

The following table shows for the Participating Districts the amount of local tax collections at the current equivalent tax rate, the percentage of local revenue to the total revenue of the District, and the corresponding SEEK allotment to the Districts and this amount as a percentage to the total revenue of the District.

LOCAL AND STATE TAX EFFORT

DISTRICT	FY 2012-13 Local Revenue @ 100% Collections	% Local to Total District Revenues	2011-12 State SEEK Funds	% SEEK to Total District Revenues	Estimated Total State & Local District Funding	Current Year Levied Tax Rate
Adair CSD	\$4,315,525	27.69%	\$11,270,171	72.31%	\$15,585,696	60.00%
Bardstown ISD	\$8,552,649	48.23%	\$9,180,208	51.77%	\$17,732,857	77.60%
Bath CSD	\$2,139,510	18.23%	\$9,598,462	81.77%	\$11,737,972	53.00%
Bellevue ISD	\$3,031,766	57.41%	\$2,249,472	42.59%	\$5,281,238	74.40%
Boyd CSD	\$9,575,647	44.78%	\$11,805,833	55.22%	\$21,381,480	68.90%
Breathitt CSD	\$2,474,073	19.28%	\$10,358,322	80.72%	\$12,832,395	53.80%
Burgin ISD	\$1,443,880	52.31%	\$1,316,119	47.69%	\$2,759,999	59.80%
Caverna ISD	\$2,183,626	44.68%	\$2,703,847	55.32%	\$4,887,473	65.70%
Clay CSD	\$4,161,276	20.01%	\$16,630,905	79.99%	\$20,792,181	74.50%
Crittenden CSD	\$2,286,840	31.12%	\$5,062,100	68.88%	\$7,348,940	56.20%
East Bernstadt ISD	\$356,073	12.45%	\$2,503,138	87.55%	\$2,859,211	70.50%
Eminence ISD	\$1,124,110	29.43%	\$2,695,396	70.57%	\$3,819,506	73.90%
Fairview ISD	\$1,080,611	22.79%	\$3,661,218	77.21%	\$4,741,829	64.50%
Fayette CSD	\$220,718,314	71.33%	\$88,724,082	28.67%	\$309,442,396	81.30%
Fort Thomas ISD	\$10,836,558	57.72%	\$7,937,666	42.28%	\$18,774,224	88.80%
Gallatin CSD	\$3,389,060	33.90%	\$6,609,538	66.10%	\$9,998,598	60.70%
Grant CSD	\$8,501,317	34.89%	\$15,866,259	65.11%	\$24,367,576	76.10%
Greenup CSD	\$5,277,981	29.91%	\$12,367,210	70.09%	\$17,645,191	62.00%
Jenkins ISD	\$622,336	18.32%	\$2,775,353	81.68%	\$3,397,689	60.60%
Kenton CSD	\$47,899,641	51.78%	\$44,611,591	48.22%	\$92,511,232	58.60%
Knox CSD	\$4,859,526	19.20%	\$20,447,017	80.80%	\$25,306,543	47.10%
Lawrence CSD	\$4,796,335	32.16%	\$10,115,722	67.84%	\$14,912,057	63.70%
Lee CSD	\$1,371,498	22.54%	\$4,713,212	77.46%	\$6,084,710	48.10%
Leslie CSD	\$3,902,713	35.38%	\$7,127,780	64.62%	\$11,030,493	55.90%
Lewis CSD	\$2,493,144	18.73%	\$10,816,634	81.27%	\$13,309,778	47.20%
Lincoln CSD	\$6,000,086	24.54%	\$18,451,065	75.46%	\$24,451,151	59.30%
Lyon CSD	\$3,778,703	66.89%	\$1,870,606	33.11%	\$5,649,309	54.00%
Magoffin CSD	\$2,872,964	20.44%	\$11,184,954	79.56%	\$14,057,918	67.80%
McCracken CSD	\$23,293,386	52.60%	\$20,993,710	47.40%	\$44,287,096	62.00%
Monroe CSD	\$2,634,178	23.85%	\$8,408,770	76.15%	\$11,042,948	64.60%
Montgomery CSD	\$9,142,054	32.48%	\$19,001,124	67.52%	\$28,143,178	63.10%
Morgan CSD	\$2,942,190	23.18%	\$9,751,662	76.82%	\$12,693,852	75.50%
Owen CSD	\$4,809,246	39.26%	\$7,438,951	60.74%	\$12,248,197	73.40%
Paris ISD	\$1,246,568	29.34%	\$3,002,027	70.66%	\$4,248,595	56.50%
Pendleton CSD	\$4,567,788	29.61%	\$10,859,774	70.39%	\$15,427,562	64.20%
Pulaski CSD	\$17,983,084	37.28%	\$30,255,307	62.72%	\$48,238,391	57.40%
Rowan CSD	\$8,622,361	40.72%	\$12,554,786	59.28%	\$21,177,147	74.90%
Simpson CSD	\$8,149,586	43.04%	\$10,786,927	56.96%	\$18,936,513	65.40%
Somerset ISD	\$3,904,478	43.59%	\$5,053,366	56.41%	\$8,957,844	54.40%
Spencer CSD	\$5,655,861	35.60%	\$10,231,997	64.40%	\$15,887,858	48.20%
Webster CSD	\$7,245,847	45.65%	\$8,628,478	54.35%	\$15,874,325	100.80%
Wolfe CSD	\$2,376,998	26.20%	\$6,696,072	73.80%	\$9,073,070	100.40%

Average Daily, Attendance (ADA), Property Assessments, and SEEK Funding

The following table shows for the Participating Districts the ADA, property assessments, and SEEK funding for Fiscal Years 2011-2012 and 2012-2013.

DISTRICT	FY 2011-2012	FY 2012-13	2011 Combined	2012 Combined	FY 2011-2012	FY 2012-13
	ADA	ADA	Property Assessments	Property Assessments	State SEEK Funds	State SEEK Funds
Adair CSD	2,291.74	2,321.66	\$707,530,176	\$719,254,109	\$11,043,626	\$11,270,171
Bardstown ISD	2,226.15	2,230.77	\$1,075,923,519	\$1,102,145,486	\$9,155,255	\$9,180,208
Bath CSD	1,859.18	1,863.38	\$402,007,010	\$403,681,188	\$9,513,005	\$9,598,462
Bellevue ISD	687.50	699.26	\$395,032,254	\$407,495,488	\$2,277,714	\$2,249,472
Boyd CSD	2,902.96	2,931.02	\$1,370,600,630	\$1,389,789,074	\$11,937,199	\$11,805,833
Breathitt CSD	1,894.19	1,833.50	\$471,109,063	\$459,864,889	\$10,792,013	\$10,358,322
Burgin ISD	414.06	413.03	\$247,007,294	\$241,451,528	\$1,324,800	\$1,316,119
Caverna ISD	659.81	648.85	\$294,653,405	\$332,363,128	\$3,096,225	\$2,703,847
Clay CSD	3,029.28	2,954.97	\$547,226,597	\$558,560,488	\$17,047,940	\$16,630,905
Crittenden CSD	1,153.84	1,152.57	\$405,565,465	\$406,911,004	\$5,180,843	\$5,062,100
East Bernstadt ISD	463.08	493.04	\$46,988,269	\$50,506,840	\$2,490,867	\$2,503,138
Eminence ISD	590.96	587.42	\$157,844,670	\$152,112,352	\$2,684,418	\$2,695,396
Fairview ISD	771.81	767.70	\$164,299,624	\$167,536,611	\$3,792,147	\$3,661,218
Fayette CSD	33,994.58	34,604.70	\$26,770,194,397	\$27,148,624,125	\$87,484,440	\$88,724,082
Fort Thomas ISD	2,468.35	2,561.43	\$1,213,186,106	\$1,220,333,065	\$7,645,306	\$7,937,666
Gallatin CSD	1,441.54	1,509.70	\$564,206,046	\$558,329,504	\$6,307,599	\$6,609,538
Grant CSD	3,503.58	3,474.41	\$1,120,506,343	\$1,117,124,404	\$16,126,875	\$15,866,259
Greenup CSD	2,611.65	2,589.09	\$836,402,239	\$851,287,320	\$12,411,068	\$12,367,210
Jenkins ISD	489.72	479.72	\$86,845,375	\$102,695,688	\$2,739,650	\$2,775,353
Kenton CSD	13,093.98	13,211.75	\$8,123,651,533	\$8,174,000,165	\$44,568,616	\$44,611,591
Knox CSD	3,992.94	3,893.74	\$1,012,748,330	\$1,031,746,505	\$21,112,744	\$20,447,017
Lawrence CSD	2,122.70	2,157.54	\$723,507,638	\$752,956,892	\$10,297,144	\$10,115,722
Lee CSD	1,004.35	995.44	\$271,822,094	\$285,134,619	\$4,884,867	\$4,713,212
Leslie CSD	1,567.70	1,573.64	\$573,648,637	\$698,159,718	\$7,866,519	\$7,127,780
Lewis CSD	2,102.81	2,142.88	\$521,492,001	\$528,208,526	\$10,661,906	\$10,816,634
Lincoln CSD	3,606.10	3,545.87	\$1,018,192,171	\$1,011,818,825	\$18,647,686	\$18,451,065
Lyon CSD	789.73	815.74	\$711,372,189	\$699,759,795	\$1,765,697	\$1,870,606
Magoffin CSD	1,950.30	1,950.30	\$409,914,125	\$423,740,952	\$11,247,322	\$11,184,954
McCracken CSD	6,464.86	6,380.53	\$3,520,088,075	\$3,756,997,680	\$22,122,306	\$20,993,710
Monroe CSD	1,761.60	1,696.20	\$400,635,653	\$407,767,422	\$8,731,768	\$8,408,770
Montgomery CSD	4,150.79	4,153.99	\$1,428,040,988	\$1,448,819,890	\$19,306,055	\$19,001,124
Morgan CSD	1,885.99	1,863.53	\$380,377,662	\$389,694,014	\$9,856,506	\$9,751,662
Owen CSD	1,697.47	1,659.33	\$649,338,445	\$655,210,646	\$7,642,553	\$7,438,951
Paris ISD	667.35	665.37	\$218,271,299	\$220,631,577	\$2,909,987	\$3,002,027
Pendleton CSD	2,345.02	2,289.15	\$702,039,252	\$711,493,429	\$11,393,336	\$10,859,774
Pulaski CSD	7,236.50	7,255.42	\$3,086,452,488	\$3,132,941,444	\$30,574,320	\$30,255,307
Rowan CSD	2,851.16	2,846.88	\$1,122,082,545	\$1,151,183,001	\$13,033,013	\$12,554,786
Simpson CSD	2,717.21	2,679.46	\$1,211,387,261	\$1,246,114,113	\$11,138,053	\$10,786,927
Somerset ISD	1,371.70	1,417.47	\$713,660,486	\$717,734,984	\$4,879,518	\$5,053,366
Spencer CSD	2,512.47	2,536.69	\$1,154,726,606	\$1,173,415,075	\$10,103,324	\$10,231,997
Webster CSD	1,936.94	1,932.30	\$671,861,295	\$718,834,066	\$8,854,974	\$8,628,478
Wolfe CSD	1,140.33	1,146.57	\$231,609,765	\$236,752,767	\$6,718,818	\$6,696,072

APPENDIX B

**KENTUCKY INTERLOCAL SCHOOL
TRANSPORTATION ASSOCIATION (KISTA)
EQUIPMENT LEASE REVENUE
CERTIFICATES OF PARTICIPATION
SERIES OF 2014**

Continuing Disclosure Agreement

CONTINUING DISCLOSURE AGREEMENT

This Continuing Financial Disclosure Agreement ("Agreement") made and entered into as of the 1st day of March, 2014 by and between the Kentucky Interlocal School Transportation Association ("KISTA"); and Monticello Banking Company, Somerset, Kentucky ("Trustee") and the Registered and Beneficial Owners of the Certificates hereinafter identified as third party beneficiaries to this Agreement. For the purposes of this Agreement "Beneficial Owner" means the person or entity treated as the owner of the Certificates for federal income tax purposes and "Registered Owner" means the person or entity named on the registration books of the bond registrar.

Financial Statements for KISTA have been filed for FY 2007-2013 however, the statements filed for FY 2007-2010 were filed after the required deadlines in the disclosure agreement. In that year, the Financial Advisor did not receive the statements from KISTA in a timely manner in order to meet the deadline. The Financial Advisor has implemented procedures to obtain the audit prior to January 1 of the following calendar year. This procedure will ensure KISTA will be compliant with the required disclosure filing deadlines.

WITNESSETH:

WHEREAS, KISTA has acted as issuing agency for Boards of Education pursuant to the provisions of the provisions of the Interlocal Cooperation Act as set forth in Section 65.120 through 65.300 of the Kentucky Revised Statutes ("KRS") in connection with the authorization, sale and delivery of \$13,925,000 of KISTA's Equipment Lease Certificates of Participation, Series of 2014, dated March 1, 2014 ("Certificates"), which Certificates have been authorized pursuant to a Second Indenture of Trust dated as of January 1, 2005 between KISTA and the Trustee ("Second Indenture") and were offered for sale under the terms and conditions of a Final Official Statement ("FOS") prepared by Ross, Sinclair & Associates, LLC, Lexington, Kentucky, ("Financial Advisor") and approved by the authorized representatives of KISTA, and

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

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

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

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

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

1. ANNUAL FINANCIAL INFORMATION.

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

For the purposes of the Rule "annual financial information" means financial information or operating data provided annually, of the type included in the FOS with respect to KISTA in accordance with guidelines established by the National Federation of Municipal Analysts, and shall include annual audited financial statements for KISTA in order that the recipients will be provided with ongoing information regarding revenues and operating expenses of KISTA.

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

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

2. MATERIAL EVENTS NOTICES.

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

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

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

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

3. SPECIAL REQUESTS FOR INFORMATION.

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

4. DISCLAIMER OF LIABILITY.

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

5. FINAL OFFICIAL STATEMENT.

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

6. DURATION OF THE AGREEMENT.

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

7. AMENDMENT; WAIVER.

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

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

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

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

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

8. DEFAULT.

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

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

KENTUCKY INTERLOCAL SCHOOL
TRANSPORTATION ASSOCIATION

President

MONTICELLO BANKING COMPANY
Somerset, Kentucky

Title