

TO BE RECORDED AS LEASE

**LEASE AGREEMENT**

THIS LEASE AGREEMENT (the "2012 Lease" or "Lease") made and entered into as of \_\_\_\_\_, by and between the **HARDIN COUNTY SCHOOL DISTRICT FINANCE CORPORATION**, 65 W.A. Jenkins Road, Elizabethtown, Kentucky 42701, a non-stock, non-profit Kentucky corporation formed pursuant to KRS 162.385 (hereinafter referred to as the "Corporation") and the **BOARD OF EDUCATION OF HARDIN COUNTY SCHOOL DISTRICT**, 65 W.A. Jenkins Road, Elizabethtown, Kentucky 42701, (hereinafter referred to as the "Board").

**WITNESSETH:**

THAT WHEREAS, the Board in carrying out the duties and authority vested in it determined that it was necessary to finance improvements at East Hardin Middle, West Hardin Middle and a new Sonora/Upton Elementary School (the "Projects"), through the issuance of the Corporation's School Building Revenue Bonds, Series of 2003, date July 1, 2003 and the Corporation's School Building Revenue Bonds, Series 2004, dated June 1, 2004, (the "Prior Bonds" or "Prior Issues"); also being sometimes hereinafter referred to as the "Series 2003 Bonds" and "Series 2004 Bonds", respectively, and

WHEREAS, the Corporation pursuant to the provisions of Sections 162.120 through 162.300 and 162.385 of the Kentucky Revised Statutes passed and adopted Resolutions authorizing the issuance, sale and delivery of both of the Prior Issues and authorizing the execution of a respective Contract, Lease and Option, dated July 1, 2003 and June 1, 2004, (the "Prior Leases") by and between the Corporation and the Board whereunder the Projects financed from the proceeds of said Prior Issues were leased from the Corporation to the Board for one year at a time, with the option in the Board to renew the Prior Leases each year, at annual rentals sufficient to pay the principal and interest requirements becoming due on the Prior Issues, and

WHEREAS, the municipal bond market is much more favorable at the present time than when the Prior Issues were sold making it possible for the Kentucky School Facilities Construction Commission (the "Commission"), the Corporation and the Board to realize a substantial savings in interest costs by refinancing the debt represented by the Prior Issues through the issuance of approximately \$15,465,000 Hardin County School District Finance Corporation School Building Refunding Revenue Bonds, Series of 2012, dated the date of issuance (the "Refunding Bonds"); and

WHEREAS, the Commission pursuant to the provisions of Sections 157.611 through 157.640 of the Kentucky Revised Statutes, as amended, repealed, and reenacted, has entered into a Participation Agreement with the Board whereunder the Commission will continue to pay the same proportionate amount as was allocated to the Prior Bonds, or approximately 37.9% of the annual debt service requirements of the Refunding Bonds, and

WHEREAS, it is desired that the Corporation authorize, issue and sell said Refunding Bonds for the purpose of obtaining sufficient funds to provide for the retirement of certain of the Bonds of the Prior Issues in order that the Commission, Corporation and Board may realize a substantial savings in interest costs by obtaining the benefit of lower interest rates now prevalent in the municipal bond market, and

WHEREAS, the Corporation has acknowledged its willingness to cooperate with the Board and to authorize the Refunding Bonds in accordance with the provisions of Sections 162.120 through 162.300, 162.385 and Section 58.180 of the Kentucky Revised Statutes, and has adopted a Bond Resolution authorizing the Refunding Bonds, and

WHEREAS, upon the deposit of funds sufficient to provide for the orderly retirement of the Defeased Bonds prior to their respective maturities in a special escrow account, the rights of the Registered Owners of those Defeased Bonds of the Prior Issues in and to the school Projects hereinbefore and hereinafter described and the income and revenues derived therefrom by the Corporation under the Prior Leases will be terminated, and

WHEREAS, it is necessary that the Corporation and the Board enter into this Lease in order to provide for the orderly payment of the Refunding Bonds and the rights and security interests of the Registered Owners of the Refunding Bonds;

**NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL COVENANTS HEREIN SET FORTH IT IS AGREED BETWEEN THE PARTIES HERETO AS FOLLOWS:**

## **ARTICLE I DEFINITIONS**

Section 1.01. "Act" means Sections 157.611 through 157.640 of the Kentucky Revised Statutes enacted by the 1985 Extraordinary Session of the General Assembly of the Commonwealth of Kentucky as Sections 26 through 36 of House Bill 6, as amended by Senate Bill 303 and House Bill 655 enacted by the 1989 Regular Session of said General Assembly as repealed and reenacted by House Bill 940 enacted by the 1990 Regular Session of said General Assembly.

"Agreed Participation" or "Percentage Discount" or "Adjusted Agreed Participation" means the total dollar principal amount to which the Board has been determined to be entitled by the Commission; said amount to be equal to approximately 37.9% of the annual debt service requirements of the Refunding Bonds as shown on Exhibit A hereto.

"Agreement" means the Participation Agreement or the Adjusted Agreed Participation Agreement between the Commission and the Board setting forth the Agreed Participation.

"Board" means the Board of Education of Hardin County School District.

"Board's Contribution" means that portion of the debt service requirements of the Refunding Bonds not paid by the Commission or 100% of said debt service requirements in the event the Commission should fail to meet its Agreed Participation.

"Bonds" or "Refunding Bonds" means \$15,465,000 aggregate principal amount of Hardin County School District Finance Corporation School Building Refunding Revenue Bonds, Series of 2012, dated the date of issuance authorized pursuant to the Resolution of the Board of Directors of the Corporation and the Participation Agreement.

"Bond Fund" or "2012 Bond Fund" means the separate and special debt service fund established with the Paying Agent under the Bond Resolution for the purpose of paying the principal of and interest on the Bonds.

"Bond Resolution" means the Resolution passed and adopted by the Board of Directors of the Corporation authorizing the Refunding Bonds.

"Bond Registrar" or "Paying Agent" means The Bank of New York Mellon Trust Company, N.A., Louisville, Kentucky, so designated under the Bond Resolution.

"Commonwealth" or "State" means the Commonwealth of Kentucky.

"Commission" means the School Facilities Construction Commission of the Commonwealth established pursuant to the Act.

"Corporation" means the Hardin County School District Finance Corporation acting by and through its Board of Directors on behalf of the Board of Education.

"Defeased Bonds" means certain of the Series 2003 Bonds maturing July 1, 2014 and thereafter, and certain of the Series 2004 Bonds maturing June 1, 2015 and thereafter or such lesser amount as the Corporation may determine.

"Department" means the Kentucky Department of Education, acting on behalf of the Kentucky Board of Education or the Commissioner of Education.

"Escrow Agreement" means the contract among the Board, the Corporation, and an escrow agent bank providing for the investment of the proceeds of the Refunding Bonds and the retirement of the Defeased Bonds by deposit in the 2012 Escrow Fund established thereunder.

"KRS" means the Kentucky Revised Statutes, as amended.

"Lease Agreement" or "Lease" or "2012 Lease" means this agreement by and between the Corporation and the Board dated the date of the Refunding Bonds whereunder the Projects refinanced with the Bonds has been leased by the Corporation to the Board and the rental revenues derived thereunder pledged to the payment of the Refunding Bonds.

"Permitted Adjustment" means the amount by which the principal amount of the Bonds may be adjusted upward or downward in order to fully realize the greatest interest cost savings to the Commission and Board based upon the interest rates established for the Bonds at the time public, competitive bids are considered by the Corporation on behalf of the Board.

"Projects" means improvements at East Hardin Middle, West Hardin Middle and a new Sonora/Upton Elementary School.

"Prior Issues" or "Prior Bonds" refers to the Corporation's School Building Revenue Bonds, Series of 2003, dated July 1, 2003 ("Series 2003 Bonds") outstanding as of April 1, 2012 in the aggregate principal amount of \$8,620,000, and the Corporation's School Building Revenue Bonds, Series of 2004, dated June 1, 2004 ("Series 2004 Bonds") outstanding as of April 1, 2012 in the aggregate principal amount of \$6,810,000.

"Prior Leases" refers to two certain Contract, Lease and Options, dated as of July 1, 2003 and June 1, 2004 between the Board and the Corporation and executed in conjunction with the Prior Issues.

"Regulations" means the Regulations of the Commission designated as 750 KAR 1:010, Commission Procedures.

"Remaining Bonds" means the Series 2003 Bonds maturing June 1, 2012 through June 1, 2014 and the Series 2004 Bonds maturing June 1, 2012 and June 1, 2013.

"Savings" means the savings realized through the issuance of the Refunding Bonds calculated by determining the difference between the annual debt service requirements on all of those Bonds of the Prior Issues allocated to the Series of 2003 Bonds and Series of 2004 Bonds and the annual debt service requirements on the Refunding Bonds and shall inure to the benefit of the Board.

"Schedule of Principal and Interest Requirements" or "Schedule of Annual Rentals" means the schedule attached hereto as Exhibit B, setting forth the total principal and interest requirements for the Refunding Bonds as established by the sale of said Refunding Bonds and indicating the Commission's Agreed Participation.

"School Bond Act" means Sections 162.120 through 162.300 and 162.385 of the Kentucky Revised Statutes as repealed, amended and reenacted.

## **ARTICLE II**

### **AUTHORIZATION OF REFUNDING BONDS**

Section 2.01. The Corporation agrees that it will authorize the issuance, sale and delivery of \$15,465,000 of Hardin County School District Finance Corporation School Building Refunding Revenue Bonds, Series of 2012, dated the date of issuance ("Refunding Bonds") in accordance with a Bond Resolution passed and adopted by the Board of Directors of the Corporation, which Bond Resolution is hereby incorporated in this Lease as if copied in full herein.

Section 2.02. The Corporation agrees that it will deposit the net proceeds of said Refunding Bonds remaining after the payment of the expenses incident to their authorization and sale, together with other funds to be provided by the Board under the provisions hereof, if required, in 2012 Escrow Fund established under the Bond Resolution and Escrow Agreement, which monies are to be held in escrow, invested in the Investments permitted, and applied only to (a) the payment of the accruing interest requirements of the Series 2003 Bonds from July 1, 2012 through July 1, 2013; (b) \$8,505,000 principal of the Series 2003 Bonds maturing July 1, 2014 and thereafter on July 1, 2013; (c) the payment of the accruing interest requirements of the Series 2004 Bonds from June 1, 2012 through June 1, 2014 and (d) \$5,545,000 principal of the Series 2004 Bonds maturing June 1, 2015 and thereafter on June 1, 2014.

The Corporation agrees that all funds on deposit in the 2012 Escrow Fund shall be held and invested only in accordance with the terms of the Bond Resolution authorizing the Refunding Bonds and applied only for the purpose of paying accruing interest and retiring in advance of maturity the Defeased Bonds.

## **ARTICLE III**

### **PRIOR LEASE TO REMAIN IN EFFECT**

Section 3.01. The Board covenants that all rentals due under the terms of the Prior Lease by which it has leased the school Projects hereinafter described from the date of said Prior Lease to the effective date of this Lease Agreement have been paid to said date.

Upon the deposit of sufficient proceeds of the Refunding Bonds plus the Board's required cash contribution, if any, to provide for the complete retirement of the Defeased Bonds of the Prior Issues in accordance with the Bond Resolution, this Lease shall become effective and all of the rights of the Registered Owners of the Defeased Bonds of the Prior Issue in and to the school properties hereinafter described shall terminate and thereafter neither the statutory mortgage liens upon nor the pledges of the revenues from the rental of the school properties hereinafter described under the Prior Lease shall constitute the security and source of payment for the Defeased Bonds of the Prior Issues and the Registered Owners of such Bonds shall be paid from and secured by the Prior Bond Fund exclusively (or 2012 Escrow Fund).

Section 3.02. The Board and the Corporation agree that upon the payment of funds sufficient to provide for the complete retirement of the Defeased Bonds of the Prior Issues into the Prior Bond Funds, or 2012 Escrow Fund this Lease shall be substituted for and shall supersede the Prior Lease with regard to said Defeased Bonds; provided however, the Series of 2003 and Series of 2004 Prior Leases shall remain in effect until the retirement of the Remaining Bonds.

Section 3.03. In the event that the Corporation for any reason does not authorize, issue and deliver the Refunding Bonds in accordance with the Bond Resolution hereinbefore referred to, and deposit the proceeds thereof in the Prior Bond Fund which will be sufficient to provide for the complete payment and retirement of the Defeased Bonds of the Prior Issue prior to their stated maturities, then this Lease shall be void and the provisions of the Prior Lease shall remain in full force and effect.

## **ARTICLE IV**

### **INITIAL RENTAL; ANNUAL RENEWAL RENTALS**

Section 4.01. The Board agrees to lease and rent said Projects from the Corporation to be used for educational purposes, only for the period ending June 30, 2012 for the rental set forth in the Schedule of Annual Rentals attached hereto as Exhibit A, plus the costs of maintenance, insurance and Bond administration expenses, it being hereby certified by the Board that the rental provided herein, for that period does not exceed the anticipated revenue of the Board for the period available for that purpose assuming the Board's receipt of the Agreed Participation. The Board shall have an exclusive option to renew this 2012 Lease from year to year for a period of one year at a time at the rentals set out in Exhibit A, payable in ample time to meet the payments of principal and interest falling due on said Bonds. The Board shall have the right to use and occupy said Project from the date of this 2012 Lease.

Section 4.02. In the event the Bonds are issued in a principal amount other than the amount assumed herein and in the Bond Resolution, or in the event the interest rates on said Bonds are fixed at rates other than those set forth in the Schedule of Principal and Interest Requirements attached hereto as Exhibit A, the rental requirements shall be automatically adjusted upward or downward accordingly in order that the annual rental due each year from the Board shall be an amount equal to the actual principal and interest requirements becoming due on the Bonds for the period in question.

Section 4.03. Notwithstanding the annual commitment of the Board to pay the entire annual rental due each year hereunder and accordingly the entire annual principal and interest requirements becoming due on the Bonds, in accordance with the provisions of the Act and the Regulations of the Commission, the Commission has agreed under the Participation Agreement, which agreement is incorporated in this 2012 Lease by reference as fully as if copied herein, to participate in meeting payments required for the principal and interest requirements on the Bonds in an annual amount not to exceed the Agreed Participation.

The Adjusted Agreed Participation shall be paid directly to the Paying Agent semi-annually on the 1st day of December and the 1st day of June, commencing June 1, 2012. The December payment shall be equal to the interest becoming due on the Bonds on December 1 and the June payment shall be equal to the interest becoming due June 1, plus the principal due on June 1.

The rental payments due from the Board each year shall be such amounts as may from year to year be necessary to meet the principal and interest requirements of the Bonds, plus the costs of maintaining and insuring the Projects and paying necessary Bond administration expenses and shall be paid directly to the Paying Agent on November 15 and May 15 of each year, commencing May 15, 2012.

## ARTICLE V

### ANNUAL OBLIGATIONS; OPTION TO RENEW

Section 5.01. Nothing herein contained shall be construed as binding the Board to renew this 2012 Lease or pay the rentals due hereunder for any but the first period ending June 30, 2012, exclusive option to renew said Lease, but said Lease shall automatically renew itself each year for a period of one year unless the Board shall at least sixty (60) days prior to the beginning of any year send written notice of its intention not to exercise its option to renew to the Corporation, to the Kentucky Department of Education, the Commission and to the original purchaser of the Bonds.

Section 5.02. Any other provisions herein to the contrary notwithstanding, the Board shall be liable to the extent only of its anticipated revenue for the year herein provided during which any obligation of it arises, and all obligations herein are on an annual basis; however, the Board shall not have the right to renew this 2012 Lease for any year unless its anticipated revenue is such that it can become legally obligated in the amount herein provided as being the annual obligation of the Board if this Lease is renewed. For the purposes of this 2012 Lease, the Commission's Agreed Participation shall be considered as anticipated revenue of the Board for the initial rental year.

## ARTICLE VI

### CONVEYANCE TO BOARD ON PAYMENT OF BONDS

Section 6.01. It is understood and agreed that if the Board shall pay the rentals above specified from year to year and to and through the year 2024, and by reason of the application of such rentals to the payment of the principal and interest on said Bonds, said Bonds shall have on June 1, 2024, or at any time, through any other method, been fully paid redeemed, canceled and retired, the Corporation will convey said properties to the Board free of all liens and encumbrances, and any balance remaining in the 2012 Bond Fund and maintenance fund for the payment of said Bonds will be returned to the Board.

## ARTICLE VII

### CONTRACT VOID IF NOT RENEWED

Section 7.01. It is further understood and agreed that should the Board fail to exercise its option to renew this 2012 Lease in any year, then this contract shall become null and void, and the Board shall give immediate possession of the Project properties to the Corporation for the benefit of the Registered Owners of the Bonds.

## ARTICLE VIII

### APPLICATION OF INSURANCE PROCEEDS

Section 8.01. It is further agreed that in case the buildings constituting the Projects on said premises are totally destroyed by fire, lightning, windstorm or other hazard covered by insurance, the Corporation shall have the right to expend such proceeds to restore the property; that if such proceeds are not expended by the Corporation for the restoration of said properties at the earliest practicable date, then all such insurance proceeds shall be used for the purpose of redeeming said outstanding Bonds, and said properties shall be and become the properties of the Board, in which case the Corporation shall convey said properties to the Board free and clear of all encumbrances. In the event of partial destruction by fire, lightning, windstorm or other hazard covered by insurance, it is agreed between the parties that the proceeds of such insurance solely and only for the purpose of making the necessary replacements and repairs to the Projects and improvements, provided further that if following such partial or complete destruction any principal or interest payment is due on the Bonds and there are no other funds available for said payments, such insurance proceeds must be applied to prevent a default in such payment.

## ARTICLE IX

### OPTIONS TO PURCHASE SITES

Section 9.01. BOARD'S OPTIONS TO PURCHASE PROPERTIES. The Refunding Bonds are issued subject to the Board having the right on any date to purchase from the Corporation, and to secure the release from the statutory mortgage liens and pledges of revenues securing the Bonds of either of the properties constituting the Projects herein described and identified for a price equal to the proportionate principal amount of said Bonds then outstanding on the date upon which said option is exercised, plus a sum equal to the accrued interest on said principal amount of Refunding Bonds to said date upon which said option is exercised, plus a further sum sufficient to accomplish the complete redemption and retirement (or defeasance) of such principal amount of said Refunding Bonds; subject to the rights of the owners of the Remaining Bonds.

## **FIRST OPTION**

### **EAST HARDIN MIDDLE SCHOOL**

The Board shall have the right on any date to purchase from the Corporation and secure the release from the statutory mortgage lien and pledge of revenues securing the Bonds, the property hereinafter described and identified as Tract I for a price of \$4,639,500\*, together with a sum equal to the interest on a principal amount of said Bonds equal to said sum to the date upon which the option is exercised.

## **SECOND OPTION**

### **WEST HARDIN MIDDLE SCHOOL**

The Board shall have the additional right on any date to purchase from the Corporation and to secure the release from the statutory mortgage lien and pledge of revenues securing the Bonds, all of the property hereinafter described and identified as Tract II for a price of \$4,639,500\*, plus accrued interest as provided in the first option hereinbefore set forth. This option shall be exercised only at the time and in the manner specified in connection with the first option above set forth.

## **THIRD OPTION**

### **SONORA / UPTON ELEMENTARY SCHOOL**

The Board shall have the additional right on any date to purchase from the Corporation and to secure the release from the statutory mortgage lien and pledge of revenues securing the Bonds, all of the property hereinafter described and identified as Tract III for a price of \$6,186,000\*, plus accrued interest as provided in the first option hereinbefore set forth. This option shall be exercised only at the time and in the manner specified in connection with the first option above set forth.

As the Bonds are paid in the regular course of business, the principal amount of Bonds so retired shall be credited ratably on each of the Options set forth above, and thereafter the price at which the Board may exercise any of said Options shall thus be reduced; i.e., for each Bond which matures and is paid in the regular course of business, 30% of the principal amount thereof shall be credited on the first option price, 30% of the principal amount thereof shall be credited on the second option price and 40% of the principal amount thereof shall be credited on the second option price.

If the Board shall desire to exercise either of said options, it may do so by giving notice of its election in writing to the Corporation at least ninety (90) days prior to the date upon which it desires to exercise said options. Thereupon, the Corporation shall direct the Paying Agent to call for payment a principal amount of said Bonds equal to the required option price, such call to be strictly in accordance with the provisions of such Bonds and of the Bond Resolution. Notwithstanding anything contained in this Resolution to the contrary, the Board shall have the right to exercise its option to purchase through the defeasance of the Bonds in the event said Bonds are not immediately subject to prior redemption on the date the option is exercised; provided, however, that sufficient funds shall be deposited by the Board in escrow to provide for the principal and interest requirements becoming due on said amount of Bonds, and all expenses incident to the defeasance of said Bonds, until such time as said Bonds are fully paid and retired.

## **ARTICLE X**

### **LIMITATION OF STATUTORY MORTGAGE LIENS**

Section 10.01. The parties hereto agree that there shall be inserted in the form of Bond Certificate a clause reading substantially as follows:

"The statutory mortgage liens upon and the pledges of the revenues derived from said school building properties, which are hereby recognized as valid and binding, (but subject to the rights of the Owners of the Remaining Bonds) are hereby created and granted in favor of the Registered Owner of this Bond and the issue of which it forms a part, and said school building properties and any appurtenances thereto shall remain subject to said statutory mortgage liens and revenue pledges until the payment in full of the principal and interest on this Bond and the issue of which it forms a part; provided, however, that said statutory mortgage liens and revenue pledges are and shall be restricted in their application to the school building and the appurtenances thereto financed by this Bond and the issue of which it forms a part, and such easements and rights of way for ingress, egress and the rendering of services thereto as may be necessary for the proper use and maintenance of the same; the right being hereby expressly reserved to erect or construct upon the school sites described in the Resolution authorizing the issuance of said Bonds and in the Lease under which same is leased to the Board of Education of Hardin County School District other independently financed

school building projects free and clear of said statutory mortgage liens and revenue pledges, which other independently financed school building projects may or may not have a party wall with and adjoin the school buildings and appurtenances which are subject to said statutory mortgage liens and revenue pledges, provided no part of the cost of said other independently financed school building projects are paid from the proceeds of the sale of this Bond and the issue of which it forms a part; and provided the necessary easements for ingress and egress shall be deemed to exist and continue to exist for all school buildings, improvements and additions financed by this or other bonds".

The parties hereto agree that this 2012 Lease is subject to the provisions of said clause as inserted in the form of Bonds.

## **ARTICLE XI**

### **LEGAL DESCRIPTION OF PROJECT SITES LEASED**

Section 11.01. The school building Projects and appurtenances financed from the proceeds of the Bonds and which are subject to the statutory mortgage liens and pledges of revenues securing said Bonds are located upon the sites described in Exhibit C to this Lease. Notwithstanding anything contained herein to the contrary, said liens and revenue pledges securing the Bonds are restricted in their application to the exact locations of the buildings constituting Projects and appurtenances, with rights of way for ingress and egress, and the right is specifically reserved by the Corporation and/or the Board to construct upon any unoccupied portion of the school sites hereinafter described other structures and improvements for school purposes, which structures and improvements shall not be subject to any extent to said liens and pledges.

## **ARTICLE XII**

### **MAINTENANCE AND INSURANCE**

Section 12.01. It is agreed and understood that so long as the Board continues to lease the school buildings it will, at its own expense, maintain and keep same in good state of repair and will procure and pay the cost of insurance on the Projects buildings and the contents thereof against loss by fire, lightning, windstorm or other hazard, and that the amount of such insurance shall be at all times the full insurable value of the building and the contents thereof or the amount of the Bonds outstanding from time to time, whichever is greater.

## **ARTICLE XIII**

### **PARTICIPATION AGREEMENT; ASSIGNMENT TO SECURE BONDS**

Section 13.01. Pursuant to the provisions of the Commission Act, the Regulations of the Commission promulgated thereunder, and the Bond Resolution, the Commission has determined that the Board is eligible for assistance from the Commission.

Pursuant to the Act and the Regulations of the Commission, the Commission has determined its Adjusted Agreed Participation which is to be applied to the debt service requirements for the Bonds herein identified on June 1 and December 1 of each year; therefore, the Commission hereby agrees to participate through the payment identified to be applied to the principal and interest requirements of the Bonds.

Section 13.02. Notwithstanding anything contained herein to the contrary, the obligation of the Commission to participate in meeting the rental payments due hereunder shall be limited to the biennial budget period of the Commonwealth of Kentucky and the Commission's obligation to participate to the extent of the contractual amount fixed herein shall be limited to the period commencing upon the date of this Lease and terminating on June 30, 2012.

Section 13.03. In order to secure the Bonds, the Board does hereby pledge to the payment of that portion of the rentals due hereunder the Adjusted Agreed Participation to which it is entitled under the Adjusted Participation Agreement to the Corporation and does hereby assign to the Corporation for the benefit of the Registered Owners of said Bonds all of its rights in and to the Adjusted Agreed Participation until June 1, 2024.

**ARTICLE XIV**  
**ANNUAL ASSIGNMENT OF BOARD'S RIGHT TO STATE FUNDS**

Section 14.01. Under the terms of this Lease, and any renewal thereof, the Board hereby agrees so long as the Bonds remain outstanding, and in conformance with the intent and purpose of Section 157.627(5) of the Act and KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under this Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board hereby grants under the terms of this Lease and Participation Agreement to the Corporation and the Commission the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

Section 14.02. The Corporation, by the execution of this Lease, hereby assigns to the Commission its rights in and to the rentals due hereunder, and hereby delegates to the Commission the right to intercept any monies due the Board in accordance with Section 14.01 hereof in the event of a failure by the Board to pay said rentals in a timely manner pursuant to the provisions of KRS 157.627 (5).

**ARTICLE XV**  
**CORPORATION'S COVENANT TO MAINTAIN CORPORATE EXISTENCE**

Section 15.01. The Corporation hereby covenants in accordance with the Bond Resolution that so long as any of the Bonds remain outstanding and unpaid it will not amend its Articles of Incorporation in any manner adversely affecting the security and rights of the Registered Owners of the Bonds.

Section 15.02. The Corporation further covenants that so long as any of the Bonds remain outstanding and unpaid it will maintain its corporate existence and continue in good standing as a non-profit, non-stock, Kentucky corporation and file all reports, including the required annual "Certificate of Continued Existence", and comply with all requirements of Kentucky and Federal law so as to continue its corporate existence as a lawfully constituted Kentucky corporation and agency and instrumentality of the Board.

**ARTICLE XVI**  
**CONTRACTUAL PROVISIONS SUBORDINATE TO RIGHTS OF  
REGISTERED OWNERS OF BONDS**

Section 16.01. It is hereby agreed that the provisions of this 2012 Lease are hereby subordinate to the rights of the Registered Owners of the Refunding Bonds; which rank on the basis of parity with the rights of the Owners of the Remaining Bonds.

**ARTICLE XVII**  
**BOND ADMINISTRATION EXPENSES; FEES AND CHARGES OF  
BOND REGISTRAR/PAYING AGENT**

Section 17.01. The Board agrees to pay as additional rentals due under this 2012 Lease all of the fees, charges and expenses of the Bond Registrar and Paying Agent as set forth in a certain Appointment Agreement by and between the Bond Registrar/Paying Agent, the Corporation and the Board. The Board understands and agrees that the semiannual rental payments due under this 2012 Lease as set forth in the Article III hereof must be remitted to the Paying Agent no later than the date specified in order that said semiannual rental payments may be applied to the payment of interest on and principal of the Bonds as the same become due.



## HARDIN COUNTY SCHOOL DISTRICT FINANCE CORPORATION

## BOARD OF EDUCATION OF THE HARDIN COUNTY SCHOOL DISTRICT

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COMMONWEALTH OF KENTUCKY )  
 ) SS  
COUNTY OF HARDIN )

I, the undersigned and duly elected and acting Clerk of Hardin County Court in and for the County and State aforesaid, hereby certify that on the \_\_\_\_ day of \_\_\_\_\_, 2012, the foregoing Lease Agreement was filed in my office to be and has been together with the foregoing certificates attached thereto, recorded in Lease Book \_\_\_\_\_, at Page \_\_\_\_\_.

Witness my hand this \_\_\_\_\_ day of \_\_\_\_\_, 2012.

Hardin County Clerk

The foregoing instrument was prepared by David B. Malone Steptoe & Johnson PLLC, Attorneys at Law, 2218 Frankfort Avenue, Louisville, Kentucky 40206.

DAVID B. MALONE