

PARTICIPATION AGREEMENT

THIS PARTICIPATION AGREEMENT, made and entered into as of February 22, 2011 by the SCHOOL FACILITIES CONSTRUCTION COMMISSION, an independent corporate agency and instrumentality of the Commonwealth of Kentucky (the "Commission") and the BOARD OF EDUCATION OF THE HARDIN COUNTY SCHOOL DISTRICT, a political subdivision of the Commonwealth of Kentucky (the "Board");

WITNESSETH:

THAT WHEREAS, the Commission has been established pursuant to the provisions of Sections 157.611 through 157.640 of the Kentucky Revised Statutes, as repealed, amended and reenacted (the "Act"), for the purpose of assisting local school districts in meeting the school construction needs of the State in a manner which will ensure an equitable distribution of funds based upon unmet need, and

WHEREAS, pursuant to Section 157.622 of the Act, the Commission in reliance upon certified statements from the Kentucky Department of Education acting on behalf of the Kentucky Board of Education required under Section 157.620 of the Act, has determined that the Board is entitled to financial assistance from the Commission in meeting the unmet need of the Board as that term is defined in the Act and has made an Offer of Assistance to the Board to provide financial assistance through the payment of a portion of the principal and interest requirements (the "Agreed Participation") of School Building Revenue Bonds issued by the Hardin County School District Finance Corporation (the "Corporation") acting by and through its Board of Directors on behalf of the Board, and

WHEREAS, the Commission based upon the criteria contained in the Act and its Regulations has determined that the Board has met the requirements of Section 157.620(1) of the Act and that the Board is entitled to an annual Agreed Participation by the Commission equal to approximately \$154,000 to be applied to the annual debt service requirements for the Bonds herein identified, subject to the terms of this Participation Agreement, to be applied to the payment of principal and interest requirements of School Building Revenue Bonds issued by the Corporation on behalf of the Board pursuant to the provisions of Sections 162.120 through 162.300 and 162.385 of the Kentucky Revised Statutes as repealed, amended, and reenacted (the "School Bond Act") in order to finance the Project qualified under the Act hereinafter identified, and

WHEREAS, pursuant to the provisions of the Act and the Regulations and Resolutions of the Commission promulgated thereunder and in compliance with the criteria or system for establishing priorities among applications by the Commission under the Act as certified by the Kentucky Board of Education relating to the ranking and approval of applications by eligible districts for financial assistance for the construction or major renovation of school facilities, the Commission has determined that the Board is entitled to assistance from the Commission in accordance with the Act for the purpose of constructing or reconstructing the school facilities as identified in the plans and specifications prepared by the Architects for the Board (the "Project"), and

WHEREAS, the Board, in order to carry out the duty and authority vested in the Board, desires to maintain adequate school facilities for the district which it serves and has applied under the Act for assistance and has accepted the Commission's Offer of Assistance in financing the construction of said Project, and

WHEREAS, it is desired that the Corporation, acting on behalf of the Board authorize, sell, issue and deliver its "School Building Revenue Bonds, Series of 2011, dated February 22, 2011" (the "Bonds") on behalf of the Board pursuant to the provisions of the School Bond Act, and

WHEREAS, pursuant to the provisions of the Act and the Regulations and Resolutions of the Commission promulgated thereunder, the Commission has duly passed and adopted a Resolution approving the Offer of Assistance to the Board and the issuance of School Building Revenue Bonds by the Corporation on behalf of the Board and the Commission has committed itself to participate in providing part of the costs of construction of the Project through the payment of the Agreed Participation on the Bonds and has entered into this Participation Agreement in order to document its participation, and

WHEREAS, the Board has agreed to allocate the Board's Contribution to the Project from its own funds in order to qualify for assistance from the Commission and ensure that the Project shall be completed in accordance with the requirements of the Act and the criteria established by the Kentucky Board of Education thereunder;

NOW, THEREFORE, in consideration of the mutual covenants herein contained, 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 1988 Regular Session of said General Assembly as repealed and reenacted by House Bill 940 enacted by the 1990 Regular Session of said General Assembly.

"Adjusted Agreed Participation" means the Agreed Participation or Amended Participation as applied to the principal and interest requirements of Refunding Bonds in accordance with Article X hereof.

"Agreed Participation" means that portion of the Percentage Discount or Rate of Participation to which the Board has been determined to be entitled by the Commission for the Project; said annual amount being equal to approximately \$154,000 to be applied to the annual debt service requirements for the Bonds herein identified which is the maximum annual amount which the Commission will pay toward principal and interest requirements of the Bonds. The actual annual Agreed Participation for each year is set forth in Exhibit A hereto.

"Agreement" means this Participation Agreement.

"Architects" means the firm of licensed Kentucky architects employed by the Board for the design of the construction of the respective Project.

"Available Local Revenue" means the amount required under the Act, as determined by the Department, in order for the Board to qualify as an Eligible District under the Act.

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

"Board's Contribution" means that part of the "Available Local Revenue" under the Act and the Regulations of the Commission which the Board is required to expend for the Project in order to qualify as an "Eligible District" under the Act and the Regulations of the Commission; no Cash Contribution shall be required of the Board, but the Board shall be required to pay an annual Debt Service Requirement in such amount as is necessary to meet the principal and interest requirements of the Bonds to the extent the Agreed Participation is insufficient.

"Bonds" means \$3,750,000 aggregate principal amount of "Hardin County School District Finance Corporation School Building Revenue Bonds, Series of 2011, dated February 22, 2011" authorized pursuant to the Resolution of the Board of Directors of the Corporation and this Agreement.

"Bond Fund" or "Sinking 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 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.

"Construction" means and includes inter alia (a) preliminary planning to determine the feasibility of the Project; the engineering, architectural, legal, physical, and economic investigations and studies necessary thereto; and surveys, designs, plans, working drawings, specifications, procedures and other actions necessary for the construction of the Project; (b) the erection, building, acquisition, alteration, remodeling, improvement or extension of the Project; (c) the inspection and supervision of the construction of the Project, and all costs incidental to the construction and financing of same; and such terms shall also relate to and mean any other physical devices or appurtenances in connection therewith, or reasonably attendant thereto; and (d) any and all other acts performed in connection with the planning, implementation, acquisition, financing or construction of the Project.

"Construction Contract" means the contract or contracts relating to the construction of the Project entered by the Corporation and the Board.

"Construction Fund" means the Construction Fund established under the Bond Resolution authorizing the Bonds.

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

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

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

"Lease Agreement" or "Lease" means the agreement by and between the Corporation and the Board dated as of February 22, 2011 whereunder the Project financed with the Bonds has been leased by the Corporation to the Board and the rental revenues derived thereunder pledged to the payment of the Bonds.

"Offer of Assistance" means the offer, subsequently amended, submitted to the Board by the Commission pursuant to the Act and its Regulations, indicating the required amount of Available Local Revenue, as certified by the Department; the priority order of facilities to be built, as certified; the Commission's Rate of Participation; and such other terms and conditions as required by the Regulations of the Commission.

"Percentage Discount" as defined under the Act or "Rate of Participation" as defined under the Regulations of the Commission means the total annual amount to which the Commission has determined the Board is entitled under the Act and Regulations to be applied to the Board's "Unmet Need" as defined in the Act.

"Project" means renovations at Radcliff Middle School which has been identified on the Priority Order of the Approved School Facilities Plan and Offer of Assistance.

"Refunding Bonds" means a subsequent issue of School Building Refunding Revenue Bonds issued on behalf of the Board to refund or defease all or a portion of the Bonds in accordance with Article X and Exhibit B.

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

"Requisition for Funds" means the voucher in substantially the same form as that set forth in the Bond Resolution submitted by the Board to effect the payment for costs of the Project from the Construction Fund.

"Schedule of Principal and Interest Requirements" means the schedule attached to this Agreement as Exhibit A, setting forth the total principal and interest requirements for the Bonds as established by the sale of said Bonds and indicating the Commission's Agreed Participation and that part of the Board's Debt Service Contribution allocated to the Bonds, respectively.

"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

BOARD'S PARTICIPATION IN FINANCING PROJECT

Section 2.01. Acceptance of Commission's Participation by the Board. The Board has by Resolution accepted the Commission's Offer of Assistance, as amended, in financing the construction of the Project and has by Resolution authorized the execution of this Agreement and the execution of the Lease. By the execution of this Agreement, the Board certifies to the Commission that the Resolution authorizing the Board's participation has been duly adopted in accordance with law.

Section 2.02. Board's Contribution Established. By the acceptance of the Commission's Offer of Assistance, as amended, and the execution of this Agreement, the Board hereby agrees to pay the amount indicated in Article I as the Board's Contribution to the Project. In the event the Board is required to make a Cash Contribution, the Cash Contribution shall be paid by the Board to the Construction Depository for deposit to the Construction Fund and shall be utilized in the Construction of the Project provided, however, that if the Board has expended all or part of its Cash Contribution prior to the deposit of the proceeds of the Bonds in the Construction Fund, the Board shall receive a credit against its Cash Contribution to the extent the expenditures constituting said advance payments are documented, accepted, and approved by the Commission. Notwithstanding anything contained herein or contained in the Regulations of the Commission to the contrary, for the purposes of this Agreement the deposit to the Construction Fund of the Board's Cash Contribution shall constitute an "expenditure" within the meaning of the Regulations regardless of whether or not such funds have been actually applied to Construction.

**ARTICLE III
BOARD'S CONSTRUCTION OF PROJECT**

Section 3.01. Commission as Conduit of Board's Funds: Board to Construct Project. The Commission and the Board agree and acknowledge that pursuant to the Act the Commission is a conduit to provide financial assistance to the Board under the Act. Therefore, in accordance with the Act and the Constitution of the Commonwealth, the Project shall constitute a public project of the Board, and the Corporation acting on its behalf, and shall not be considered a project of the Commission within the meaning of Kentucky law; the legal responsibility for the construction, operation and maintenance of the Project being vested exclusively in the Board. The Commission and the Board acknowledge and agree that the proceeds of the Bonds shall be considered as funds of the Board, or the Corporation acting on its behalf, and the Board, or the Corporation acting on its behalf, shall be solely responsible for the acquisition, design, and construction of the Project.

Section 3.02. Construction Contracts. The Board agrees that prior to the public sale of the Bonds it will proceed to let contracts for the construction of the Project and will initiate the construction of the Project within a reasonable time following the delivery of the Bonds.

The plans and specifications for the Project shall conform with the requirements of and shall be subject to the approval of the Department.

Section 3.03. Board's Obligations Conditioned Upon Delivery of Bonds. All of the obligations of the Board set forth in this Agreement are conditioned upon the successful sale and delivery of the Bonds identified herein by the Corporation acting on behalf of the Board.

**ARTICLE IV
ISSUANCE OF BONDS**

Section 4.01. Board's Covenant to Issue Bonds. The Board covenants to proceed with the issuance of the Bonds through the Corporation in accordance with the School Bond Act based upon the Commission's commitment to its Agreed Participation substantially in accordance with the Schedule of Principal and Interest Requirements set forth in Exhibit A to this Participation Agreement.

The Bonds for the Project shall be issued in the total principal amount indicated in Article I of this Participation Agreement, and shall be scheduled to mature as to principal annually in each of the years set forth in said Schedule of Principal and Interest Requirements and bear interest from their date payable semi-annually.

The Bonds shall constitute special obligations of the Corporation in accordance with their terms as set forth in the Bond Resolution and shall be payable from the rental revenues derived by the Corporation from the Board under the Lease Agreement. It is understood and agreed to between the parties that the Commission's Agreed Participation as herein defined and the Board's annual right to any undisbursed funds from the Department shall be assigned and pledged to the Corporation in accordance with the terms hereof, the Bond Resolution, the Lease, and so long as this Agreement remains in effect, same shall be applied by the Paying Agent in order to meet principal and interest requirements of the Bonds.

Section 4.02. Establishment of Commission's Agreed Participation. Pursuant to the provisions of the Act and the Regulations and Resolutions of the Commission, the Commission has determined that the Board is eligible for assistance from the Commission in meeting the costs of Construction of the Project and the Commission has determined the degree of its participation or the Agreed Participation in financing the Project shall be as set forth in Article I of this Agreement; therefore, the Commission hereby agrees to participate in financing the Project through the semi-annual payments of its Agreed Participation.

Notwithstanding anything contained in this Agreement to the contrary, the obligation the Commission to pay on behalf of the Board, the Agreed Participation established hereunder shall be limited to the biennial budget period of the Commonwealth and the Commission's obligation to participate to the extent of the contractual amount of said Agreed Participation fixed herein shall be limited to the period commencing February 22, 2011 and terminating on June 30, 2012; provided, however, that in the event the Commission elects not to continue to pay its Agreed Participation herein established, it shall give written notice to the Board and the original purchaser of the Bonds at least sixty (60) days prior to the expiration of the biennial budget period of the Commonwealth then in effect.

That nothing in this Agreement nor in the Lease shall be construed as binding the Commission to participate in the financing of the Project through the payment of the Agreed Participation herein established for any but the first biennial budget period ending June 30, 2012, but the obligation of the Commission to make said payments shall automatically renew itself each two years for a period of two years unless the Commission shall give notice of its intention not to participate and make payments on the Agreed Participation as herein set forth.

The Commission, by the execution of this Agreement and the adoption of the Resolution authorizing its execution, hereby expresses its present intention to continue to pay the Agreed Participation in each successive biennial budget period until the retirement of the Bonds, but the execution of this Agreement does not obligate the Commission to do so.

That the Commission's participation in financing the costs of the Project through the payments due on the Agreed Participation shall be effected through semi-annual remittances directly to the Paying Agent in immediately available funds in accordance with the Schedule of Principal and Interest Requirements on the dates the principal and/or interest requirements are due on the Bonds.

The Commission shall notify the Board in writing at the time each semi-annual payment on the Agreed Participation is made.

Section 4.03. Establishment of the Board's Contribution. The Board's Contribution in financing the Project has been determined to be as set forth in Article I of this Agreement; therefore, the Board agrees to participate in financing part of the costs of the Project and to the payment of the Board's Contribution in the amount specified. To the extent of the Board's Debt Service Contribution, the Board shall make semi-annual remittances directly to the Paying Agent in accordance with the Schedule of Principal and Interest Requirements on the fifteenth day of the month preceding the dates the principal and/or interest requirements are due on the Bonds.

Section 4.04. Board's Covenant to Complete Project. Notwithstanding anything contained herein to the contrary, the Board covenants and agrees with the Commission that in the event the actual costs of Construction exceed estimates and the proceeds of the Bonds deposited in the Construction Fund, it will complete construction of the Project in accordance with the plans and specifications of its Architect to the satisfaction of the Commission and Department. The Board agrees and understands that the responsibility for providing additional monies to complete the Project in the event Construction Fund monies are not sufficient shall be the sole responsibility of the Board.

ARTICLE V DISBURSEMENT OF BOND PROCEEDS

Section 5.01. Accounts Established. In accordance with the terms of the Bond Resolution, the proceeds received from the sale of the Bonds shall be disbursed in the following order and manner:

A. The amount representing interest accrued on the Bonds from their date to the date same are delivered shall be deposited in the Bond Fund established under the Bond Resolution and applied to the interest becoming due on the Bonds on the next succeeding interest due date. The Board shall receive a credit against the rentals due under the Lease to the extent of said accrued interest; provided, however, that the Commission shall likewise receive a credit against its Agreed Participation to the extent of its pro rata share of said accrued interest.

B. The costs to the Board and the Commission incident to the issuance of the Bonds shall be deducted from the proceeds of the Bonds and paid in accordance with the orders of the Board and Corporation, subject to the approval of the Commission.

C. The proceeds of the Bonds remaining after the required transfer to the Bond Fund and the payment of the costs of issuance shall be deposited in the Construction Fund and disbursed by the Construction Depository upon the approval of the Board and the Commission in accordance with the provisions of this Agreement and the Bond Resolution.

Section 5.02. Disbursements from Construction Fund. The Construction Fund established under the Bond Resolution shall be maintained with the Construction Depository and disbursed in accordance with the Bond Resolution.

Subject to the provisions in regard to "retainage" hereinafter set forth, monies on deposit in the Construction Fund shall be expended by payments made to defray the costs of Construction. Such payments to be made upon checks drawn upon the Construction Depository by the Treasurer of the Corporation; provided, however, that no checks shall be written on the Construction Fund, until a voucher entitled "Requisition for Funds" signed by the Architect having supervision of the construction of the Project in substantially the form set forth in the Bond Resolution has been submitted to the Board, and the Board has adopted a resolution approving particular disbursements from the Construction Fund.

The Architect shall submit the Requisition for Funds to the Board at least five business days prior to the Board's regular monthly meeting. The Board, after approving the form of Requisition for Funds, shall adopt a resolution authorizing payment. Upon the aforesaid voucher or Requisition for Funds being executed by the Architect and approved by the Board, same shall be forwarded to the Treasurer of the Corporation who shall then be authorized to execute checks drawn upon the Construction Fund from time to time in the necessary amounts; provided, however, vouchers authorizing the reimbursement of the Board or Corporation for expenditures already made for the Project in contemplation of the Bonds being issued shall be approved only by the Board.

No Requisition for Funds shall be submitted which cause payments to any contractor to exceed 90% of the total amount of the contract in question up to \$1,000,000 and 95% of amounts in excess of \$1,000,000. When the work called for under the contract in question has been completed, such completion has been certified to the Commission by the Architect and approved by the Board and the duly authorized representative of the Department, the "retainage" on the contract in question may be reduced to 5% of the total amount of the contract by checks drawn upon the Construction Fund by the Treasurer of the Corporation.

The 5% retainage on each contract shall not be disbursed until the Commission has received the certification of the Department that construction is complete in accordance with the plans and specifications filed and contract documents based upon final inspection and the Commission has received a properly executed copy of the resolution adopted by the Board accepting and approving the completed Project. All interest earned on the "retainage" shall be carried to the credit of the Construction Fund.

The surplus, if any, remaining in the Construction Fund after the payment of all costs of construction may be used for contingencies, additional construction costs or equipment related to the Project, or may be transferred to the Bond Fund. In the event of a transfer to the Bond Fund, the Board shall receive a credit in the amount of such transfer against the rentals then due under the Lease; provided, however, that the Commission shall likewise receive a credit against its Agreed Participation due for the period in which the transfer is made in an amount equal to the product of the amount of the transfer times the fraction represented by the Agreed Participation as the numerator and total annual debt service on the Bonds for the year in which the transfer is made as the denominator.

Section 5.03. Investment of Construction Fund. The Construction Depository, at the direction of the Board and Corporation, shall invest monies on deposit in the Construction Fund in accordance with the provisions of the Bond Resolution.

ARTICLE VI BOARD'S COVENANT TO OPERATE, MAINTAIN, AND INSURE PROJECT

Section 6.01. Board's Covenants. In consideration of the contribution by the Commission of its Agreed Participation to the construction of the Project, the Board covenants and agrees that so long as any of the Bonds remain outstanding and unpaid, the Board will operate and maintain the Project in accordance with the requirements of Kentucky law and Regulations of the Commission and the Department and continue to pay the rentals due under the Lease Agreement for application to the payment of the Bonds. In addition, the Board covenants and agrees to maintain and insure the Project in accordance with the provisions of the Bond Resolution.

Any other provisions of this Agreement to the contrary notwithstanding, the Board shall be monetarily liable to the extent only of its anticipated revenue during any year in which this Agreement is in effect and during which said obligations of the Board arise and all obligations set forth herein are on an annual basis; provided, however, the Board hereby expresses its present intention to fulfill its obligations under this Agreement in accordance with its terms from year to year until the Bonds have been paid in full, plus all interest thereon.

ARTICLE VII MAINTENANCE AND INSURANCE

Section 7.01. Board's Obligation to Maintain and Insure. It is agreed and understood that so long as the Bonds remain outstanding the Board will continue at its own expense to maintain and keep the Project in a good state of repair in accordance with the requirements of Kentucky law and the Regulations of the Commission and the Department and will procure and pay the costs of insurance on all buildings against loss by fire, lightning, windstorm, or other hazard covered by standard fire insurance policy with standard endorsement of "extended coverage"; the amount of such insurance shall be at all times the full insurable value of the Project or the amount of Bonds outstanding from time to time, which ever is greater. From and after the occupancy of the Project (or any part thereof) by the Board and so long as such occupancy continues the Board shall, on or about July 1 of each year, furnish the Commission (as well as the Department) a report showing the types and amount of insurance coverage procured and maintained with respect to said Project.

Section 7.02. Application of Insurance Proceeds. It is further agreed that in case any of the buildings constituting the Project are totally destroyed by the hazards covered by insurance, the Board shall have the right to spend such proceeds to restore the Project; that if such proceeds are not expended by the Board for restoration of said Project at the earliest practical date, then all of such insurance proceeds shall be used for the purpose of redeeming outstanding Bonds; all subject to the terms and conditions of the Bond Resolution. In the event of partial destruction by the hazards covered by insurance, it is agreed by the parties hereto that the proceeds of such insurance shall be used solely and only for the purpose of making necessary replacements and repairs to the Project, provided, however, that if following such partial or complete destruction any principal or interest payment is due on the Bonds and there are not sufficient funds available for such payment, such insurance proceeds shall be applied to prevent a default in payments; all subject to the terms of the Bond Resolution.

ARTICLE VIII

GENERAL COVENANTS OF THE BOARD

Section 8.01. Board's Assignment to Commission to Insure Payment of Rentals. The Board agrees that so long as the Bonds remain outstanding, and in conformance with the intent and purpose of Section 157.627(5) of the Act, unless the Commission has received from the Board, in the event of a failure by the Board to comply with the terms of the Lease, Bond Resolution, or this Agreement and the payment of the Bonds, satisfactory evidence that sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying debt service requirements and administrative costs on the Bonds when due, the Commission on behalf of the Corporation shall have the right to notify and request that the Department withhold from the Board a sufficient portion of any undisbursed funds then held, set aside or allocated to the Board and to request the Department to transfer the required amount thereof to the Paying Agent for the account of the Board.

Under the terms of the Lease Agreement the Corporation has assigned to the Commission its rights to the rentals due thereunder and has delegated to the Commission the authority to collect said rentals on behalf of the Corporation from the Department in the event of a failure by the Board to pay said rentals in a timely manner. The Commission, by the execution of this Agreement, hereby accepts said assignment and delegation and agrees to request said Department to make the required transfers from the Board's undisbursed funds in the event of the Board's delinquency.

Section 8.02. Board to Require Periodic Accounting from Depositories. The Board covenants and agrees that not less than annually, or more frequently should the Commission request, to supply the Commission with periodic accountings from all depositories of funds related to the Bonds on such forms as may be prepared or supplied by the Commission or as the Commission otherwise directs.

Section 8.03. Audit of Board. The Board covenants and agrees that so long as the Bonds remain outstanding, the Board will supply audits of the financial records of the Board relating to the Project prepared by Certified Public Accountants which will be made available to the Commission not less than annually.

The Commission shall supply the Board's accountants with summary identification and description of the Bonds with the request that the financial records of the Board relating thereto be audited as part of the annual audit of the Board and that a separate statement or report thereof be filed with the Commission.

ARTICLE IX

BOARD'S OPTIONS TO PURCHASE PROJECT

Section 9.01. Board's Options to Purchase. It is agreed and understood between the parties that under the Lease the Board shall have the right at any time to purchase from the Corporation and to secure the reconveyance of the site or sites of the Project for a price equal to the proportionate principal amount of Bonds then outstanding, together with a sum equal to the interest due or to become due on said principal amount of Bonds until the retirement thereof, plus all expenses incident to the retirement of said Bonds.

The Board may exercise its options by giving the Commission, as well as the Corporation, at least ninety days (90) written notice prior to the date the purchase price is to be tendered.

In the event the Board exercises its right to purchase the Project, then upon sufficient funds being deposited and earmarked for the retirement of the proportionate amount of Bonds then outstanding, the Board's obligation to pay the annual rentals under the Lease for the site purchased shall cease. In the event the Board exercises its option to purchase under the Lease, the Commission shall have the option to continue to pay its Agreed Participation over the term of the Bonds, or to liquidate a proportionate amount of its Agreed Participation by contributing to the retirement of the Bonds in cash, (i) the principal amount of Bonds to be retired or defeased, (ii) the interest due or to become due on said principal amount of Bonds until the retirement thereof, and (iii) the redemption premium, if any, on said principal amount.

In the event the Commission shall elect not to liquidate its Agreed Participation in conjunction with the Board's exercise of its option to purchase, the Commission shall continue to make all payments due under and in accordance with this Agreement as if provisions had not been made by the Board for the retirement of the Bonds; provided, however, that said payments shall be made directly to the Board.

ARTICLE X

COMMISSION'S RIGHTS REGARDING REFINANCING

Section 10.01. Board's Covenant to Initiate Refinancing. In consideration of the Commission's participation, the Board agrees to initiate and complete in accordance with its rights under the School Bond Act a refinancing, refunding or defeasance of the Bonds upon the request of the Commission. Nothing herein contained shall prohibit the Board from initiating a refinancing based upon its own determination, but the terms shall be subject to the approval of the Commission, as well as the Department.

Section 10.02. Savings to Board Unencumbered. In the event of a refinancing as contemplated by **Section 10.01**, any reduction in the Commission's share of the debt service on the Bonds and corresponding reduction in the Commission's Agreed Participation shall be allocated in accordance with KRS 157.622(7).

Section 10.03. Refinancing Subject to Code Provisions. Any refinancing plan shall be subject to the existing terms of the Internal Revenue Code of 1986, as amended, then in effect.

Section 10.04 Execution of Adjusted Agreed Participation Amendment. In the event of a refinancing as authorized in this Article X, the Board shall execute an Adjusted Agreed Participation Amendment in substantially the same form as that attached hereto as **Exhibit B**, which shall include an **Exhibit B-1** indicating the application of the Adjusted Agreed Participation to the principal and interest requirements of the Refunding Bonds. Upon the approval of said Adjusted Agreed Participation Amendment by the Secretary of the Commission said Amendment shall become a part of this Agreement as if included in the original terms hereof and the Adjusted Agreed Participation shall thereafter be applied to the principal and interest requirements of the Refunding Bonds as shown on said **Exhibit B-1**.

Section 10.05 Agreed Participation for Bonds not Refunded. In the event a portion of the Bonds is not refunded the original Agreed Participation or Amended Agreed Participation shall be applied to those Bonds not refinanced and the Adjusted Agreed Participation shall be applied to the Refunding Bonds only.

ARTICLE XI

BOND RESOLUTION AND LEASE AGREEMENT INCORPORATED

Section 11.01. Bond Documents Incorporated. The parties hereto agree that all of the provisions of the Corporation's Bond Resolution and the Lease by and between the Corporation and the Board are incorporated in this Agreement as if copied in full herein.

ARTICLE XII

CONSENT TO ASSIGNMENT

Section 12.01. Commission's Consent to Assignment. The Commission understands and agrees that the Board will assign and pledge this Agreement to the Corporation under the terms of the Lease as additional security for the Bonds and by the execution hereof, the Commission hereby consents to such assignment.

ARTICLE XIII

BOARD'S RESPONSIBILITY FOR EXPENSES INCIDENT TO BOND ISSUE

Section 13.01. Board's Covenant to Pay Expenses. The Board covenants and agrees that all expenses incident to the authorization, issuance, and sale of the Bonds shall be solely the responsibility of the Board, including, but not being limited to, the fees and expenses of the Bond Registrar, Paying Agent, and Construction Depository; all of which expenses shall be considered as additional rentals under the Lease.

ARTICLE XIV

SEVERABILITY

Section 14.01. Provisions Severable. If any section, paragraph, or clause of this Agreement shall be held invalid by any court of competent jurisdiction, the invalidity of said section, paragraph, or clause shall not affect any of the remaining provisions hereof.

IN TESTIMONY WHEREOF, the Board has by Resolution duly adopted, caused this instrument to be executed in its name and on its behalf by its Chairperson and Secretary and the School Facilities Construction Commission has caused this instrument to be executed in its name and on its behalf by its Chairperson, attested by its Secretary, all as of the date of first above written.

**BOARD OF EDUCATION OF THE
HARDIN COUNTY SCHOOL DISTRICT**

By: _____
Chairperson

Attest:

Secretary

**KENTUCKY SCHOOL FACILITIES
CONSTRUCTION COMMISSION**

By: _____
Chairman

Attest:

Secretary

EXHIBIT B TO PARTICIPATION AGREEMENT
ADJUSTED AGREED PARTICIPATION AMENDMENT

THIS ADJUSTED AGREED PARTICIPATION AMENDMENT by and between the Board of Education of the Hardin County School District (the "Board") and the Kentucky School Facilities Construction Commission (the ACommission@) shall supplement and amend the original Participation Agreement (as amended by the Schedule of Supplemental Participation, if applicable) to which it is appended effective as of the date of acceptance hereof by the Commission through the execution hereof by the Secretary of said Commission.

In accordance with Article X of the original Participation Agreement dated February 22, 2011 the Commission has determined that as a result of the issuance by the Corporation on behalf of the Board of \$ _____ of the Corporation's School Building Refunding Revenue Bonds, Series of _____, dated _____ (the "Refunding Bonds") the Agreed Participation or Amended Agreed Participation shall be applied as the Adjusted Agreed Participation to the principal and interest requirements of the Refunding Bonds as shown on Exhibit B-1 hereto.

IN WITNESS WHEREOF, the Board has executed this Adjusted Agreed Participation Amendment this ____ day of _____, ____.

**BOARD OF EDUCATION OF THE HARDIN
COUNTY SCHOOL DISTRICT**

Chairman

ATTEST:

Secretary

APPROVED AND ACCEPTED as of the _____ day of _____, ____.

**KENTUCKY SCHOOL FACILITIES
CONSTRUCTION COMMISSION**

Secretary