

ANNUALLY RENEWABLE LEASE

KENTUCKY ASSOCIATION OF COUNTIES LEASING TRUST PROGRAM

LEASE AGREEMENT

ADMINISTRATOR: Kentucky Association of Counties Leasing Trust

LESSOR: Magnolia Bank, Inc.

LESSEE: City of Hopkinsville, Kentucky

LESSEE'S ADDRESS: 715 South Virginia Street
Hopkinsville, KY 42240

COMMENCEMENT DATE:

TERMINATION DATE:

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but for convenience of reference only)

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LEASE AGREEMENT

This Lease Agreement ("Lease"), dated the date shown on the cover page hereof, by and between the Lessor shown on the cover page hereof ("Lessor"), and the Lessee shown on the cover page hereof (the "Lessee"), as lessee hereunder, a body politic and corporate validly existing under the constitution, statutes and laws of the Commonwealth. The Kentucky Association of Counties Leasing Trust, as administrator ("CoLT") shall also be deemed a party hereto for purposes of administering the Program, as defined herein.

WITNESSETH:

WHEREAS, the governing body of the Lessee (the "Governing Body") has the power, pursuant to Section 65.940 et seq. of the Kentucky Revised Statutes to enter into lease agreements with or without the option to purchase in order to provide for the use of property for public purposes;

WHEREAS, the Governing Body has previously determined, and hereby further determines, that the Lessee is in need of the Project, as defined herein;

WHEREAS, the Governing Body has determined and hereby determines that it is in the best interests of the Lessee that the Lessee and the Lessor enter into this Lease for the leasing by the Lessee from the Lessor of the Project under the Program;

WHEREAS, the execution, delivery and performance of this Lease, have been authorized, approved and directed by the Governing Body by Authorizing Legislation finally passed and adopted by the Governing Body; and

WHEREAS, the Lessor desires to lease the Project to the Lessee, and the Lessee desires to lease the Project from the Lessor, pursuant to the terms and conditions and for the purposes set forth herein, all in accordance with the administration of the Program by CoLT;

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

Section 1. Certain Defined Terms and References. (a) In addition to the terms defined elsewhere in this Lease, the following terms have the meanings given below unless the context clearly requires otherwise:

"Acquisition Fund" means the Acquisition Fund established at U.S. Bank Trust Company, National Association, as Disbursing Agent, pursuant to Section 3 of the Lease.

"Additional Rent" means the aggregate of (i) any expenses (including attorneys' fees and expenses) of the Lessor in defending an action or proceeding in connection with this Lease or in enforcing the provisions of this Lease and (ii) any taxes or any other expenses, including, but not limited to, licenses, permits, state and local sales and use or ownership taxes or property taxes and recording fees and/or other fees which the Lessor is expressly required to pay as a result of or in connection with this Lease.

"Authorizing Legislation" means the resolution or ordinance adopted by the Governing Body approving this Lease.

"Base Rent" means the payments, including the Administrative Fee, the principal and interest components thereof, specified in Exhibit B attached hereto and made a part hereof.

"Commencement Date" means the Commencement Date shown on the cover page hereto.

"Commonwealth" means the Commonwealth of Kentucky.

"Costs" means, with respect to the Project, all or any part of the cost of construction, installation and acquisition of all land, buildings, structures, machinery and equipment; finance charges; extensions, enlargements, additions, replacements, renovations and improvements; engineering, financial and legal services (including costs related to the Lease Closing); plans, specifications, studies, surveys, estimates of costs, revenues, administrative expenses, expenses necessary or incidental to determining the feasibility or practicability of constructing the Project; and such other expenses as the Lessor determines may be necessary or incidental to the construction, installation and acquisition of the Project, the financing of such construction, installation and acquisition, interest during construction, installation or acquisition and the placing of the Project in service.

"Disbursing Agent" means U.S. Bank Trust Company, National Association, in its capacity as Disbursing Agent hereunder, and its successors or assigns.

"Event of Default" means any Event of Default described in Section 22.

"Event of Nonappropriation" means an event described in Section 9.

"Governing Body" means the Governing Body of the Lessee.

"Governmental Leasing Act" means Sections 65.940 through 65.956, inclusive, of the Kentucky Revised Statutes, as the same may be amended from time to time

"Interest Component" means the interest component of a Lease Payment identified as such in Exhibit B.

"Late Payment Rate" means the interest rate identified as such in Exhibit B.

"Lease" means this Lease Agreement as the same may be amended or supplemented from time to time.

"Lease Payments" means the sum of the Base Rent and Additional Rent due at or during a stated time.

"Lease Term" means the term of this Lease, as established by Section 6 hereof.

"Lessee" means the Lessee identified on the cover page hereto.

"Lessor" means the Lessor identified on the cover page hereto.

"Principal Component" means the then outstanding principal amount of the Lease.

"Project" means property the Costs of which are financed or refinanced, or the Costs of which are reimbursed hereunder, as more particularly described in Exhibit A hereto.

"Purchase Price" means, as of any Purchase Price Date, the amount set forth in Exhibit B, which Lessee may pay to purchase the Project.

"Purchase Price Date" means the applicable date referred to in Exhibit B on which Lessee may purchase the Project by payment of the applicable Purchase Price.

"Taxable Rate of Interest" means the interest rate identified as such in Exhibit B.

"Termination Date" means the Termination Date shown on the cover page hereto.

"UCC" means the Uniform Commercial Code as adopted and in effect in the Commonwealth.

(b) References to sections or exhibits, unless otherwise indicated, are to sections of or exhibits to this Lease.

Section 2. Lease of Project. Lessor hereby demises, leases and lets to Lessee, and Lessee rents, leases and hires from Lessor, the Project in accordance with the provisions of this Lease, to have and to hold for the Lease Term. All leasehold rights granted to Lessee by Lessor under this Lease shall vest in Lessee, without any further action on the part of Lessor.

In order to secure all of its obligations hereunder, the Lessee hereby (i) grants to the Lessor a first and prior security interest in any and all right, title and interest of the Lessee in the portions of the Project that constitute personal property and in all additions, attachments, accessions, and substitutions thereto, and on any proceeds therefrom, (ii) agrees that this Lease may be filed as a financing statement evidencing such security interest, and (iii) agrees to execute and deliver all financing statements, certificates of title and other instruments necessary or appropriate to evidence such security interest.

The Lessee hereby declares its current need for the Project and further determines and declares its expectations that the Project will (so long as it is subject to the terms hereof) adequately serve the needs for which it is being acquired throughout the Lease Term. The Lessee hereby determines and declares that, to the best of its knowledge, the period during which the Lessee has an option to purchase the Project (i.e. the maximum term of this Lease) does not exceed the useful life of the Project. In addition, Lessor and Lessee declare that it is their mutual interest for this Lease to be administered by CoLT.

Section 3. Deposit of Funds; Investments. On the Commencement Date, the Lessor shall deliver to Disbursing Agent for deposit into the Acquisition Fund an amount equal to the original Principal Component (or such other amount as may be set forth in Exhibit B hereto). Amounts held in the Acquisition Fund will be promptly invested and reinvested by the Disbursing Agent in investments that are legally permitted for the Lessee pursuant to instructions provided to the Disbursing Agent by CoLT. Lessee hereby requests that CoLT provide such instructions to the Disbursing Agent and invest amounts in the Acquisition Fund for such periods so that the funds will be available for disbursement when needed. In the absence of any written direction from CoLT, such amounts shall be invested in the U.S. Bank daily liquid commercial paper which is a

promissory note issued by U.S. Bank Trust Company, National Association designed to meet the liquidity needs of the Disbursing Agent's Corporate Trust Services Escrow Group and other corporate trust customers of the Disbursing Agent and complies with the requirements of KRS 66.480. The Disbursing Agent may charge its ordinary and customary fees for such investments. Lessee hereby appoints CoLT as its agent for all purposes with respect to such investments and any decisions related thereto, including but not limited to for the purpose of receiving on Lessee's behalf brokerage confirmations of related security transactions, or waiving the right to receive such confirmations.

Section 4. Disbursements and Acquisition. As long as no Event of Default or Event of Nonappropriation has occurred, and the Lessee's right to control acquisition, construction, installation and equipping of the Project has not otherwise been terminated, disbursements from the Acquisition Fund may be made by the Disbursing Agent to pay vendors or to reimburse the Lessee for Costs of the Project. The Lessee must provide to CoLT and Lessor for approval, and thereafter to the Disbursing Agent, a request for disbursement substantially in the form set forth in Exhibit F hereto.

If an Event of Default or Event of Nonappropriation occurs prior to the completion of the Project or if the right of the Lessee to control the acquisition, construction, installation and equipping of the Project has been otherwise terminated, amounts on deposit in the Acquisition Fund shall be applied as directed by the Lessor to the payment of Lease Payments or the completion of the acquisition, construction or installation of the Project.

If the Lessee becomes obligated hereunder to render notice, pursuant to Section 18 hereof, of a circumstance or event which, with the passage of time or the giving of notice, would constitute an Event of Default, from the time such obligation arose, disbursements from the Acquisition Fund may not be made until (1) the event or circumstance that is the subject of the notice ceases to exist as determined by the Lessor, or (2) an Event of Default occurs thus requiring the application of the second paragraph of this Section 4 to the moneys remaining in the Acquisition Fund.

Lessee covenants that to the extent the Project consists of real estate, equipment or other personal property, Lessee has either contracted for, ordered or shall contract for or order the Project pursuant to one or more purchase agreements from one or more vendors. Lessee shall remain liable to any vendor in respect of its duties and obligations in accordance with each such purchase agreement and shall bear the risk of loss with respect to any loss or claim relating to any item of the Project covered thereby, and Lessor does not assume any such liability or risk of loss. To the extent the Project consists of personal property, and pursuant to Section 2 hereof, Lessee shall take all action to perfect a first priority security interest in the Project in favor of Lessor, to the extent the UCC is applicable to Lessee.

Section 5. Acceptance of Project. Upon any disbursement from the Acquisition Fund as provided in Section 4 hereof, the Lessee shall certify to the Lessor and CoLT its acceptance of that portion of the Project which is the subject of such disbursement.

Section 6. Term; Lessee's Annual Right to Terminate. The term of this Lease will be the period commencing on the Commencement Date and shall terminate upon the earliest of: (i) the June 30 immediately succeeding an Event of Nonappropriation unless the Event of Nonappropriation is cured; (ii) the occurrence of an Event of Default and termination of this Lease as provided in Section 22; and (iii) the Termination Date, unless the Lessee exercises its option to

purchase the Project prior to the Termination Date. This Lease will terminate at the earlier of 12:00 p.m. on the Termination Date, the date upon which the Lessor receives payment of all Lease Payments or the date upon which Lessor receives the Purchase Price.

Termination of the Lease Term will terminate all obligations of the Lessee to pay Lease Payments, except the payment of all Lease Payments accrued to the date of termination of this Lease, and will terminate the Lessee's rights to use, possess or occupy the Project (unless a conveyance of the Project to the Lessee has occurred).

If the Lessee determines, to exercise its annual right to terminate this Lease, effective on any June 30, the Lessee must give written notice to such effect to the Lessor and CoLT not later than the preceding May 31; provided that a failure to give such notice will not constitute an Event of Default, nor prevent the Lessee from terminating this Lease, nor result in any liability on the part of the Lessee (except for the payment of all Lease Payments accrued prior to the termination of this Lease). The exercise by the Lessee of its annual option to terminate this Lease will be conclusively determined by the occurrence of an Event of Nonappropriation as provided in Section 9. Unless and until terminated as provided above, the Lease Term will continue in effect from fiscal year to fiscal year of the Lessee. The Lessee's obligations under this Lease will be subject to the Lessee's annual right to terminate this Lease and will not constitute a mandatory charge or requirement in any future fiscal year. No provision of this Lease will be construed as creating a general obligation or other indebtedness of the Lessee within the meaning of any constitutional or statutory debt limitation.

Section 7. Rent. The Lessee shall pay Base Rent in the amounts and at the times set forth in Exhibit B. The Lessee agrees and acknowledges that Exhibit B may be amended at any time: (i) to reamortize the Principal Component in the event moneys are transferred from the Acquisition Fund upon completion of the Project and applied to the prepayment of lease Principal; or (ii) upon any other partial prepayment of the Purchase Price.

If the Lessor determines that an amendment to Exhibit B is appropriate, CoLT will mail to the Lessee a revised Exhibit B (identified by date or other means), by first class mail, postage prepaid. Said amendment will become effective and will for all purposes become a part of this Lease and will reflect Base Rent to be paid by the Lessee for subsequent periods (unless Exhibit B is further amended as provided in this Section) upon the earlier of the acknowledgment thereof by the Lessee or automatically on the next payment date set forth in the revised Exhibit B.

The Lessee will pay Additional Rent within fifteen (15) days after a written request therefor is mailed to the Lessee by or on behalf of the Lessor.

Any Lease Payment that is not paid when due shall bear interest thereon at the Late Payment Rate. To the extent the Lessor advances any funds for the payment of any amounts due hereunder or to cure any Event of Default hereunder, the Lessee shall immediately reimburse the Lessor therefore with interest accrued on such amount at the Late Payment Rate. Amounts due pursuant to this paragraph will be deemed to be Additional Rent due and payable when incurred and without further written demand therefor.

Each Lease Payment will be applied to amounts then due and payable: (i) first to the Interest Component of Base Rent, (ii) second to the Principal Component of Base Rent, (iii) third to

Additional Rent, and (iv) fourth to the components of Base Rent that are not Interest Component or Principal Component.

This Lease will be deemed and construed to be a "net lease," and the Lessee will pay absolutely net during the Lease Term, the Lease Payments and all other payments required hereunder, free of any deductions, and without abatement, deduction or set-off (other than credits against Lease Payments expressly provided for in this Lease). Notwithstanding any dispute between Lessee and Lessor or a dispute between Lessee and any Project related vendors, Lessee shall make all Lease Payments when due and shall not withhold any Lease Payments pending final resolution of such dispute nor shall Lessee assert any right of set-off or counterclaim against its obligations to make such payments required under this Lease.

Lease Payments shall be payable to the Disbursing Agent at the place set forth in Exhibit B or at such other place as the Disbursing Agent may from time to time designate in writing.

Section 8. Actions Relating to Tax Exemption of Interest Components.

(a) Lessee covenants that it will restrict the use of moneys realized under this Lease or otherwise in connection with the acquisition and financing of the Project in such manner and to such extent, if any, as may be necessary, after taking into account reasonable expectations at the time of entering into this Lease, so that there will not exist at any time any obligation in connection with this Lease or the Project that constitutes an obligation the interest on which is includable in gross income for federal income tax purposes or constitutes an "arbitrage bond" under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed under that Section and any subsequent amendments or modifications thereto. Any officer of the Lessor or Lessee having responsibility with respect to the execution and delivery of this Lease shall, alone or in conjunction with any other officer, employee or agent of or consultant to the Lessor or Lessee, give an appropriate certificate of the Lessor or Lessee pursuant to Sections 103 and 148 of the Code and those regulations, setting forth the reasonable expectations of the Lessor or Lessee on the date of entering into this Lease regarding this Lease and the use of those moneys. Lessee agrees to complete and file or cause to be filed in a timely manner an information reporting return on IRS Form 8038-G with respect to this Lease as required by the Code.

(b) Lessee represents and covenants that it will not use the Project, or permit the Project to be used, in such a manner as would result in the loss of the exclusion from gross income for federal income tax purposes of the Interest Component of the Lease Payments afforded under Section 103(a) of the Code.

(c) The Lessor and Lessee each covenant to take all action required to maintain exclusion from gross income for federal income tax purposes afforded under Section 103(a) of the Code, of the Interest Component of Base Rent.

(d) In the event that at anytime the yield to the Lessor is decreased by any change in the limitation in the deductibility of the interest paid on debt incurred by the Lessor to carry tax exempt obligations from that which is presently incurred by the Lessor, or in the event there shall occur any other change in law which lessens the Tax Equivalent Yield to the Lessor, then the Lessee shall make a supplemental payment to the Lessor annually, on written demand by the Lessor, in an amount which is equal to the amount necessary on an after tax basis to preserve the same Tax Equivalent Yield. For purposes of this paragraph, Tax Equivalent Yield means the rate

used to determine the interest portion of the Lease Payments (the "Implicit Rate of Interest") divided by the remainder resulting from subtracting the current maximum federal corporate income tax rate from one. In the event that for any reason the interest portion of the Lease Payments is determined to be includible in gross income for Federal income tax purposes, the Implicit Rate of Interest will increase to a rate equal to the Taxable Rate of Interest. In such event, Lessee will also pay an amount equal to the difference between the portion of the Lease Payments which constituted interest which were actually paid and the interest which would have been paid if the Implicit Rate of Interest would have been the Taxable Rate of Interest from the Commencement Date, plus any penalties, interest, assessments and additions to tax payable by the Lessor as a result of the loss of the tax-exempt status of interest on the Lease.

Section 9. Authority and Authorization; Nonappropriation by the Lessee. Lessee represents, covenants and warrants, and will deliver to Lessor an opinion of its counsel to the effect that: (i) the Lessee is a political subdivision or, if applicable, other "governmental agency" as defined in KRS 65.940 of the Commonwealth, duly organized and validly existing under and by virtue of the laws of the Commonwealth; (ii) the execution, delivery and performance by the Lessee of this Lease have been duly authorized by all necessary action on the part of the Lessee; and (iii) this Lease constitutes a legal, valid and binding obligation of the Lessee enforceable in accordance with its terms. Lessee agrees and warrants that: (i) it will do or cause to be done all things necessary to preserve and keep the Lease in full force and effect; (ii) it has complied with all requirements applicable to it, and has taken all steps for approval, authorization and execution of this Lease as a valid obligation on its part; and (iii) sufficient funds are appropriated to pay all amounts due under this Lease for the current fiscal year.

If the Lessee fails, for any reason, to duly enact by June 30 of each fiscal year an appropriation ordinance for the ensuing fiscal year which includes amounts required to pay all Lease Payments to become due during that fiscal year, or on any earlier date on which the Lessor receives notice from the Lessee that this Lease will be terminated, an Event of Nonappropriation will be deemed to have occurred.

If an Event of Nonappropriation occurs, the Lessee will not be obligated to make Lease Payments or any other payments provided for herein beyond the amounts specifically appropriated by the Lessee for the fiscal year during which such Event of Nonappropriation occurs; provided that, the Lessee will continue to be liable for Lease Payments allocable to any period during which the Lessee continues to use, occupy or retain possession of the Project.

The Lessee will vacate and/or surrender the Project to the Lessor by the July 1 following an Event of Nonappropriation. The surrender of any movable personal property comprising a portion of the Project will consist of delivering such property to the Lessor at a site within the jurisdiction of the Commonwealth of Kentucky, as selected by the Lessor.

Upon the occurrence of an Event of Nonappropriation, all amounts on deposit in the Lessee's Acquisition Fund will be applied as provided in Section 4. After the expiration of the fiscal year during which an Event of Nonappropriation occurs, the Lessor may proceed to repossess and liquidate or release or otherwise dispose of the Project or any portion thereof and may take one or any combination of steps described in Section 23.

Section 10. Title.

(a) Lessee will retain title to the Project during the Lease Term, subject to the Lessor's rights under this Lease. Lessor and Lessee agree that this Lease or any other appropriate documents may be filed or recorded to evidence the parties' respective interests in the Project and the Lease.

(b) The Lessor hereby covenants that the Lessee will during the Lease Term peaceably and quietly have and hold and enjoy the Project without suit, trouble or hindrance from the Lessor, except as expressly required or permitted by this Lease. The Lessor will, at the request of the Lessee and at the cost of the Lessee, join and cooperate fully in any legal action regarding the Project and the Lessee may, at its own expense, join in any legal action affecting the Project.

(c) The Project shall become the property of Lessee in fee simple absolute and Lessor's interest therein shall pass to Lessee without cost upon (i) Lessee's exercise of the Purchase Option granted in Section 19 hereof, or (ii) the complete payment and performance by Lessee of all of its obligations during the Lease Term; provided, however, that title shall immediately and without any action by Lessee vest in Lessor and Lessee shall immediately surrender possession of the Project to Lessor upon (i) any termination of this Lease without Lessee exercising its Purchase Option to purchase pursuant to the Lease or (ii) the occurrence of an Event of Default. In any of such cases, Lessee shall execute such instruments and do such things as Lessor reasonably requests and as may be required by law in order to effectuate the transfer of any and all of Lessee's right, title and interest in the Project, as is, to Lessor. It is hereby acknowledged by Lessor and Lessee that Lessee will purchase the Project on the terms set forth in this Lease.

Section 11. Sale of Project. Lessee will not sell, lease, assign, transfer or otherwise dispose of all or any of the Project or any interest therein (whether in one transaction or in a series of transactions) unless Lessee pays the Purchase Price to Lessor.

Section 12. Use; Maintenance and Repair; Indemnification.

(a) Lessee will: (i) use the Project in a careful manner for the use contemplated by this Lease and the Kentucky Revised Statutes with respect to public property; (ii) comply with all laws, insurance policies and regulations relating to the use and maintenance of the Project; and (iii) pay all costs, claims, damages, fees and charges arising out of its possession, use or maintenance of the Project.

(b) Lessee, at its expense, will: (i) keep the Project in good condition and furnish all parts, mechanisms and devices required therefor, and (ii) obtain and maintain any governmental licenses and permits required for ownership of the Project.

(c) Lessee will maintain, or by contract provide for the proper maintenance of, the Project in accordance with this Section 12 during the Lease Term.

(d) Lessor agrees that during the Lease Term it will not impair the Lessee's abilities to maintain the Project.

(e) Lessee releases Lessor from, agrees that Lessor shall not be liable for and indemnifies Lessor against causes of action, costs and expenses (including, without limitation,

reasonable attorneys' fees and expenses except as may be limited by law or judicial order or decision entered in any action brought to recover moneys under this Section) imposed upon, incurred by or asserted against Lessor on account of (a) ownership of any interest in the Project or any part thereof, (b) any accident, injury or death to persons or damage to property occurring on or about the Project or any part thereof or the adjoining sidewalks, curbs, streets or ways, (c) any use, disuse or condition of the Project or any part thereof, or the adjoining sidewalks, curbs, streets or ways, (d) any failure on the part of Lessee to perform or comply with any of the terms hereof or (e) the performance of any labor or services or the furnishing of any materials or other property in respect of the Project or any part thereof.

Section 13. Alterations. Following completion of the Project, Lessee will not make any alterations, additions, substitutions or replacements to the Project which would have an adverse effect on either the nature of the Project or the functionality or value of the Project. Any alterations, additions or improvements to the Project and any substitutions or replacements, shall be and be considered to constitute a part of the Project.

The Lessee may also install machinery, equipment and other tangible property in or on the Project; provided that such machinery, equipment and other tangible property which becomes permanently affixed to the Project will be subject to this Lease if the Lessor reasonably determines that the Project would be damaged or impaired by the removal of such machinery, equipment or other tangible property.

Section 14. Location; Inspection. Lessor will be entitled to enter upon the Project or elsewhere during reasonable business hours to inspect, or observe the use of the Project.

Section 15. Liens and Encumbrances. Except for liens and encumbrances to which Lessee and Lessor consent in writing, Lessee and Lessor shall keep the Project free and clear of all liens and encumbrances except those created or permitted under this Lease.

Section 16. Risk of Loss; Damage; Destruction. Lessee assumes all risk of loss or damage to the Project from any cause whatsoever. No loss of or damage to, or appropriation by governmental authorities of, or defect in or unfitness or obsolescence of, the Project will relieve Lessee of its obligations under this Lease. Lessee will promptly repair or replace any portions of the Project lost, destroyed, damaged or appropriated which are necessary to maintain the Project in sound operating condition so that at all times during the Lease Term the Project will be able to carry out its intended functions.

The net proceeds of any insurance policies, performance bonds, condemnation awards or net proceeds received as a consequence of default or breach of warranty under a construction contract or other contract relating to the Project will be deposited in the Acquisition Fund, if received before the completion of the Project, or, if received thereafter, will be deposited in a separate account established by the Disbursing Agent and will be applied in the same manner described in Section 4. The balance remaining after repair, restoration, modification, improvement or replacement of the Project has been completed will be applied to satisfy payment of Lease Payments.

Section 17. Insurance. The Lessee, at its expense, will cause casualty and property damage insurance with a company or self insurance fund acceptable to the Lessor to be carried and maintained with respect to the Project in an amount equal to the unpaid Principal Components or

the replacement cost (excluding land and foundations) of the Project, if less than such Principal Components. Any casualty and property damage insurance policy required by this Section will name the Lessor and CoLT as additional named insureds and will be so written or endorsed as to make losses, if any, payable to the Lessor (for application as provided in Section 16).

The Lessee will cause public liability insurance to be carried and maintained with a company or self insurance fund acceptable to the Lessor with respect to the Project in such amount as is approved by the Lessor. Any public liability insurance policy required by this Section will name the Lessor and CoLT as additional named insureds.

Section 18. Financial Reports; Budgets; Inspection. The Lessee will provide CoLT with a copy of the Lessee's annual audited financial report within 120 days of its fiscal year end; provided that if its audited financial report is not available by such date, Lessee will provide a compilation of its financial information in form and content acceptable to Lessor. The Lessee will immediately notify the Lessor, the Disbursing Agent and CoLT of any Event of Default or Event of Nonappropriation hereunder or any circumstance or event which, with the passage of time or the giving of notice, would qualify as an Event of Default hereunder. The Lessee shall file a copy of its annual budget with CoLT upon adoption. The Lessor, CoLT and their respective authorized representatives shall at any time during normal business hours have the right to enter the premises where the Project may be located for the purpose of inspecting and examining the Project and its condition, use, and operation and the books and records of the Lessee.

Section 19. Purchase Option. Lessee, upon 30 days prior written notice to Lessor and CoLT, shall have the right to purchase the Project on any Purchase Price Date by paying to Lessor the Lease Payment then due together with the Purchase Price relating to that Purchase Price Date.

Section 20. Release and Indemnification Covenant. To the extent permitted by law, the Lessee will and hereby agrees to indemnify and save the Lessor and CoLT (each, an "Indemnitee") harmless against and from any or all claims, by or on behalf of any person, firm, corporation or other legal entity, and all liabilities, obligations, losses and damages whatsoever, regardless of the cause thereof and the expenses, penalties and fees in connection therewith (including counsel fees and expenses), arising from or as a result of the operation, ordering, ownership, acquisition, construction, use, condition, delivery, rejection, storage, return or management of the Project during the Lease Term, or the entering into of the Lease or any other document or instrument relating thereto (collectively, "Indemnified Claims"), including, but not limited to: (i) any condition of the Project; (ii) any act of negligence of the Lessee or of any of the agents, contractors or employees or any violation of law by the Lessee or breach of any covenant or warranty by the Lessee hereunder; (iii) any accident in connection therewith resulting in damage to property or injury or death to any person; and (iv) the incurring of any cost or expense in connection with the acquisition of the Project in excess of the moneys available therefor in the Acquisition Fund. To the extent permitted by law, the Lessee will indemnify and save each Indemnitee harmless from any such Indemnified Claim, or in connection with any action or proceeding brought thereon and, upon notice from such Indemnitee, will defend or pay the cost of defending such Indemnitee, in any such action or proceeding.

The indemnification arising under this Section will continue in full force and effect notwithstanding the full payment of all obligations under this Lease or the termination of this Lease for any reason.

Section 21. Assignments.

(a) Lessee may not, without the prior written consent of Lessor: (i) assign, transfer, pledge, hypothecate or grant any security interest in or otherwise dispose of this Lease or the Project (without replacement or substitution) or any interest in this Lease or the Project, or (ii) sublease the Project or permit it to be operated by anyone other than Lessee, Lessee's employees or persons authorized by Lessee in connection with Lessee's operation and maintenance of the Project.

(b) Lessor may, at any time and from time to time without Lessee's consent, assign, transfer or otherwise convey all or any part of its interest in the Project or this Lease, including Lessor's rights to receive the Lease Payments or any part thereof (in which event Lessee agrees to make all Lease Payments thereafter to the assignee designated by Lessor), to receive tax indemnity payments pursuant to Section 8(d) hereof and to repossess the Project and exercise Lessor's other rights and remedies under Section 23 hereof. During the term of this Lease, Lessee shall keep, and shall provide notification to CoLT so that it shall keep, a complete and accurate record of all such assignments in form necessary to comply with the requirements of Section 149(a) of the Code.

(c) Subject to the subsection (a) hereof, this Lease inures to the benefit of and is binding upon the successors or assigns of the parties to this Lease.

Section 22. Events of Default. The occurrence of any one or more of the following events constitutes an "Event of Default" under this Lease:

(a) Lessee's failure to make any Lease Payment (or any other payment) as it becomes due in accordance with the terms of this Lease;

(b) failure by the Lessee to vacate or surrender the Project by the July 1 following an Event of Nonappropriation as provided in Section 9;

(c) Lessee's failure to perform or observe any other covenant, condition or agreement to be performed or observed by it under this Lease or any document delivered by Lessee pursuant to or in connection with this Lease, and the failure is not cured or steps satisfactory to Lessor taken to cure the failure, within 15 days after written notice of the failure to Lessee by Lessor; or;

(d) Any material statement, representation or warranty made by Lessee in this Lease or in any writing delivered by Lessee pursuant to or in connection with this Lease is false, misleading or erroneous in any material respect.

Section 23. Remedies. Upon the occurrence of an Event of Default, and as long as the Event of Default is continuing, Lessor may, at its option, exercise any one or more of the following remedies as to the Project, to whichever the Event of Default pertains:

(a) Terminate the Lease Term and give notice to the Lessee to vacate or surrender the Project within 60 days from the date of such notice;

(b) By written notice to Lessee, enter and take immediate possession of the Project;

(c) Recover from the Lessee:

(i) the Lease Payments which would otherwise have been payable hereunder during any period in which the Lessee continues to use, occupy or retain possession of the Project; and

(ii) Lease Payments which would otherwise have been payable hereunder after the Lessee vacates or surrenders the Project during the remainder of the fiscal year in which such Event of Default occurs;

(d) Sell or lease the Project or sublease it for the account of Lessee, holding Lessee liable for all Lease Payments and other payments due during the remaining Lease Term to the extent that such selling, leasing or subleasing fails to provide amounts which are sufficient to pay the remaining Lease Payments when due, with any proceeds of the sale of the Project being applied first to all past due Lease Payments and then to the portion of Lease Payments applicable to the Principal Component in inverse order of their due date; and

(e) Exercise any other right, remedy or privilege which may be available to it under the applicable laws of the Commonwealth or any other applicable law, subject to the limitations contained in this Lease with respect to the Lessee's obligations upon the occurrence of an Event of Nonappropriation; or proceed by appropriate court action to enforce the terms of this Lease or to recover damages for the breach of this Lease or to rescind this Lease as to any or all of the Project, including, but not limited to, any one or more remedial steps available to secured parties under Article 9 of the UCC and which are otherwise accorded to Lessor by applicable law.

Lessee will remain liable for all covenants and obligations under this Lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by Lessor with respect to the enforcement of any of the remedies under this Lease, when a court of competent jurisdiction has finally adjudicated that an Event of Default has occurred and enforced the remedies set forth in this Section.

Section 24. Notices. All notices, certificates, requests or other communications hereunder will be in writing and mailed (postage prepaid, and certified or registered with return receipt requested) or delivered (including delivery by courier service) as follows:

if to CoLT:

Kentucky Association of Counties Leasing Trust
400 Englewood Drive
Frankfort, Kentucky 40601
Attention: CoLT

if to the Lessor:

Magnolia Bank, Inc.
P.O. Box 436647
Louisville, Kentucky 40253
Attention: George Schifferdecker

And if to the Lessee, to the address shown on the cover page hereof.

Any of the foregoing may, by notice given hereunder to each of the others, designate any further or different addresses to which subsequent notices, certificates, requests or other

communications will be sent hereunder. All notices, certificates, requests and other communications pursuant to this Lease will be effective when received (if given by mail) or when delivered (if given by delivery).

Section 25. Headings. All section headings contained in this Lease are for convenience of reference only and are not intended to define or limit the scope of any provision of this Lease.

Section 26. Governing Law. This Lease shall be construed in accordance with and governed by the laws of the Commonwealth.

Section 27. Delivery of Related Documents. Lessee will execute or provide, as requested by Lessor, such other documents and information as are reasonably necessary with respect to the transaction contemplated by this Lease.

Lessor and Lessee agree that this Lease or any other appropriate documents may be filed or recorded to evidence the parties' respective interests in the Project and this Lease.

Section 28. Special Representations and Covenants of Lessor. Lessor represents that Lessor is a Kentucky banking corporation duly organized, existing and in good standing under the laws of the Commonwealth; it has full and complete power to enter into the Lease and to enter into and carry out the transactions contemplated hereby, and to carry out its obligations under this Lease; is possessed of full power to own and hold real and personal property, and to lease the same; and has duly authorized the execution and delivery of this Lease.

Section 29. Special Representations and Covenants of Lessee. The Lessee represents, covenants and warrants that (a) it is a body politic and corporate of the State; (b) it has full power and authority to enter into and to perform its obligations under this Lease and all related documents; (c) it has duly authorized this Lease and all related documents; (d) this Lease and all related documents are valid, legal and binding obligations of the Lessee, enforceable against the Lessee in accordance with their terms; (e) the execution and delivery of this Lease and all related documents does not conflict with or result in a breach of the terms of any agreement or instrument by which the Lessee is bound, or conflicts with or results in a violation of any provision of law or regulation applicable to the Lessee; (f) there is no action, suit, proceeding or investigation before or by any court or public body wherein an unfavorable decision would materially and adversely affect the transactions contemplated by this Lease; (g) it will not take or permit, or omit to take or cause to be taken, any action that would adversely affect the exclusion from gross income for federal income tax purposes of the designated Interest Component; (h) the Project furthers the Lessee's governmental purposes, serves a public purpose and is in the best interests of the Lessee and at the time of execution and delivery of the Lease, the Lessee intends to annually appropriate the Lease Payments due hereunder; and (i) during the Lease Term, the Project will at all times be used only for the purpose of performing one or more lawful governmental functions of the Lessee.

Section 30. DISCLAIMER OF WARRANTIES: THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY, FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE PROJECT OR ANY PORTION THEREOF OR AS TO ITS TITLE THERETO OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE PROJECT.

Section 31. Entire Agreement; Amendment; Severability; Beneficiaries.

(a) This Lease, together with attachments and exhibits, and other documents or instruments executed by Lessee and Lessor in connection with this Lease, constitute the entire agreement between the parties with respect to the lease of the Project.

(b) This Lease may not be modified, amended, altered or changed except with the written consent of Lessee and the Lessor.

(c) If any provision of, or any covenant, obligation or agreement contained in this Lease is determined by a court to be invalid or unenforceable, that determination shall not affect any other provision, covenant, obligation or agreement, each of which shall be construed and enforced as if the invalid or unenforceable portion were not contained in this Lease. The invalidity or unenforceability shall not affect any valid or enforceable application thereof, and each such provision, covenant, obligation or agreement shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

(d) No person other than a party hereto and CoLT, will have any right, remedy or claim under or by reason of this Lease or otherwise be a third party beneficiary of any rights, remedies, claims or agreements hereunder.

Section 32. Costs and Expenses of Lessor. To the extent permitted by law, the Lessee shall pay to the Disbursing Agent, on behalf of Lessor, in addition to the Lease Payments payable by Lessee hereunder, such amounts in each year as shall be required by Lessor in payment of any reasonable costs and expenses incurred by Lessor in connection with the administration, modification and enforcement of this Lease, including but not limited to payment of all reasonable fees, costs and expenses and all administrative costs of the Lessor and the Disbursing Agent in connection with the Project, expenses (including, without limitation, attorneys' fees and disbursements), fees of auditors or attorneys, insurance premiums not otherwise paid hereunder and all other direct and necessary administrative costs of the Lessor and the Disbursing Agent or charges required to be paid by them in order to enforce their rights under, this Lease. Such costs and expenses shall be billed to the Lessee by the Lessor from time to time, together with a statement certifying that the amount so billed has been paid by the Lessor for one or more of the items above described, or that such amount is then payable by the Lessor for such items. Amounts so billed shall be due and payable by the Lessee within 30 days after receipt of the bill by the Lessee and shall be treated as Additional Rent hereunder, except that Lessee will have 30 days instead of 15 days to effect payment thereof.

IN WITNESS WHEREOF, the parties have executed this Lease Agreement by their authorized officers on the dates of the respective acknowledgments as of the Commencement Date shown on the cover page hereto.

CITY OF HOPKINSVILLE, KENTUCKY,
Lessee

By: _____
Mayor

ATTEST:

City Clerk

MAGNOLIA BANK, INC., Lessor

By: _____

Title: _____

**KENTUCKY ASSOCIATION OF COUNTIES
LEASING TRUST,** as Administrator

By: _____
Temple Juett, Program Director

EXHIBIT A

DESCRIPTION OF PROJECT

ESTIMATED COST OF THE PROJECT: \$2,000,000

ESTIMATED DATE OF COMPLETION OF THE PROJECT:

DESCRIPTION

The acquisition of _____ trucks with the following VIN#'s:

<u>Model</u>	<u>VIN#</u>

EXHIBIT B

LEASE PAYMENTS

Hopkinsville # ___ – Trucks – Magnolia Bank

The Interest Component set forth above is (and shall be) from the period from closing through the first payment date computed on a basis of actual days elapsed divided by 360, and thereafter computed on a 360 day year basis and a thirty (30) day month. The Base Rent set forth above includes the Interest Component, Principal Component and Administrative Fee payable under the Program Administration Agreement. The Payment Date is the due date for payments hereunder, which includes interest through the first day of the month following the Payment Date.

The Interest Component is the per annum rate equal to _____% (which includes the Administrative Fee of 0. __%).

The Taxable Rate of Interest shall be the then current Interest Component set forth in the above table of Lease Payments (or determined in accordance with the formula set forth in the preceding paragraph) divided by 65%.

The Late Payment Rate shall be five percent (5%) of such overdue amount, limited, however, to the maximum amount allowed by law.

The Lessee has selected a fixed interest rate, the Purchase Price shall be the Lease Balance set forth above, plus the unpaid Interest Component accrued to the Purchase Price Date, plus all other amounts due hereunder that remain unpaid on the Purchase Price Date.

Unless Lessee has submitted a properly executed ACH Form (attached as an exhibit to this Lease) or as otherwise provided for the electronic transfer of payments, all Rent hereunder shall be paid by check mailed to US BANK KY POOLED CHECKS, PO Box 643422, Cincinnati, Ohio 45264-3422.

Lessee hereby acknowledges the Lease Payments set forth above (and the Fees and Expenses included as a part thereof).

CITY OF HOPKINSVILLE, KENTUCKY,
Lessee

By: _____
Mayor

EXHIBIT C

FORM OF MUNICIPAL ORDER

_____ -20 _____

MUNICIPAL ORDER OF THE CITY COUNCIL OF THE CITY OF HOPKINSVILLE APPROVING A LEASE OR LEASES FOR THE FINANCING OF PUBLIC PROJECTS; PROVIDING FOR THE PAYMENT AND SECURITY OF THE LEASE OR LEASES; AND AUTHORIZING THE EXECUTION OF VARIOUS DOCUMENTS RELATED TO SUCH LEASE OR LEASES.

WHEREAS, the governing body of the City of Hopkinsville, Kentucky (the "Lessee") has the power, pursuant to Section 65.940 et seq. of the Kentucky Revised Statutes to enter into lease agreements with or without the option to purchase in order to provide for the use of the property for public purposes;

WHEREAS, the governing body of the Lessee (the "Governing Body") has previously determined, and hereby further determines, that the Lessee is in need of the Project, as defined in the Lease hereinafter described; and

WHEREAS, the Governing Body has determined and hereby determines that it is in the best interests of the Lessee that the Lessee enter into one or more Lease Agreements (each a "Lease"), to be administered by Kentucky Association of Counties Leasing Trust (the "Program Administrator") and funded by the bank, financial institution or finance corporation offering the best interest rate and terms (the "Lessor"), as selected by the Mayor, for the leasing by the Lessee from the Lessor of the Project.

NOW THEREFORE, BE IT ORDERED BY THE CITY COUNCIL OF THE CITY OF HOPKINSVILLE, KENTUCKY, AS FOLLOWS:

Section 1. Recitals and Authorization. The recitals to this Municipal Order are incorporated herein as if set forth in this Section in their entirety and are hereby found and determined to be true and correct. The Lessee hereby approves the Lease Agreement, in substantially the form presented to this Governing Body. It is further found and determined that the Project identified in the Lease is public property to be used for public purposes, that it is necessary and desirable and in the best interests of the Lessee to enter into the Lease for the purposes therein specified, and the execution and delivery of the Lease and all representations, certifications and other matters contained in the closing memorandum with respect to the Lease, or as may be required by the Lessor prior to delivery of the Lease, are hereby approved, ratified and confirmed. The Mayor and City Clerk of the Lessee are hereby authorized to execute the Lease, together with such other agreements or certifications which may be necessary to accomplish the transaction contemplated by the Lease.

Section 2. Administration of the Lease. The Kentucky Association of Counties Leasing Trust is hereby acknowledged to be the program administrator under the Lease.

Section 3. Severability. If any Section, paragraph or provision of this Municipal Order shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such Section, paragraph or provision shall not affect any of the remaining provisions of this Municipal Order.

Section 4. Open Meetings Law. This Governing Body hereby finds and determines that all formal actions relative to the adoption of this Municipal Order were taken in an open meeting of this Governing Body, and that all deliberations of this governing Body and of its committees, if any, which resulted in formal action, were in meetings open to the public, in full compliance with applicable legal requirements.

Section 5. Conflicts. All ordinances, resolutions, orders or parts thereof in conflict with the provisions of this Municipal Order are, to the extent of such conflict, hereby repealed and the provisions of this Municipal Order shall prevail and be given effect.

Section 6. Effective Date. This Municipal Order shall take effect from and after its passage, as provided by law.

INTRODUCED, SECONDED AND ADOPTED, at a duly convened meeting of the Governing Body, held on _____, _____, signed by the Mayor of the Lessee, attested by the City Clerk, filed and indexed as provided by law.

By: _____
Mayor

ATTEST:

By: _____
City Clerk

Approved as to form and legality by:

City Attorney

EXHIBIT D

OPINION OF LESSEE'S COUNSEL

_____, 20____

Magnolia Bank, Inc., lessor
Louisville, Kentucky

Kentucky Association of Counties Leasing Trust
Frankfort, Kentucky

Dinsmore & Shohl LLP
Covington, Kentucky

Re: Lease Agreement between Kentucky Association of Counties Leasing Trust as administrator, Magnolia Bank, Inc., as lessor, and City of Hopkinsville, Kentucky, as lessee

Ladies and Gentlemen:

We have acted as counsel to the lessee identified above (the "Lessee") in connection with the authorization, execution, and delivery by the Lessee of the Lease Agreement identified above (the "Lease"), between the Lessee, Kentucky Association of Counties Leasing Trust, as administrator, and Magnolia Bank, Inc. (the "Lessor"). We have reviewed (i) the Constitution and laws of the Commonwealth of Kentucky (the "Commonwealth"), (ii) certain proceedings taken by the Governing Body of the Lessee, (iii) an executed copy of the Lease and any Collateral Documents, to the extent defined and identified in the Lease, and (iv) such other information and documents as we have deemed necessary or appropriate in order to render this opinion.

Based on the foregoing, we are of the opinion that:

1. The Lessee is a body politic and corporate, validly organized and existing in good standing under the laws of the Commonwealth and has full power and authority to enter into and to perform its obligations under the Lease.

2. The Lease and any Collateral Documents have been duly authorized, executed and delivered by the Lessee and (assuming the due authorization, execution and delivery thereof by the other parties thereto) constitute legal, valid and binding obligations of the Lessee, enforceable against the Lessee in accordance with their terms (including, without limitation, the right of the Lessee to terminate the Lease at the end of each fiscal year of the Lessee by reason of an Event of Nonappropriation, as defined in the Lease), except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity.

3. All consents, approvals or authorizations of any governmental entity and all filings and notices required on the part of the Lessee in connection with the authorization, execution and delivery of the Lease and the consummation of the transactions contemplated thereby have been obtained and are in full force and effect.

4. Neither the execution and delivery of the Lease nor the consummation of the transactions contemplated thereby, nor the fulfillment of or compliance with the terms and conditions of the Lease conflict with or constitute a violation of any provision of any law or regulation applicable to the Lessee or, to the best of our knowledge after reasonable investigation, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Lessee is now a party or by which the Lessee is bound.

5. To the best of our knowledge, after reasonable investigation, there is no action, suit, proceeding or governmental investigation at law or in equity before or by any court, public board or body, pending of which the Lessee has been served with a summons, summons and complaint or other notice of commencement, or threatened against or affecting the Lessee, challenging the validity of the Lease or contesting the power and authority of the Lessee to execute and deliver the Lease or to consummate the transactions contemplated by the Lease.

Respectfully submitted,

EXHIBIT E

CERTIFICATE OF OFFICIALS OF LESSEE

Re: Lease Agreement between Kentucky Association of Counties Leasing Trust, as administrator, Magnolia Bank, Inc., as lessor, and City of Hopkinsville, Kentucky, as lessee _____.

The undersigned officials of the lessee identified above (the "Lessee") under the Lease Agreement identified above (the "Lease") between the Lessee, Kentucky Association of Counties Leasing Trust, as administrator ("CoLT"), and Magnolia Bank, Inc., as lessor (the "Lessor"), DO HEREBY CERTIFY AS FOLLOWS:

1. That they are the duly elected or appointed, qualified and acting incumbents of their respective offices of the Lessee, as set forth after their signatures hereto, and as such are familiar with the books, records and affairs of the Lessee.

2. That the Lessee is a body politic and corporate, validly organized, existing and in good standing under and by virtue of the laws of the Commonwealth of Kentucky with all requisite power and authority to lease property as lessee and to carry on its business as now being conducted.

3. That included in the transcript of which this Certificate forms a part is a true, correct and complete copy of the Municipal Order duly adopted by the Governing Body of the Lessee on _____ (the "Official Action"), authorizing the appropriate officials of the Lessee to execute the Lease. The Official Action was duly adopted in accordance with all applicable laws.

4. The representations and warranties of the Lessee made in the Lease are true and correct in all material respects on and as of the date hereof as if made on and as of the date hereof; the Official Action has not been amended or supplemented and is in full force and effect; and the Lease has been entered into and is in full force and effect.

5. That the below-named persons were on the date or dates of the execution of the Lease and are on the date of this certificate the duly elected or appointed and qualified incumbents of the respective offices of the Lessee set forth opposite their names and that the signatures set forth opposite their names are their genuine signatures:

<u>Name</u>	<u>Title</u>	<u>Signature</u>
	Mayor	
	City Clerk	

6. The Lease and any Collateral Documents, to the extent defined and identified in the Lease, have been duly authorized, executed and delivered by the Lessee and constitute legal, valid and binding obligations of the Lessee, enforceable against the Lessee in accordance with their terms (including, without limitation, the right of the Lessee to terminate the Lease at the end of each fiscal year of the Lessee by reason of an Event of Nonappropriation, as defined in the Lease).

7. The Lessee is not in default under or in violation of (i) any provisions of applicable law, (ii) the Lease, or (iii) any indenture, mortgage, lien, agreement, contract, deed, lease, loan agreement, note, order, judgment, decree or other instrument or restriction of any kind or character to which it is a party or by which it or its properties are or may be bound, or to which it or any of its assets is subject, which default would have a material adverse effect on the condition, financial or otherwise, of the Lessee or on the ability of the Lessee to perform its obligations under the Lease. Neither the execution and delivery of the Lease nor compliance by the Lessee with the terms, conditions and provisions of the Lease will conflict with or result in a breach of, or constitute a default under, any of the foregoing.

8. Since the date of the financial information provided to CoLT or the Lessor, there have not been any material adverse changes in the business, properties, condition (financial or otherwise) or results of operations of the Lessee, whether or not arising from transactions in the ordinary course of business, and since such date, except in the ordinary course of business, the Lessee has not entered into any transaction or incurred any liability material to the financial position of the Lessee.

9. There is no claim, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, or public board or body, pending or, to the best of our knowledge, threatened against or affecting the Lessee wherein an unfavorable decision, ruling or finding would materially adversely affect the business, properties, condition (financial or otherwise) or the results of operations of the Lessee or the ability of the Lessee to perform its obligations under the Lease and any Collateral Documents.

10. All authorizations, consents and approvals of, notices to, registrations or filings with, or other actions in respect of or by, any governmental body, agency or other instrumentality or court required in connection with the execution, delivery and performance by the Lessee of the Lease and any Collateral Documents have been duly obtained, given or taken (and copies thereof have been provided to CoLT or the Lessor).

11. Any certificate signed by any official of the Lessee and delivered to CoLT or the Lessor will be deemed to be a representation by the Lessee to CoLT and the Lessor as to the statements made therein.

WITNESS our hands this _____ day of _____, _____.

By: _____
Mayor

ATTEST:

By: _____
City Clerk

EXHIBIT F

REQUEST FOR DISBURSEMENT

Re: Lease Agreement between Kentucky Association of Counties Leasing Trust, as administrator, Magnolia Bank, Inc., as lessor, and City of Hopkinsville, Kentucky, as lessee _____, _____.

Requisition Certificate No. _____

Check here if Final Disbursement

The Lessee hereby requests a disbursement from its Acquisition Fund in the amount of \$ _____ and hereby certifies, as follows (except that with respect to a disbursement to pay an Interest Component of Lease Payments during construction of a Project, only the document described in (a) below will be required):

(a) Attached is a statement of the amount and nature of each item of the Costs of the Project to be paid and the name and address of the payee, with the payee's statement and, if reimbursement to the Lessee of amounts previously paid is requested, evidence of such payment;

(b) each item for which payment or reimbursement is requested is or was necessary in connection with the Costs of the Project and none of such items formed the basis for any previous payment from the Lessee's Acquisition Fund;

(c) each contractor, subcontractor and materialman has filed with the Lessee receipts or waivers of liens for all amounts previously certified for payment, or any amount previously certified for reimbursement to the Lessee, or there is on file with the Lessee a cancelled check endorsed by the contractor, subcontractor or materialman evidencing such payment;

(d) all of the warranties and representations of the Lessee contained in the Lease are true and correct as of the date of such disbursement, as though such warranties and representations were made on such date, no Event of Default or Event of Nonappropriation has occurred under the Lease, the right of the Lessee to control the acquisition, construction and installation of the Project has not otherwise been terminated pursuant to the Lease, and that amounts on deposit in the Lessee's Acquisition Fund will be sufficient to complete the Project in accordance with the approved plans and specifications;

Executed this _____ day of _____.

CITY OF HOPKINSVILLE, KENTUCKY, Lessee

By: _____
Authorized Lessee Representative

Approved by:
MAGNOLIA BANK, INC.

KENTUCKY ASSOCIATION OF COUNTIES
LEASING TRUST, as administrator

By: _____
Title: _____

By: _____
Title: _____

EXHIBIT G

FORM OF NO-ARBITRAGE CERTIFICATE

**CERTIFICATE UNDER SECTIONS 103(b)(2) and 148
OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED**

CITY OF HOPKINSVILLE, KENTUCKY

LEASE AMOUNT: \$ _____

The Lessee hereby certifies with respect to the Lease Agreement (the "Lease") with Kentucky Association of Counties Leasing Trust, as administrator, and Magnolia Bank, Inc. (the "Lessor"), which is entered into for the purpose of acquiring and financing certain improvements (the "Project") and made as of the date hereof (the "Closing Date"), which is the date of delivery of, and payment for, the Lease, that the following facts, estimates and circumstances regarding the amount and use of all of the Proceeds, as defined in Treas. Reg. § 1.148-1(b), issued under the Internal Revenue Code of 1986, as amended (the "Code"), of the Lease are, as of the Closing Date and according to the Lessee's best knowledge, information and belief, reasonably expected to exist or to occur:

A. Proceeds. The Proceeds of the Lease consist, and will consist, of the Sale Proceeds and Investment Proceeds, each as defined in Treas. Reg. § 1.148-1(b), issued under the Code, and equal the Lease Amount.

B. Purpose of Issue. The Proceeds of the Lease, together with certain other funds, will be used to finance the Project, which constitutes a valid governmental purpose (the "Governmental Purpose").

The total amount of Proceeds received by the Lessee will not exceed the amount necessary to finance the Governmental Purpose. The Lease is being entered into at this time in such amount because the Lessee is obligated or will soon be obligated to make certain payments with respect to the Project and because it would be costly and inefficient to issue additional debt in the future to finance additional payments with respect to the remainder of the costs of the Project that are expected to become due.

C. Yield on the Lease. (1) The price at which the Lease was sold to the Lessor, which intends to hold the Lease for investment purposes and not for resale to the general public, is equal to the Lease Amount.

CHECK APPLICABLE STATEMENT

(2) The interest rate on the Lease is variable and the Yield will be determined pursuant to Treas. Reg. § 1.148-4(c), issued under the Code.

OR

(2) The Yield on the Lease, as defined in Treas. Reg. § 1.148-4, issued under the Code, is _____ %.

A. Application of Proceeds. All of the Sale Proceeds will be used to pay the cost of the Project, including issuance expenses and interest during construction and amounts allocated to reimburse the Lessee for capital expenditures, as that term is defined in Treas. Reg. § 1.150-2, issued under the Code, for the Project paid by the Lessee prior to the Closing Date, pursuant to the Lessee's Official Expression of Intent (as hereinafter define'). No amount received as Proceeds of the Lease will be used in the manner not set forth in this section.

B. Expenditure of Proceeds for the Project. The acquisition of the Project will commence promptly following the Closing Date, and the Lessee has incurred, or will incur, within six (6) months after the Closing Date, a substantial binding commitment to expend at least five percent (5%) of the Net Sales Proceeds (defined in Treas. Reg. § 1.148-1(b) as Sales Proceeds less an amount that is the lesser of five percent (5%) of the Sales Proceeds or \$100,000) on the Project. The Lessee will expend at least eighty-five percent (85%) of the Net Sales Proceeds by the third annual anniversary date of the Closing Date. The acquisition of the Project will proceed with due diligence to completion and the Proceeds will be spent on the Project with due diligence no later than such anniversary date.

C. Investment of Proceeds. (1) The Lessee has agreed in the Tax Compliance Agreement attached hereto that it will not invest any of the Proceeds of the Lease without the express consent of Lessor or CoLT, and any such investments will be done so that such investment will not cause interest on either the Lease to be includable in the Lessor's gross income for purposes of federal income taxation or the Lease to be treated as "arbitrage bonds" under Sections 103(b)(2) and 148 of the Code and the Treasury Regulations thereunder.

(2) Not more than fifty percent (50%) of the Proceeds of the Lease will be invested in investments that both do not carry out the Governmental Purpose of the Lease and have a substantially guaranteed yield for at least four (4) years.

(3) No account or fund has been or will be established to pay principal of, premium, if any, or interest on the Lease. There are no moneys, sources of funds, securities or obligations that have been, or will be, pledged as collateral for the payment of principal of, premium, if any, or interest on the Lease, and there are no moneys, sources of funds, securities or obligations with respect to which the Lessee has given or will give any reasonable assurance to any holder of the Lease that such funds will be available to pay principal of, premium, if any, or interest on the Lease.

(4) Any unexpended portion of the Proceeds of the Lease, including any amounts in any reasonably required reserve or replacement fund, will be invested during a temporary period permitted under Treas. Regs. §§ 1.148-1 through -11, issued under the Code, if any, or any amounts

in any reasonably required reserve or replacement fund, as described in Treas. Reg. § 1.148-2(f), no Proceeds of the Lease, or any moneys that may become Replacement Proceeds, as defined in Treas. Reg. § 1.148-1(c), of the Lease, in excess of the lesser of (i) five percent (5%) of such Proceeds or (ii) \$100,000, have been invested in "higher yielding investments," as defined in the Code and the Treasury Regulations thereunder.

D. General. (1) Neither the Project, nor any part thereof, will be sold or otherwise disposed of by the Lessee prior to the final principal maturity date of the Lease.

(2) The Lessee will allocate Proceeds of the Lease to reimburse itself only for capital expenditures paid not earlier than sixty (60) days prior to the Closing Date or not earlier than sixty (60) days prior to the date it adopted an official expression of intent to reimburse (the "Official Expression of Intent"), within the meaning of "Treas. Reg. § 1.150-2, issued under the Code, if earlier, or as otherwise permitted pursuant to Treas. Reg. § 1.150-2.

(3) There are no amounts, other than the Gross Proceeds of the Lease, that are available for the Governmental Purpose. There are no sinking funds or pledged funds and the term of the Lease is not longer than reasonably necessary for the Governmental Purpose.

(4) Any Rebate Payments and any Yield Reduction Payments (each as defined in the Tax Compliance Agreement), owed pursuant to Section 148(f) of the Code, will be remitted to the United States Treasury as directed by CoLT or the Lessor, pursuant to the Tax Regulatory Agreement entered into with respect to the Bonds.

(5) The Lessee has not employed in connection with the Lease a transaction or series of transactions that attempts to circumvent the provisions of Sections 103(b)(2) and 148 of the Code and the Treasury Regulations thereunder, enabling the Lessee to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage and/or increasing the burden on the market for tax-exempt obligations through actions such as issuing more obligations, issuing obligations sooner or allowing them to remain outstanding longer than would otherwise be necessary for the Governmental Purpose.

(6) The Lessee has never been advised of any listing or contemplated listing by the Internal Revenue Service to the effect that the Lessee's certification with respect to its obligations may not be relied upon and no notice to that effect has been published in the Internal Revenue Bulletin.

(7) Certain of the facts, estimates and circumstances contained herein are based upon representations made by Lessor in the attached certificate, or in other letters and reports that accompany the sundry closing documents related to the sale and delivery of the Lease. The Lessee is not aware of any facts, estimates or circumstances that would cause it to question the accuracy of such representations. To the best of the knowledge, information and belief of the undersigned, who is authorized by the Lessee to sign this certificate on behalf of the Lessee, the above expectations of the Lessee as stated herein are reasonable and there are no other facts, estimates or circumstances that would materially change the foregoing conclusion.

CHECK IF APPLICABLE

- (8) During this calendar year, the Lessee, which has general taxing powers, has not issued and does not expect to issue tax-exempt bonds, including any tax-exempt bonds issued by any subordinate entities, but excluding "private activity bonds," as defined in the Section 141" of the Code, and any refunding bonds, as defined in Section 148(f)(4)(D)(iii) of the Code, exceeding \$5,000,000 in aggregate face amount.

- (9) Lessee does not reasonably anticipate that the total principal amount of "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code which the Lessee or any subordinate entity of the Lessee will issue during the calendar year in which the Lease is executed and delivered will exceed \$10,000,000; and, therefore, the Lessee hereby designates the Lease as a "qualified tax-exempt obligation".

This certificate is being executed and delivered pursuant to Treas. Regs. §§ 1.148-1 through -11 issued under the Code, of which the undersigned, with the advice of counsel, is generally familiar. On the basis of the foregoing, it is not expected that the proceeds of the Lease will be used in a manner that would cause the Lease or the Bonds to be "arbitrage bonds" under Sections 103(b)(2) and 148 of the Code or the Treasury Regulations thereunder.

By: _____
Mayor

Dated: _____

CERTIFICATE OF MAGNOLIA BANK, INC.

The undersigned hereby certifies on behalf Magnolia Bank, Inc. ("Lessor") with respect to the foregoing certificate of the Lessee that (1) it agreed to enter into the Lease with the Lessee on the date hereof (the "Sale Date"); (2) it paid the amount identified as the LEASE AMOUNT in such certificate, will hold the Lease for investment and does not intend to offer the Lease for resale to the general public; (3) no CUSIP number has been assigned to the final maturity of the Lease; and (4) this certificate may be relied upon by the Lessee in executing the foregoing certificate and by Dinsmore & Shohl LLP in rendering any opinion with respect to the Lease.

MAGNOLIA BANK, INC.

By: _____

Title: _____

Dated: _____

**Attachment to No-Arbitrage Certificate
TAX COMPLIANCE AGREEMENT**

KENTUCKY ASSOCIATION OF COUNTIES LEASING TRUST

LESSEE: CITY OF HOPKINSVILLE, KENTUCKY

DATE OF AGREEMENT: _____

LEASE AMOUNT: \$ _____

This Tax Compliance Agreement relates to a Lease Agreement between the Lessee, Kentucky Association of Counties Leasing Trust, as administrator, and Magnolia Bank, Inc., as lessor, dated the date of this Tax Compliance Agreement.

TAX COMPLIANCE AGREEMENT

THIS TAX COMPLIANCE AGREEMENT (the "Tax Compliance Agreement") is made and entered into as of the date shown on the cover page hereto between the KENTUCKY ASSOCIATION OF COUNTIES LEASING TRUST ("CoLT"), as administrator, and MAGNOLIA BANK, INC., as lessor (the "Lessor") and the LESSEE shown on the cover page hereto (the "Lessee"):

WITNESSETH:

WHEREAS, the Lessee has agreed, in a lease agreement dated the date hereof (the "Lease") to borrow the Lease Amount shown on the cover page hereto, pursuant to a Program administered by CoLT, to finance the project identified in the Lease (the "Project"); and

WHEREAS, it is necessary for the parties hereto to enter into this Tax Compliance Agreement to ensure that interest paid on the Lease shall all be and shall all remain excludible from gross income for Federal income purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code") and is not and will not become a specific item of tax preference under Section 57(a)(5)(C) of the Code for the federal alternative minimum tax.

NOW, THEREFORE, the parties hereto agree and bind themselves as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. In addition to words and terms defined elsewhere in this Tax Compliance Agreement, the Code and Regulations (each as herein defined), the No-Arbitrage Certificate (as hereinafter defined) and the Lease, the following capitalized words and terms used in this Tax Compliance Agreement shall have the following meanings, unless some other meaning is plainly intended:

"Arbitrage Bond" means any obligation of a Governmental Entity that is treated as an arbitrage bond under Sections 103(b)(2) and 148 of the Code.

"Capital Expenditure" means any expense that is properly depreciable or amortizable or is otherwise treated as a capital expenditure under the Code, and for the purposes of determining eligible Reimbursement Allocations, Costs of Issuance.

"Closing Date" means the date of this Tax Compliance Agreement.

"Cost of Issuance" means any expenditure incurred in connection with the issuance of the Lease or the Lessee's share of such expenditures relating to the Bonds, including such costs as underwriters' spread, rating agency fees, appraisal costs, attorneys' and accounts' fees and printing costs, but excluding Qualified Guarantee Fees or expenditures incurred in connection with the acquisition of the Project.

"Disposition Proceeds" means the amounts, including property, received from the sale, exchange or other disposition of the Project.

"Federally-Guaranteed" means having the payment of either the principal of or interest on any portion of the Lease or any loan made with the Proceeds of any portion of the Lease guaranteed, in whole or in part, directly or indirectly, by the United States, or acquiring any Investment Property that is, directly or indirectly federally-insured, except as otherwise permitted by Section 149(b) of the Code.

"Governmental Entity" means any State and any political subdivision and agency of any State.

"Gross Proceeds" means Sale Proceeds and Replacement Proceeds, determined pursuant to Treas. Regs. §§ 1.148-1(b) and -1(c), all until spent.

"Investment Proceeds" means any amounts actually or constructively earned or received from investing the Proceeds in Investment Property.

"Investment Property" means any security (as defined in Section 165(g)(2)(A) or (B) of the Code), obligation (including any Tax-Exempt Bond), annuity contract or other investment-type property.

"No-Arbitrage Certificate" means the "Certificate under Sections 103(b)(2) and 148 of the Internal Revenue Code of 1986, as Amended" given with respect to the Lease by the Lessee.

"Non-Governmental Entity" means any person or entity, other than a Governmental Entity.

"Pledged Fund" means any amount pledged, directly or indirectly, to pay principal of or interest on the Lease and which provides reasonable assurance of such amounts being paid even if the Lessee experiences financial difficulties, including amounts subject to a negative pledge.

"Private Loan" means any loan, directly or indirectly, of any of the Proceeds of an obligation of a Governmental Entity to any Non-Governmental Entity.

"Private Use" means the use of any Proceeds of the Lease or any facilities financed with such Proceeds by Private Users.

"Private User" means any Non-Governmental Entity, other than a natural person not engaged in a trade or business.

"Rebate Amount" means the amount determined by CoLT or the Lessor in accordance with the requirements of the Code.

"Rebate Payment" means any payment of the Rebate Amount made to the United States Treasury.

"Redemption Date" means the date on which the last of the principal of and interest on the Lease has been paid, whether upon maturity, redemption or acceleration thereof.

"Reimbursement Allocation" means a written allocation of the Proceeds of the Lease intended to reimburse the Lessee for Capital Expenditures for the Project that were paid prior to the Closing Date, provided that any such allocation is made no later than eighteen (18) months after the later of the date the Capital Expenditure was paid or the date the Project was placed in

service, but in no event later than three (3) years after the payment date. Any written allocation made within thirty (30) days after the Closing Date shall be treated as if made on the Closing Date.

"Reimbursement Resolution" means a declaration of intent by the Lessee to finance, by issuing debt, Capital Expenditures. For this purpose, the issuance of debt to finance specific facilities shall constitute a Reimbursement Resolution, the date of adoption of which shall be no later than the Closing Date of such debt.

"Replacement Proceeds" means amounts replaced by Proceeds of the Lease, including any sinking fund, Pledged Fund, restricted gifts (not including qualified endowment funds, pursuant to Treas. Reg. § 1.148-6(d)(3)(iii)(C)) or reserve or replacement fund, or other funds that would be available, directly or indirectly, to pay debt service on any of the Lease, within the meaning of Treas. Reg. § 1.148-1(c).

"Research Agreement" means an agreement between the Lessee and a Private User under which the Lessee or the Private User uses any portion of the Project to carry on research.

"Sale Proceeds" means the Lease Amount shown on the cover page hereto.

"Service Contract" means a contract between the Lessee and a Service Provider under which the Service Provider provides services involving any portion or function of a Governmental Facility financed with Governmental Bonds.

"Service Provider" means any Private User that provides management or other services.

"State" means any state and possession of the United States and the District of Columbia.

"Treasury Regulation" and "Treas. Reg." means any Regulation, Proposed Regulation or Temporary Regulation, as may be applicable, issued by the United States Treasury Department pursuant to the Code or the 1954 Code, as appropriate.

"Yield" means, pursuant to Treas. Regs. §§ 1.148-4 and -5, that discount rate which, when computing the present value of all payments of principal and interest to be paid on an obligation, produces an amount equal to, in the case of the Lease, the Issue Price and in the case of any Investment Property, the fair market value, as provided in Treas. Reg. § 1.148-5(d).

"Yield Reduction Amount" means the amount determined by CoLT or the Lessor in accordance with the requirements of the Code.

"Yield Reduction Payment" means any payment of the Yield Reduction Amount made to the United States Treasury.

SECTION 1.02. Interpretative Rules. For all purposes of this Tax Compliance Agreement, except as otherwise expressly provided or unless the context otherwise requires (a) "Tax Compliance Agreement" means this instrument, as originally executed and as it may from time to time be supplemented or amended pursuant to the applicable provisions hereof; (b) all references in this instrument to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed; (c) the words "herein," "hereof," "hereunder" and "herewith" and other words of similar import refer to this Tax Compliance Agreement as a whole and not to any particular Article, Section or other subdivision;

(d) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular; (e) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles; (f) the terms defined elsewhere in this Tax Compliance Agreement shall have the meanings therein prescribed for them; (g) words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders; (h) the headings used in this Tax Compliance Agreement are for convenience of reference only and shall not define or limit the provisions hereof.

ARTICLE II

COVENANTS AND REPRESENTATIONS OF COLT AND LESSOR AND LESSEE ACKNOWLEDGEMENTS BY, DIRECTIONS TO AND FROM COLT, LESSOR AND LESSEE

SECTION 2.01. Authority and Organization. (a) The Lessee represents for the benefit of the Lessor and CoLT that it is a political subdivision of the Commonwealth of Kentucky with the power, among others, to enter into the Lease in furtherance of its corporate purposes, including financing the cost of the Project; and

(b) CoLT represents for the benefit of the Lessee that (i) CoLT is a trust duly organized and validly existing under the laws of the Commonwealth of Kentucky; and (ii) CoLT has full power and authority granted to it by the Commonwealth of Kentucky to establish a program to enter into fixed rate leases with counties, political subdivisions and public agencies of the Commonwealth of Kentucky.

(c) The Lessor represents for the benefit of the Lessee that it has the authority to enter into financing leases with counties, political subdivisions and public agencies of the Commonwealth of Kentucky.

SECTION 2.02. Use of Proceeds. The Lessee represents that:

(a) No Private Use of Proceeds. No Proceeds of the Lease will be used to make Private Loans and no use of the Project will be Private Use without the prior written consent of the Lessor or CoLT. The Lessee expects to use the Project for the entire stated term of the Lease.

(b) Expectations. The Lessee expects to incur, no later than six months after the date of the Lease, a substantial binding commitment to expend at least five percent (5%) of the Sale Proceeds of the Lease and to commence acquisition of the Project within a reasonable period of time after the date of the Lease. The Lessee expects that (i) it will expend at least eighty-five percent (85%) of the Sale Proceeds of the Lease by the third annual anniversary date of the Closing Date, (ii) the acquisition of the Project will proceed with due diligence to completion and (iii) the Sale Proceeds of the Lease will be spent with due diligence. For this purpose, a Reimbursement Allocation may be treated as an expenditure. The total amount of Sale Proceeds of the Lease, together with Investment Proceeds, will not exceed the amount necessary for the Project being financed with the Lease, including, to the extent permitted, issuance expenses and interest during construction.

(c) Use of the Project. The Lessee will own or lease and operate the Project during the entire term of the Lease and will not change the use or ownership of any part of a Project during the entire term of the Lease without the prior written consent of the Lessor or CoLT.

(d) Reimbursement Allocations. The Lessee will not make any Reimbursement Allocation with the Proceeds of the Lease for Capital Expenditures that were paid prior to sixty (60) days before the date on which the Lessee adopted a Reimbursement Resolution authorizing the issuance of debt to finance the Project, except that expenditures for Costs of Issuance paid before the date of the Lease, certain preliminary Capital Expenditures not in excess of twenty percent (20%) of the Lease Amount, and an amount of Capital Expenditures not in excess of the lesser of five percent (5%) of the Lease or \$100,000 may receive a Reimbursement Allocation even if the expenditure was paid more than sixty (60) days prior to the date of adoption of the Reimbursement Resolution described herein and even if the allocation would not otherwise qualify as a Reimbursement Allocation.

(e) Investment Limitations. (i) The Lessee will invest the Gross Proceeds of the Lease and any Disposition Proceeds of the Lease as authorized in writing by the Lessor or CoLT. If at any time, either the Lessee determines or is informed that the Yield on the investment of moneys held by itself or any other person must be restricted or limited in order to prevent the Lease from becoming Arbitrage Bonds, the Lessee shall and shall so instruct any holder of the Sale Proceeds or Investment Proceeds of the Lease to take such action or actions as may be necessary to restrict or limit the yield on such investments as set forth in, and in accordance with, such instruction.

(f) Federal Guarantees. The Gross Proceeds will not be invested in any Investment Property that is Federally-Guaranteed.

SECTION 2.03. Service Contracts. The Lessee represents that it will not enter into any Service Contracts or management contracts with respect to the Project without the prior written consent of the Lessor or CoLT.

SECTION 2.04. Research Agreements. The Lessee represents that it will not enter into any Research Agreements with respect to the Project without the prior written consent of the Lessor or CoLT.

SECTION 2.05. Changes in Use or User of Project. The Lessee represents that (a) no part of the Project will be sold, otherwise disposed of or leased without the prior written consent of the Lessor; (b) it will not to permit any use of its Project by any person or entity other than itself without the prior written consent of the Lessor or CoLT; (c) any portion of a Project consisting of personal property may be sold in the ordinary course of an established governmental program if (i) the weighted average maturity of the portion of the Lease financing the personal property was not greater than one hundred twenty percent (120%) of the reasonably expected actual use of such personal property by the Lessee, (ii) the Lessee expected at the date of the Lease that the fair market value of the personal property at the time of disposition would not be greater than twenty-five percent (25%) of its cost and (iii), at the time of disposition, the personal property is no longer suitable for the governmental purpose for which it was acquired.

SECTION 2.06. Investments. The Lessee will invest the Gross Proceeds of the Lease and any Disposition Proceeds of the Lease only as authorized in writing by the Lessor or CoLT.

SECTION 2.07. Records. The Lessee represents that proper records and accounts, containing complete and correct entries of all transactions relating to the Lease, the use of the Gross Proceeds of the Lease and the expenditures made in connection with the acquisition of the Project, will be maintained. The information described in this Section will be retained for at least six (6) years after the Redemption Date.

SECTION 2.08. Payment of Arbitrage Compliance Amounts. The Lessee represents that all actions necessary to comply with the Yield limitations applicable to investments of the Sale Proceeds and Investment Proceeds of the Lease and the Rebate requirements contained in Section 148(f) of the Code and the Treasury Regulations thereunder will be taken. Immediately upon the request of the Lessor or CoLT, the Lessee will assemble copies of records concerning investments of Gross Proceeds of the Lease, including any amounts held by any provider of a letter of credit or guarantor under a reimbursement or other similar agreement. In particular, the Lessee will provide CoLT or the Lessor with information that will enable CoLT or the Lessor to determine if any Rebate Amount is payable. The Lessee will pay any Rebate Payment and any Yield Reduction Payment owed with respect to the Gross Proceeds of the Lease, as determined by CoLT or the Lessor. The information described in this Section will be retained for at least six (6) years after the Redemption Date.

SECTION 2.09. Information Reporting Requirements. The Lessee represents that it will timely execute and file any information reports required under Section 149(e) of the Code (Form 8038-G) or as required by the Lessor or CoLT.

SECTION 2.10. Compliance with Tax Compliance Agreement. (a) The Lessee may, at any time, employ bond counsel, independent certified public accountants, or other qualified experts acceptable to CoLT or the Lessor to perform any of the requirements imposed upon the Lessee by this Tax Compliance Agreement.

(b) CoLT, the Lessor and the Lessee agree, to the extent reasonably possible, to comply with any amendments to the Code or any applicable Regulations, effective retroactively, and the Lessor, CoLT and the Lessee shall take all actions necessary to amend this Tax Compliance Agreement to comply therewith.

(c) Whenever any action or direction is required of the Lessee hereunder, such action or direction may, or in the absence of any such action or direction shall, be made by the Lessor or CoLT.

IN WITNESS WHEREOF, CoLT, the Lessor and the Lessee have each caused this Tax Compliance Agreement to be executed in its own name and on its behalf by its duly authorized officers, all as of the date set forth on the cover page hereto.

**KENTUCKY ASSOCIATION OF COUNTIES
LEASING TRUST**

By: _____
Temple Juett, Program Director

MAGNOLIA BANK, INC.

By: _____

Title: _____

CITY OF HOPKINSVILLE, KENTUCKY

By: _____
Mayor

EXHIBIT H

**U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION
CORPORATE TRUST
TRANSACTION NOTIFICATION ELECTION**

Name of Account Relationship: Kentucky Association of Counties Leasing Trust

Lessee: City of Hopkinsville, Kentucky

Currently, when we make an investment for your account(s) we send an investment confirmation letter or notice requesting your signature for approval and direction as provided in your governing bond documents. A banking regulation requires that we send in addition to these letters or notices, another specific written notification containing information about the same investments. However, upon your request we do not have to send this additional written notification to you but you may receive periodic statements instead. An election to receive periodic statements will not affect the investment confirmation letter or notice you are presently receiving to comply with your governing bond documents. You will continue to receive those.

Please indicate your choice on this form.

Federal regulations require that U.S. Bank Trust Company, National Association furnish to you, without any additional cost written notification of any security transaction in the Account(s). The notification must be sent within five (5) business days from the date of the transaction or from the date of receipt by U.S. Bank Trust Company, National Association of the broker/dealer confirmation.

As an alternative to a notice of each individual transaction, you may elect to receive this information consolidated into periodic trust statements.

TRANSACTION NOTIFICATION ELECTION

CHECK ONE

- Do not send notification of each individual transaction. Transaction information will be consolidated on your periodic report.
- Send notification of each individual transaction.

CITY OF HOPKINSVILLE, KENTUCKY, Lessee

By: _____

Authorized Lessee Representative

EXHIBIT I
IRS FORM 8038-G

EXHIBIT J

ACH PAYMENT AUTHORIZATION FORM