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WITHDRAWAL AGREEMENT

Between

City of Ellsworth Withdrawal Committee and Regional School Unit No. 24

AGREEMENT made by and between the City of Ellsworth ("City" or "Ellsworth") Withdrawal Committee and Regional School Unit No. 24 ("RSU" or "RSU 24") according to 20-A MRSA §1466 for the withdrawal of the City of Ellsworth from Regional School Unit No. 24.

The Ellsworth residents voted favorably on the petition for withdrawal from the RSU on June 12, 2012. On June 19, 2012, per state statute, the City Clerk notified the Commissioner of the Maine Department of Education and the secretary of the RSU that the City had met all of the requirements to petition for withdrawal from the RSU. On June 25, 2012, the City Council appointed its representatives to the withdrawal committee and on July 6, 2012, the members of the RSU Board of Directors representing the City of Ellsworth selected their member to serve on the withdrawal committee as prescribed by law.

1. Purposes. The purposes of this Agreement are:

- 1) To provide for the timely and orderly withdrawal of Ellsworth from RSU 24;
- 2) To provide educational continuity for all students residing in Ellsworth and, insofar as the educational programs provided within the City of Ellsworth serve students from RSU 24 communities, to provide educational continuity for those students;
- 3) To provide fair and equitable compensation to RSU 24 for its prior capital purchases and investments in technology and equipment made in schools that will be transferred to the New Ellsworth SAU; and to provide fair and equitable compensation to the New Ellsworth SAU for its portion of capital purchases and investments in technology and equipment made in other schools located in RSU 24; and
- 4) To allocate RSU 24's financial and contractual obligations, and its assets, between RSU 24 and the new school administrative unit that includes, or is comprised of, Ellsworth (hereinafter the "New Ellsworth SAU"), as of the effective date of Ellsworth's withdrawal in a manner that fairly takes into account the continuing educational needs of students, the continuity of educational programs and the goal of mitigating where possible increases in property taxes as a result of Ellsworth's withdrawal.

For purposes of this Agreement the term "New Ellsworth SAU" shall mean the City of Ellsworth municipal school unit.

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2. Withdrawal. Pursuant to 20-A MRS § 1466, the City of Ellsworth shall withdraw from RSU 24 in accordance with the terms of this Agreement as of June 30, 2014, and thereafter shall no longer be a member of the RSU 24 school administrative unit. As of July 1, 2014, Ellsworth shall become a separate municipal school administrative unit comprised solely of Ellsworth.

3. Continuity of Educational Services.

During the first year after withdrawal from RSU 24 (i.e., from July 1, 2014 to June 30, 2015) the New Ellsworth SAU will provide continuity of educational services to all students residing in Ellsworth and RSU 24 students attending Ellsworth schools as follows:

A. Ellsworth students attending schools located within the City of Ellsworth during the 2013-2014 school year

Ellsworth students attending schools located in Ellsworth during the 2013-2014 school year will continue to receive the educational services they previously received at the schools located within the City of Ellsworth in order to provide optimal instructional and curricular continuity. These services include the core curriculum, auxiliary and specialized services such as special education and gifted/talented, co-curricular, and after-school programming for pre-K through grade 12 provided through the Ellsworth Elementary/Middle School, Ellsworth High School, and the Hancock County Technical Center.

B. Ellsworth students attending RSU 24 schools outside the City of Ellsworth

Any student residing in Ellsworth who attends an RSU 24 school outside the City of Ellsworth and is enrolled in that school at the close of the 2013-2014 school year, or any student residing in Ellsworth who would have attended an RSU 24 school outside the City of Ellsworth during the 2014-2015 school year if Ellsworth had not withdrawn from RSU 24, may attend that school during the first year after withdrawal. During the 2014-2015 school year, additional students residing in Ellsworth may enroll in an RSU 24 school for the 2014-2015 school year, if that is the RSU 24 school that student would have attended if Ellsworth had not withdrawn from RSU 24, in accordance with 20-A MRS §1466(4)(A)(1). On or about June 30, 2014, the superintendents of RSU 24 and the New Ellsworth SAU shall confer with each other and shall jointly certify the list of such students ("Ellsworth Enrollees in Other RSU 24 Schools").

A student's right to continue to be educated at an RSU 24 school during the 2014-15 school year shall terminate if the student discontinues his or her enrollment at that school for a continuous period of 90 calendar days between September 1, 2014 and June 15, 2015, whether by enrolling in another school administrative unit or private school, dropping out, or being expelled and not readmitted within 90 days. Notwithstanding the foregoing, a student's failure to attend the RSU 24 school for a continuous period of 90 days due to health reasons, out-of-district special education placement, or approved travel or study abroad, shall not terminate a student's right to continue to attend RSU 24 schools under this Agreement. In addition, in other appropriate circumstances, the Superintendents may agree that a student's failure to attend RSU 24 schools for a continuous

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period of 90 days shall not terminate the student's right to continue his or her education at RSU 24 schools under this Agreement.

The costs of educating Ellsworth students attending RSU 24 schools, exclusive of students receiving special education services will be allocated as follows RSU 24 will bill the New Ellsworth SAU on a bi-annual basis payable on or before December 15 and May 15, with a reconciliation after the Department of Education sets final tuition rates, at a tuition rate determined under Section 5804 for students in grades K-8 and Section 5805, subsection 1 for FY 2014-2015, and under Section 5805 subsections 1 and 2 thereafter for students in grades 9-12, during the fiscal year in which these costs are incurred. RSU 24 agrees to waive any debt service factor that may be subsequently established, as defined under section 5805 subsection 4, for Ellsworth students attending RSU 24 schools. If a student attends the Hancock County Technical Center or any other program outside of the RSU 24 school that the student attends, the tuition for that student shall be pro-rated to reflect the proportion of the school day that the student spends at the RSU 24 school.

Under 20-A MRS Chapter 606-B, the Essential Programs and Services Funding Act, the New Ellsworth SAU will receive the State education subsidy allocations for Ellsworth students attending RSU 24 schools on a tuition basis.

C. RSU 24 students attending Ellsworth schools. Any student residing in RSU 24 outside the City of Ellsworth who attends a school in Ellsworth including Hancock County Technical Center and is enrolled in that school as of the close of 2013-2014 school year or any such student who would have attended an Ellsworth school during the 2014-2015 school year if Ellsworth had not withdrawn from RSU 24, may attend that school during the first year after withdrawal. During the 2014-2015 school year, additional students residing in RSU 24 outside of Ellsworth who would have attended an Ellsworth school if Ellsworth had not withdrawn from RSU 24, may attend that school. A student's right to continue to be educated at an Ellsworth school during the 2014-2015 school year shall terminate if the student discontinues his or her enrollment at that school for a continuous period of 90 calendar days between September 1, 2014-2015 and June 15, 2015, whether by enrolling in another school administrative unit or private school, dropping out, or being expelled and not readmitted within 90 days. Notwithstanding the foregoing, a student's failure to attend the Ellsworth school for a continuous period of 90 days due to health reasons, out-of-district special education placement, or approved travel or study abroad, shall not terminate a student's right to continue to attend Ellsworth schools under this Agreement. In addition, in other appropriate circumstances, the Superintendents may agree that a student's failure to attend Ellsworth schools for a continuous period of 90 days shall not terminate the student's right to continue his or her education at Ellsworth schools under this Agreement.

After the 2013-14 school year, the New Ellsworth SAU, in accordance with past practice and chapter 219 of Title 20-A of the Maine Revised Statutes and other applicable laws, agrees to accept and enroll grade K-8 students from the Town of Mariaville and grade 9-12 students from other towns including the towns of Eastbrook, Mariaville and Waltham on a tuition basis for a period of ten (10) years following the date of withdrawal, excepting students who are under suspension or expulsion from the New Ellsworth SAU or another school administrative unit and students for whom the New Ellsworth SAU does not have an appropriate program as determined under paragraph F below.

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The costs of educating RSU 24 students who attend Ellsworth schools, exclusive of any such student receiving special education services, will be allocated as follows. The New Ellsworth SAU will bill RSU 24 on a bi-annual basis payable on or before December 15 and May 15, with a reconciliation after the Department of Education sets final tuition rates, at a tuition rate determined under section 5804 for grade K-8 students and under section 5805, subsection 1 for FY 2013-14 2014-2015, and under Section 5805 subsections 1 and 2 thereafter for grade 9-12 students, during the fiscal year in which these costs are incurred. The New Ellsworth SAU agrees to waive any debt service factor that may be subsequently established, as defined under section 5805 subsection 4, for RSU 24 students attending New Ellsworth SAU schools. If a student attends the Hancock County Technical Center or any other program outside of the Ellsworth School that the student attends, the tuition for that student shall be pro-rated to reflect the proportion of the school day that the student spends at the Ellsworth school.

Under 20-A MRS Chapter 606-B, the Essential Programs and Services Funding Act, RSU 24 will receive the State education subsidy allocations for RSU 24 students attending Ellsworth schools on a tuition basis.

D. Ellsworth Special Education Students attending Ellsworth Schools

The New Ellsworth SAU will provide for continuity of programming for all special education students residing within the City of Ellsworth attending Ellsworth schools. The New Ellsworth SAU assumes all responsibilities for decisions related to special education for these students.

E. Ellsworth Special Education Students Attending RSU 24 Schools

During the 2014-2015 school year, for students residing in Ellsworth attending RSU 24 schools, RSU 24 shall provide all special education and related special education services required by the IEP prepared by each student's IEP Team to the extent that RSU 24 has an appropriate program to meet the terms of the IEP and applicable requirements of Maine law and regulations. Decisions about whether RSU 24 can implement the terms of the IEP, and whether RSU 24 has an appropriate program or placement for a student pursuant to the requirements of the IEP shall be made by RSU 24 after a careful review of the IEP for the student. In no event shall RSU 24 refuse to provide needed special education services as provided in the IEP for students residing in Ellsworth who are permitted to attend RSU 24 schools under this Agreement, except for student removals of not more than 10 cumulative school days in the school year, when a student has been properly expelled from RSU 24 or when RSU 24 has determined that RSU 24 cannot provide an appropriate program or placement for that student. In the event that the IEP Team is unable to reach consensus on issues that are the responsibility of the Team, the Ellsworth SAU's representative at that Team meeting shall make the decisions on those issues, subject to the parent's due process rights in relation thereto. RSU 24 personnel will work cooperatively with the Ellsworth SAU's representative, and, upon request will provide the Ellsworth SAU's representative with all information regarding classroom observations, student performance, academic achievement testing and functional behavior assessment components of the student evaluation process. The Ellsworth SAU's representative shall provide input to RSU 24's Special Education Director (or other administrative designee) on the proper implementation of the IEPs of

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Ellsworth special education students attending RSU 24 schools or perceived deficiencies in IEP implementation. RSU 24 shall consider that input in good faith and RSU 24 shall respond in an appropriate manner consistent with the terms of this Agreement. In accordance with Chapter 101 of the Rules of the Maine Department of Education, Maine Unified Special Education Regulation, Section IV(4)(A) and (B), the New Ellsworth SAU shall be responsible for the costs of special education for special education students residing in Ellsworth attending RSU 24 schools during the 2014-2015 school year. The New Ellsworth SAU shall pay RSU 24 for the special education costs of any such student as follows:

The New Ellsworth SAU shall be responsible for the special education costs of any New Ellsworth SAU student enrolled in RSU 24 schools including special education transportation costs and costs for facilities modifications required to accommodate the student. The tuition rate calculations under 20-A MRS §§5804 and 5805 expressly exclude expenditures for special education. Therefore, in accordance with Chapter 101 of the Rules of the Maine Department of Education, Maine Unified Special Education Regulation, Section IV(4)(A) and (B), the New Ellsworth SAU, in addition to the tuition payments required under this Agreement, shall be responsible for the actual costs of special education for New Ellsworth SAU students, including special education transportation costs and costs for facilities modifications required to accommodate the students, to the extent that such costs are not included in the calculation of the tuition rate under 20-A MRS §§5804 and 5805(1). For purposes of this section, special education shall include non-special education 504/ADA plans and services and special education costs shall include costs of non-special education 504/ADA plans and services and reasonable attorneys' fees incurred by RSU 24 in connection with disputes over delivery of special education services and/or section 504/ADA plan services for individual New Ellsworth SAU students.

The RSU shall bill the New Ellsworth SAU for such special education and 504/ADA costs during the fiscal year in which those costs are incurred.

F. RSU 24 special education students attending Ellsworth Schools. For students residing in RSU 24 attending Ellsworth schools during the 2014-2015 school year and thereafter, the New Ellsworth SAU shall provide all special education and related special education services required by the IEP prepared by each student's IEP Team to the extent that the New Ellsworth SAU has an appropriate program to meet the terms of the IEP and applicable requirements of Maine law and regulations. Decisions about whether the New Ellsworth SAU can implement the terms of the IEP, and whether the New Ellsworth SAU has an appropriate program or placement for a student pursuant to the requirements of the IEP shall be made by the New Ellsworth SAU after a careful review of the IEP for the student. In no event shall the New Ellsworth SAU refuse to provide needed special education services as provided in the IEP for students residing in RSU 24 who are permitted to attend the New Ellsworth SAU schools under this Agreement, except for student removals of not more than 10 cumulative school days in the school year, when a student has been properly expelled from New Ellsworth SAU schools, or when the New Ellsworth SAU has determined that the New Ellsworth SAU cannot provide an appropriate program or placement for that student. RSU 24's Director and/or Assistant Director of Special Services shall represent RSU 24 for special education programming, supervision of the IEP Team process, and supervision of the student evaluation process for RSU 24 students attending the New Ellsworth SAU schools. In

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the event that the IEP Team is unable to reach consensus on issues that are the responsibility of the Team, RSU 24's representative at that Team meeting shall make the decisions on those issues, subject to the parent's due process rights in relation thereto. The New Ellsworth SAU personnel will work cooperatively with RSU 24's Director and/or Assistant Director of Special Services and other staff, and, upon request will provide the Director and/or Assistant Director of Special Services with all information regarding classroom observations, student performance, academic achievement testing and functional behavior assessment components of the student evaluation process in the possession of the New Ellsworth SAU. RSU 24's Director and/or Assistant Director of Special Services shall provide input to the New Ellsworth SAU staff on the proper implementation of the RSU students' IEPs, or perceived deficiencies in IEP implementation. The New Ellsworth SAU shall consider that input in good faith and shall respond in an appropriate manner consistent with the terms of this Agreement. In accordance with Chapter 101 of the Rules of the Maine Department of Education, Maine Unified Special Education Regulation, Section IV(4)(A) and (B), RSU 24 shall be responsible for the costs of special education for special education students residing in RSU 24 and attending Ellsworth schools during the 2014-2015 school year and thereafter. RSU 24 shall pay the New Ellsworth SAU for the special education costs of any such student as follows:

RSU 24 shall be responsible for the special education costs of any RSU 24 student enrolled in New Ellsworth SAU schools including special education transportation costs and costs for facilities modifications required to accommodate the student. The tuition rate calculations under 20-A MRS §§5804 and 5805 expressly exclude expenditures for special education. Therefore, in accordance with Chapter 101 of the Rules of the Maine Department of Education, Maine Unified Special Education Regulation, Section IV(4)(A) and (B), RSU 24, in addition to the tuition payments required under this Agreement, shall be responsible for the actual costs of special education for RSU 24 students, including special education transportation costs and costs for facilities modifications required to accommodate the students, to the extent that such costs are not included in the calculation of the tuition rate under 20-A MRS §§5804 and 5805(1). For purposes of this section, special education shall include non-special education 504/ADA plans and services and special education costs shall include costs of non-special education 504/ADA plans and services and reasonable attorneys' fees incurred by the New Ellsworth SAU in connection with disputes over delivery of special education services and/or section 504/ADA plan services for individual RSU 24 students.

The New Ellsworth SAU shall bill RSU 24 for such special education and 504/ADA costs during the fiscal year in which those costs are incurred.

4. Need for School Construction

Ellsworth's withdrawal will not create the need for state subsidized school construction in the New Ellsworth SAU or RSU 24 within five (5) years from the date of withdrawal.

5. Transportation Services.

The New Ellsworth SAU will revert back to the same high performing transportation system it had prior to formation of the RSU by obtaining from RSU 24 the same number of buses (15),

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routes (10) and drivers (10 full-time and 2 on-call substitutes). Buses shall be those assigned to the New Ellsworth SAU as agreed upon by both parties and shown in Exhibit 1. The New Ellsworth SAU will provide transportation services for all Ellsworth students attending Ellsworth schools. All Ellsworth students will continue to be eligible for transportation to and from the same stops where they have been picked up and dropped off by the RSU. Generally, these stops are at the home of the students or at collection points at the end of long side roads or driveways. Ellsworth will provide transportation for Ellsworth students to and from Ellsworth High School and Hancock County Technical School.

6. Administration of the New Administrative Unit.

The New Ellsworth SAU will employ and maintain either directly or cooperatively services of a superintendent and appropriate other system administration and clerical support to provide efficient and effective management, instructional coordination and improvement, special education, adult education, and other leadership and administrative capacity deemed valuable to the education of its resident students.

7. Distribution of Financial Commitments from Outstanding Bonds, Notes, Lease Purchase Agreements and Other Contractual Obligations.

The obligations of RSU 24 for outstanding bonds or notes and lease purchase obligations will be handled as follows:

A. Debt That Existed When RSU 24 was Formed. Under Paragraph 6.A of the RSU 24 reorganization plan (the "Reorganization Plan"), RSU 24 assumed liability to pay the local only bonds and notes listed in paragraph 6.A of the Reorganization Plan. RSU 24 did not assume the bonds and notes eligible for State school construction and renovation subsidies listed under paragraph 6.C of the Reorganization Plan. Under 20-A MRS §1466(16)(A) whenever a municipality withdraws from a regional school unit having outstanding indebtedness, the regional school unit remains intact for the purpose of securing and retiring the indebtedness, provided that the withdrawal agreement may provide for alternate means for retiring outstanding indebtedness. In accordance with 20-A MRS §1466(16)(A), as an alternate means for retiring the local only outstanding indebtedness on the Ellsworth Elementary/Middle School assumed by RSU 24 under paragraph 6.A of the Reorganization Plan, after the date of withdrawal, the New Ellsworth SAU will assume and be solely liable at its own expense to pay on or before the due date, the remaining debt service on the bonds and notes issued for the Ellsworth Elementary/Middle School assumed by RSU 24 under paragraph 6.A of the Reorganization Plan. At the time the City of Ellsworth issued the local only bonds and notes referred to above, it executed Arbitrage and Use of Proceeds Certificates, in which it made certifications and representations with respect to compliance with provisions of the Internal Revenue Code of 1986, as amended, (the "Code"). These certifications and representations in part, ensured to bondholders that the bonds would retain their tax exempt status. Following Ellsworth's withdrawal, the New Ellsworth SAU shall be responsible for continued compliance with these certifications and representations. By this Agreement, the New Ellsworth SAU shall be fully bound by all of the terms and representations of any Arbitrage and use of Proceeds Certificates entered into on behalf of the City of Ellsworth in connection with such indebtedness. In accordance with 20-A MRS §1466(16)(A) as an alternate means of retiring

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the local only indebtedness on the Peninsula CSD School, RSU 24, exclusive of Ellsworth, will assume and be solely liable at its own expense to pay the local only indebtedness on the Peninsula CSD School assumed by RSU 24 under paragraph 6.A of the Reorganization Plan.

B. Lease Purchase Agreements and Contracts Issued by RSU 24 After its Formation.

(1) Contracts and Agreements. The New Ellsworth SAU agrees to assume and be solely liable for and at its own expense to pay any amounts due under any contracts and agreements related to assets at Ellsworth's school facilities.

(2) The New Ellsworth SAU agrees to assume copier and other office equipment leases, lease purchase agreements, and service contracts and payments which come due after June 30, 2014 related to the machines located at the New Ellsworth SAU premises, including without limitation that portion of the printing and photocopying equipment that RSU 24 lease purchased on or about August 19, 2011 in the amount of \$370,842.93 that is located at the New Ellsworth SAU premises. At the time RSU 24 issued any tax exempt lease purchase agreements assumed in whole or part by the New Ellsworth SAU under this paragraph, it made certain certifications and representations with respect to compliance with provisions of the Internal Revenue Code of 1986, as amended, (the "Code"). These certifications and representations in part, ensured to the Lessor of the lease purchase agreements that the lease purchase agreements would retain their tax-exempt status. Following Ellsworth's withdrawal, the New Ellsworth SAU shall be responsible for continued compliance with these certifications and representations with respect to lease purchased equipment located at the New Ellsworth SAU premises. By this Agreement, the New Ellsworth SAU shall be fully bound by all of the terms and representations made by RSU 24 in connection with such equipment. Without limitation of the foregoing, the New Ellsworth SAU shall not take any action, and shall refrain from taking any action that would cause the lease purchase agreements to be "arbitrage bonds" or "private activity bonds" within the meaning of the Code.

(3) The New Ellsworth SAU agrees to assume and be solely liable for and at its own expense to pay any amounts due after June 30, 2014 under any lease purchase agreements on the buses and vehicles listed in **Exhibit 1**, paragraph 3 that RSU 24 has agreed to turn over to the New Ellsworth SAU. At the time RSU 24 issued any tax exempt lease purchase agreements assumed in whole or part by the New Ellsworth SAU under this paragraph, it made certain certifications and representations with respect to compliance with provisions of the Internal Revenue Code of 1986, as amended, (the "Code"). These certifications and representations in part, ensured to the Lessor of the lease purchase agreements that the lease purchase agreements would retain their tax exempt status. Following Ellsworth's withdrawal, the New Ellsworth SAU shall be responsible for continued compliance with these certifications and representations with respect to lease purchased buses assigned to the New Ellsworth SAU. By this Agreement, the New Ellsworth SAU shall be fully bound by all of the terms and representations made by RSU 24 in connection with such buses.

(4) Energy Conservation Improvements at other RSU 24 Schools. On or about December 21, 2012, RSU 24 entered into a qualified school construction bond ("QSCB") lease purchase agreement in the principal amount of \$1,449,345 to finance energy conservation/air quality improvements at Ella Lewis School in Steuben, Peninsula School in Gouldsboro, Cave Hill

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School in Eastbrook, and Mountain View School and Sumner Memorial High School in Sullivan. Under 20-A MRS §1466(16)(A) whenever a municipality withdraws from a regional school unit having outstanding indebtedness, the regional school unit remains intact for the purpose of securing and retiring the indebtedness, provided that the withdrawal agreement may provide for alternate means for retiring outstanding indebtedness. In accordance with 20-A MRS §1466(16)(A) as an alternate means of retiring the indebtedness pursuant to the \$1,449,345 QSCB lease purchase agreement for energy conservation/air quality improvements at these schools, RSU 24, exclusive of Ellsworth, will assume and be solely liable at its own expense to pay any amounts due after June 30, 2014 on that indebtedness.

C. Contractual Obligations for Administrative Staff. The New Ellsworth SAU recognizes its responsibility to contribute to the following existing district administrative staff contracts entered into by the RSU Board while Ellsworth was a part of RSU 24: Assistant Superintendent, Business Manager, Accounting Manager, Human Resources Manager, Director of Special Education, Assistant Director of Special Education, Curriculum Coordinator, Food Service Manager, Director of Technology, Director of Facilities, and Director of Adult Education. The New Ellsworth SAU agrees to pay 32.85% of the salary and benefits for contracts listed in **Exhibit 2** through their June 30, 2015 date of expiration and will remit 50 percent (50%) of Ellsworth's share of these outstanding contractual obligations to RSU 24 by October 1, 2014. The New Ellsworth SAU and RSU 24 will verify on June 30, 2014 those of the above contracts that have been extended to current personnel for the 2014-2015 fiscal year. A similar verification will occur by January 31, 2015, followed by the New Ellsworth SAU's remitting the balance due for the remainder of the fiscal year. A final reconciliation of these accounts will occur at the time of the final audit for the 2014-2015 fiscal year. In the event that the New Ellsworth SAU contracts with RSU 24 for a particular service during the 2014-2015 fiscal year, then the New Ellsworth SAU's obligation to pay, in addition to any amounts due under that contract, a proportionate share of the administrative salary and benefits related to that service shall be nullified. In addition, in the event that there is a personnel change, that an employee contract is eliminated or that a contracted employee is transferred to another position, the New Ellsworth SAU's obligation to pay a portion of the salary and benefits thereafter for that position shall be nullified. These obligations extend only to contracts of RSU 24's currently employees and only for the 2014-2015 fiscal year, or that portion of the 2014-2015 fiscal year, that such employees remain under such contracts.

D. Legal Expenses and Costs. Notwithstanding the provisions of paragraph 15.2, Dispute Resolution, the substantially prevailing party in any action involving a claim that either party has breached its obligations under this Paragraph 7 shall be entitled to recover its costs and legal expenses, including reasonable attorney's fees.

E. The Parties acknowledge that RSU 24 may be liable for future legal claims based on incidents arising prior to July 1, 2014, when Ellsworth was a member of RSU 24. The New Ellsworth SAU shall be responsible for and agrees to pay 32.85% of RSU 24's costs, expenses, damages, and other losses arising from such claims, including costs to defend such claims, to the extent that RSU 24's costs, expenses, damages, and other losses are not covered by insurance or other outside sources. RSU 24 shall give written notice of such claims to the New Ellsworth SAU within 30 days after RSU 24 receives notice of a claim. RSU 24 shall regularly update the New

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Ellsworth SAU regarding the status of such claims, and shall consult with the Superintendent of the New Ellsworth SAU before entering into a settlement of such claims.

F. In the event that RSU 24 becomes the subject of a federal or state audit for a period when Ellsworth was a member of RSU 24 and if, as a result of such audit, RSU 24 is subject to any payment obligation or withholding by federal or state authority, then the New Ellsworth SAU shall reimburse RSU 24 for 32.85% of the amount of such payment obligation or withholding including without limitation, any interest and penalties thereon, within thirty (30) days of any such payment by RSU 24 or any such withholding from RSU 24. If as a result of such audit RSU 24 receives any rebate, refund, credit or overpayment from any federal or state authority, then RSU 24 shall reimburse the New Ellsworth SAU for 32.85% of such rebate, refund, credit or overpayment within thirty (30) days of any such payment or credit to RSU 24.

8. Financial Commitments for Bonds, Notes or Lease Purchase Agreements Issued Prior to Effective Date of Withdrawal.

a. Financial Commitments Requiring Voter Approval.

1. Voter Approval on or before the Date of the Vote on Withdrawal. On or before to the date that Ellsworth votes on this Agreement, the RSU 24 Board may conduct a referendum on the issuance of a financial obligation for capital improvements or capital equipment, including the upgrade of RSU 24 facilities (including capital improvements or equipment for Ellsworth school facilities). Any referendum conducted on or before the date of Ellsworth's vote on withdrawal will be held in all of the member municipalities of RSU 24 in accordance with the general laws. If the RSU 24 voters approve the issuance of the financial obligations, and if Ellsworth votes to approve this Agreement, the RSU 24 board shall be authorized to issue the financial obligations, but if the financial obligations relate to real or personal property located at or serving school facilities in Ellsworth, the RSU board shall be authorized to issue the financial obligations only prior to the effective date of withdrawal.

If the financial obligations requiring voter approval relate to real or personal property located at or serving Ellsworth schools and Hancock County Technical Center, the RSU board shall be authorized to issue the financial obligations in the name of the RSU prior to the effective date of withdrawal, and the RSU shall be responsible for debt service payments due on or before the effective date of withdrawal, provided however, that following the date of withdrawal the New Ellsworth SAU shall be responsible for reimbursing RSU 24 for 67.15% of any such debt service paid by RSU 24 in accordance with Sections 12.A(2) and 12.C.6 of this Agreement. As of the effective date of withdrawal, under 20-A MRS §1466(16) the RSU will remain intact for purposes of retiring and securing that indebtedness, but the withdrawal agreement may provide an alternate means for retiring that indebtedness. As an alternate means of retiring that indebtedness, the New Ellsworth SAU shall assume and shall pay all of the remaining debt service on these financial obligations on or before the applicable due dates with no contribution or participation by RSU 24. To issue such debt on a tax advantaged (tax exempt or tax credit) basis, RSU 24 will make certain certifications and representations with respect to compliance with provisions of the Internal Revenue Code of 1986, as amended (the "Code"). These certifications and representations in part, ensure the bondholder that the financial obligations retain their tax advantaged status.

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Following Ellsworth's withdrawal, the New Ellsworth SAU shall be responsible for continued compliance with any such certifications and representations with respect to the financial obligations, the proceeds of the financial obligations, and the financed property. By this Agreement, the New Ellsworth SAU shall be fully bound by all of the terms and representations made by RSU 24 in connection with the issuance of the financial obligations. The authority of the RSU board to issue the financial obligations shall terminate if the RSU board has not issued the financial obligations prior to the effective date of withdrawal.

If the financial obligations requiring voter approval relate to real or personal property located at or serving schools other than Ellsworth schools and Hancock County Technical Center, the RSU board shall be authorized to issue the financial obligations in the name of the RSU. If the RSU board issues the financial obligations prior to the effective date of withdrawal, the RSU shall be responsible for debt service payments due on or before the effective date of withdrawal, provided however, that following the date of withdrawal RSU 24 shall be responsible for reimbursing the New Ellsworth SAU for 32.85 % of any such debt service paid by RSU 24 in accordance with Sections 12. A(2) and 12.C.6 of this Agreement. As of the effective date of withdrawal, under 20-A MRS §1466 (16) the RSU will remain intact for purposes of retiring and securing that indebtedness, but the withdrawal agreement may provide an alternate means for retiring that indebtedness. As an alternate means of retiring that indebtedness, RSU 24 shall assume and shall pay all of the remaining debt service on these financial obligations on or before the applicable due dates with no contribution or participation by the New Ellsworth SAU. The authority of the RSU board to issue the financial obligations shall continue after the Effective Date of withdrawal, in which case the New Ellsworth SAU shall have no contribution or participation in the payment of the financial obligations.

2. Voter Approval after the Date of the Vote on Withdrawal and Prior to the effective date of Withdrawal. If Ellsworth votes to approve this Agreement, after the date of that vote, and prior to the effective date of withdrawal, the RSU 24 Board may conduct a referendum on the issuance of a financial obligation for capital improvements or capital equipment, including the upgrade of RSU 24 facilities (including capital improvements or equipment for Ellsworth school facilities).

If the financial obligations requiring voter approval relate to real or personal property located at or serving Ellsworth schools and Hancock County Technical Center, the RSU school board shall provide for the debt to be approved at an RSU 24 referendum vote conducted in accordance with the general laws but only in Ellsworth and not in the other RSU 24 member municipalities. If the Ellsworth voters approve the issuance of the financial obligations, the RSU board shall be authorized to issue the financial obligations in the name of the RSU prior to the effective date of withdrawal, and the RSU shall be responsible for debt service payments due on or before the effective date of withdrawal, provided however, that following the date of withdrawal the New Ellsworth SAU shall be responsible for reimbursing RSU 24 for 67.15% of any such debt service paid by RSU 24 in accordance with Sections 12.A(2) and 12.C.6 of this Agreement. As of the effective date of withdrawal, under 20-A MRS §1466 (16) the RSU will remain intact for purposes of retiring and securing that indebtedness, but the withdrawal agreement may provide an alternate means for retiring that indebtedness. As an alternate means of retiring that indebtedness, the New Ellsworth SAU shall assume and shall pay all of the remaining debt service on these financial obligations on or before the applicable due dates with no contribution or participation by

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RSU 24. To issue such debt on a tax advantaged (tax exempt or tax credit) basis, RSU 24 will make certain certifications and representations with respect to compliance with provisions of the Internal Revenue Code of 1986, as amended (the "Code"). These certifications and representations in part, ensure the bondholder that the financial obligations retain their tax advantaged status. Following Ellsworth's withdrawal, the New Ellsworth SAU shall be responsible for continued compliance with any such certifications and representations with respect to the financial obligations, the proceeds of the financial obligations, and the financed property. By this Agreement, the New Ellsworth SAU shall be fully bound by all of the terms and representations made by RSU 24 in connection with the issuance of the financial obligations. The authority of the RSU board to issue the financial obligations shall terminate if the RSU board has not issued the financial obligations prior to the Effective Date of withdrawal.

If the financial obligations requiring voter approval relate to real or personal property located at or serving schools other than Ellsworth schools and Hancock County Technical Center, the RSU school board shall provide for the debt to be approved at an RSU 24 referendum vote conducted in accordance with the general laws but only in the other RSU 24 member municipalities, excluding Ellsworth, and any other municipalities that have voted to withdraw from RSU 24. If the voters of the RSU (excluding Ellsworth) approve the issuance of the financial obligations, the RSU board shall be authorized to issue the financial obligations in the name of the RSU. If the RSU board issues the financial obligations prior to the effective date of withdrawal, the RSU shall be responsible for debt service payments due on or before the effective date of withdrawal, provided however, that following the date of withdrawal RSU 24 shall be responsible for reimbursing the New Ellsworth SAU for 32.85 % of any such debt service paid by RSU 24 in accordance with Sections 12. A(2) and 12.C.6 of this Agreement. As of the effective date of withdrawal, under 20-A MRS §1466 (16) the RSU will remain intact for purposes of retiring and securing that indebtedness, but the withdrawal agreement may provide an alternate means for retiring that indebtedness. As an alternate means of retiring that indebtedness, RSU 24 shall assume and shall pay all of the remaining debt service on these financial obligations on or before the applicable due dates with no contribution or participation by the New Ellsworth SAU. The authority of the RSU board to issue the financial obligations shall continue after the effective date of withdrawal, in which case the New Ellsworth SAU shall have no contribution or participation in the payment of the financial obligations.

b. Financial Commitments Not Requiring Voter Approval.

1. Board Approval on or before the Date of the Vote on Withdrawal. On or before the date that Ellsworth votes on this Agreement, the RSU 24 Board may approve the issuance of a financial obligation, not requiring voter approval under applicable law, for such purposes as are permitted by the general laws, including energy conservation and air quality project lease purchase financing pursuant to section 15695 of Title 20-A, equipment lease purchasing and cash flow borrowing ("TRANS"). If the financial obligations relate to real or personal property located at or serving school facilities in Ellsworth, the RSU board shall be authorized to issue the financial obligations only prior to the effective date of withdrawal; provided that this limitation shall not be construed to apply to TRANS.

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If the financial obligations not requiring voter approval relate to real or personal property located at or serving Ellsworth schools and Hancock County Technical Center, the RSU board shall be authorized to issue the financial obligations in the name of the RSU prior to the effective date of withdrawal, and the RSU shall be responsible for debt service payments due on or before the effective date of withdrawal, provided however, that following the date of withdrawal the New Ellsworth SAU shall be responsible for reimbursing RSU 24 for 67.15% of any such debt service paid by RSU 24 in accordance with Sections 12.A(2) and 12.C.6 of this Agreement. The reimbursement provided by the preceding sentence shall not apply to RSU 24's payment of a TRAN obligation due prior to the effective date of withdrawal. As of the effective date of withdrawal, under 20-A MRS §1466 (16) the RSU will remain intact for purposes of retiring and securing that indebtedness, but the withdrawal agreement may provide an alternate means for retiring that indebtedness. As an alternate means of retiring that indebtedness, the New Ellsworth SAU shall assume and shall pay all of the remaining debt service on these financial obligations on or before the applicable due dates with no contribution or participation by RSU 24. To issue such debt on a tax advantaged (tax exempt or tax credit) basis, RSU 24 will make certain certifications and representations with respect to compliance with provisions of the Internal Revenue Code of 1986, as amended (the "Code"). These certifications and representations in part, ensure the holder that the financial obligations retain their tax advantaged status. Following Ellsworth's withdrawal, the New Ellsworth SAU shall be responsible for continued compliance with any such certifications and representations with respect to the financial obligations, the proceeds of the financial obligations, and the financed property. By this Agreement, the New Ellsworth SAU shall be fully bound by all of the terms and representations made by RSU 24 in connection with the issuance of the financial obligations. The authority of the RSU board to issue the financial obligations shall terminate if the RSU board has not issued the financial obligations prior to the effective date of withdrawal.

If the financial obligations not requiring voter approval relate to real or personal property located at or serving schools other than Ellsworth schools and Hancock County Technical Center, including energy conservation and air quality lease purchase projects pursuant to section 15695 of Title 20-A, and capital equipment lease purchases, or if said financial obligations are TRANs, the RSU board shall be authorized to issue the financial obligations in the name of the RSU. If the RSU board issues the financial obligations prior to the effective date of withdrawal, the RSU shall be responsible for debt service payments due on or before the effective date of withdrawal, provided however, that following the date of withdrawal RSU 24 shall be responsible for reimbursing the New Ellsworth SAU for 32.85 % of any such debt service paid by RSU 24 in accordance with Sections 12. A(2) and 12.C.6 of this Agreement. . The reimbursement provided by the preceding sentence shall not apply to RSU 24's payment of a TRAN obligation due prior to the effective date of withdrawal. As of the effective date of withdrawal, under 20-A MRS §1466 (16) the RSU will remain intact for purposes of retiring and securing that indebtedness, but the withdrawal agreement may provide an alternate means for retiring that indebtedness. As an alternate means of retiring that indebtedness, RSU 24 shall assume and shall pay all of the remaining debt service on these financial obligations on or before the applicable due dates with no contribution or participation by the New Ellsworth SAU. The authority of the RSU board to issue the financial obligations shall continue after the effective date of withdrawal, in which case the New Ellsworth SAU shall have no contribution or participation in the payment of the financial obligations.

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2. Board Approval after the Date of the Vote on Withdrawal and Prior to the effective date of Withdrawal. If Ellsworth votes to approve this Agreement, after the date of that vote, and prior to the effective date of withdrawal, the RSU 24 Board may approve the issuance of a financial obligation, not requiring voter approval under applicable law, for such purposes as are permitted by the general laws, including energy conservation and air quality project lease purchase financing pursuant to section 15695 of Title 20-A, equipment lease purchasing, and cash flow borrowing ("TRANS"). If the financial obligations relate to real or personal property located at or serving school facilities in Ellsworth, the RSU board shall be authorized to issue the financial obligations only prior to the effective date of withdrawal; provided that this limitation shall not be construed to apply to TRANS.

If the financial obligations not requiring voter approval relate to real or personal property located at or serving Ellsworth schools and Hancock County Technical Center, the RSU board shall be authorized to issue the financial obligations in the name of the RSU prior to the effective date of withdrawal, and the RSU shall be responsible for debt service payments due on or before the effective date of withdrawal, provided however, that following the date of withdrawal the New Ellsworth SAU shall be responsible for reimbursing RSU 24 for 67.15% of any such debt service paid by RSU 24 in accordance with Sections 12.A(2) and 12.C.6 of this Agreement. The reimbursement provided by the preceding sentence shall not apply to RSU 24's payment of a TRAN obligation due prior to the effective date of withdrawal. As of the effective date of withdrawal, under 20-A MRS §1466(16) the RSU will remain intact for purposes of retiring and securing that indebtedness, but the withdrawal agreement may provide an alternate means for retiring that indebtedness. As an alternate means of retiring that indebtedness, the New Ellsworth SAU shall assume and shall pay all of the remaining debt service on these financial obligations on or before the applicable due dates with no contribution or participation by RSU 24. To issue such debt on a tax advantaged (tax exempt or tax credit) basis, RSU 24 will make certain certifications and representations with respect to compliance with provisions of the Internal Revenue Code of 1986, as amended (the "Code"). These certifications and representations in part, ensure the bondholder that the financial obligations retain their tax advantaged status. Following Ellsworth's withdrawal, the New Ellsworth SAU shall be responsible for continued compliance with any such certifications and representations with respect to the financial obligations, the proceeds of the financial obligations, and the financed property. By this Agreement, the New Ellsworth SAU shall be fully bound by all of the terms and representations made by RSU 24 in connection with the issuance of the financial obligations. The authority of the RSU board to issue the financial obligations shall terminate if the RSU board has not issued the financial obligations prior to the effective date of withdrawal.

If the financial obligations not requiring voter approval relate to real or personal property located at or serving schools other than Ellsworth schools and Hancock County Technical Center, including energy conservation and air quality lease purchase projects pursuant to section 15695 of Title 20-A, and capital equipment lease purchases, or if said financial obligations are TRANS, the RSU board shall be authorized to issue the financial obligations in the name of the RSU. If the RSU board issues the financial obligations prior to the effective date of withdrawal, the RSU shall be responsible for debt service payments due on or before the effective date of withdrawal, provided however, that following the date of withdrawal RSU 24 shall be responsible for

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reimbursing the New Ellsworth SAU for 32.85 % of any such debt service paid by RSU 24 in accordance with Sections 12.A(2) and 12.C.6 of this Agreement. . The reimbursement provided by the preceding sentence shall not apply to RSU 24's payment of a TRAN obligation due prior to the effective date of withdrawal. As of the Effective Date of withdrawal, under 20-A MRS §1466(16) the RSU will remain intact for purposes of retiring and securing that indebtedness, but the withdrawal agreement may provide an alternate means for retiring that indebtedness. As an alternate means of retiring that indebtedness, RSU 24 shall assume and shall pay all of the remaining debt service on these financial obligations on or before the applicable due dates with no contribution or participation by the New Ellsworth SAU. The authority of the RSU board to issue the financial obligations shall continue after the effective date of withdrawal, in which case the New Ellsworth SAU shall have no contribution or participation in the payment of the financial obligations.

9. Financial Commitment for RSU Superintendent.

RSU 24 has signed a three-year contract with the Superintendent of Schools for a term that runs from July 1, 2011 through June 30, 2014. The existing Superintendent's contract expires on June 30, 2014 with the option of extending that contract for one additional year. The New Ellsworth SAU agrees to pay RSU 24 32.85% of the superintendent's salary and benefits through June 30, 2015. The New Ellsworth SAU will not be responsible for any portion of any contract for this position that extends beyond June 30, 2015. The New Ellsworth SAU's obligation to contribute to the cost of the Superintendents contract for FY 2014-2015 is only applicable to the current Superintendent of Schools as of the date of this Agreement.

10. Continuation of Collective Bargaining Agreements.

Four collective bargaining agreements (CBAs) currently pertain to RSU 24 employees that will be employed by the New Ellsworth SAU following Ellsworth's withdrawal as follows:

Employee Unit	Term	Applies to	Notes
Down East Education Association (D.E.E.A.)	9/1/2011 to 8/31/2013	All RSU 24 certified teachers, librarians, speech therapist/pathologist, guidance counselor, certified CTE teacher, technology integrator and teacher coach.	1. Does not cover all provisions; 2. Provisions of E.E.A. contract (below) "remain in full force" for Ellsworth except when superseded by this D.E.E.A. contract
Ellsworth Education Association (E.E.A)	9/1/2007 to 8/31/2010	All certified teachers of the Ellsworth schools.	
AFSCME Council #93 for RSU #24 Bus Drivers Unit Local 2178-05	7/1/2011 to 6/30/2013	All RSU 24 bus drivers and mechanics who have been employed more than six (6) months and are not temporary, seasonal, or on-call as defined by 26 MRSA	Covers: wages, hours of work, working conditions and contract grievance arbitration (Article 1)

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AFSCME Council #93 AFL-CIO for RSU #24 Custodians Local 2178-05	7/1/2011 to 6/30/2013	Custodians, custodian/groundskeeper and maintenance workers who have been employed more than six (6) months	Covers: wages, hours of work, working conditions and contract grievance arbitration (Article I)

The RSU is required to bargain in good faith and successor agreements to these collective bargaining agreements may be negotiated prior to the date of Ellsworth's vote on withdrawal. In addition, there are two additional bargaining units that have formed and will be entering into negotiations with RSU 24 during the 2012-2013 school year: AFSCME School Secretaries Unit and MEA Educational Technicians Unit. If, during the period between a vote by Ellsworth to withdraw, and the date of withdrawal, June 30, 2014, RSU 24 is engaged in negotiations with any of the above bargaining units, RSU 24 agrees that it shall have no authority to negotiate with respect to employees to be assigned to the New Ellsworth RSU for any period after the date of Ellsworth's withdrawal.

Following Ellsworth's withdrawal, the New Ellsworth SAU shall assume the RSU's existing collective bargaining agreements to the extent that they cover employees of RSU 24 assigned to Ellsworth schools and the Hancock County Technical Center at the end of the 2013-2014 school year and who have a right to continued employment as of July 1, 2014. A list of employees and positions assigned to Ellsworth schools and the Hancock County Technical Center is attached to this Agreement as **Exhibit 3**. This list shall be updated to June 30, 2014 by RSU 24 and the updated list shall be attached to this Agreement as **Replacement Exhibit 3**.

Following Ellsworth's withdrawal, the New Ellsworth SAU school board will extend representational rights to all of the six bargaining units listed above for the purpose of negotiating future collective bargaining contracts. . If no new collective bargaining agreement has been reached between RSU 24 and any of the bargaining units above on the date of Ellsworth's vote on withdrawal, the New Ellsworth SAU school board will honor the terms of any existing collective bargaining agreements applicable to employees to be assigned to the New Ellsworth SAU that remain in effect past their termination date and will honor the status quo as defined by the Maine Labor Relations Board and applicable law with respect to employees assigned to the New Ellsworth SAU.

11. Continuing Contract Rights under Section 13201.

The withdrawal of Ellsworth will not affect the continuation of continuing contract rights under Section 13201. On June 30, 2014, the effective date of withdrawal, all continuing contract teachers assigned to the Ellsworth schools and Hancock County Technical Center shall become continuing contract teachers of the New Ellsworth SAU. On June 30, 2014, the effective date of withdrawal, all probationary teachers assigned to the Ellsworth Schools and Hancock County Technical Center who become employees of the New Ellsworth SAU and who have earned years of service with RSU 24 toward continuing contract status shall retain those years of service for purposes of attaining continuing contract status with the New Ellsworth SAU. A list of

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continuing contract teachers and probationary teachers with their number of years of service toward continuing contract status, assigned to the Ellsworth schools and Hancock County Technical Center is attached as **Exhibit 4**. This list shall be updated to June 30, 2014 by RSU 24 and the updated list shall be attached to this Agreement as **Replacement Exhibit 4**.

12. Disposition of Real and Personal Property and Other Monetary Assets.

A. Real Property and Fixtures.

Title to the real property upon which the Ellsworth High School and Hancock County Technical Center is located is currently vested in RSU 24 by virtue of two deeds from the City of Ellsworth recorded in the Hancock County Registry of Deeds in Book 5337, Page 267 and Book 5337, Page 263 (see attached). Subject to approval of this Agreement by the voters of the City of Ellsworth, following the date of Ellsworth withdrawal, RSU 24 shall convey all of the real property described in these deeds to the New Ellsworth SAU by quitclaim deed subject to the terms of this Agreement. As of the effective date of Ellsworth's withdrawal, the existing lease of the Ellsworth Elementary/Middle School shall terminate.

If Ellsworth withdraws from RSU 24 as of June 30, 2014, the current Ellsworth Elementary Middle School lease agreement between the City of Ellsworth and RSU 24, attached to this agreement as **Exhibit 5**, will terminate as of June 30, 2014, pursuant to Section 17.5 of the Lease Agreement. RSU 24's authority to acquire title to the real property and the fixtures thereon, pursuant to Section 5.A of the Reorganization Plan and 20-A MRS §1462 shall expire upon the withdrawal of Ellsworth from RSU 24.

The New Ellsworth SAU shall reimburse RSU 24 for expenditures for major capital projects in Ellsworth Schools as follows:

(1) Major Capital Projects. . Upon verification of items and costs, and prior to conditional approval of this Agreement by the Commissioner of Education, a list of major capital projects undertaken in RSU 24 schools during the period from July 1, 2009 through June 30, 2012 is attached hereto as **Exhibit 6**. Adjustments will be made to take into account major capital expenditures projects at Ellsworth schools through June 30, 2014. The New Ellsworth SAU shall reimburse RSU 24 for 67.15% of the major capital expenditures made by RSU 24 in Ellsworth's schools and Hancock County Technical Center; and RSU 24 shall reimburse the New Ellsworth SAU for 32.85% of the major capital expenditures made by RSU 24 at other facilities outside of the City of Ellsworth. The adjusted and updated list and calculations through June 30, 2014 shall be attached hereto as Replacement Exhibit 6.

(2) Local Only Debt Service. During the period from July 1, 2009 through June 30, 2014 RSU 24 will have paid local only debt service on the Ellsworth K-8 school, the Peninsula CSD School, and the renovation of the Lamoine Consolidated School. The Ellsworth SAU shall reimburse RSU 24 for 67.15% of the local only debt service paid by RSU 24 for Ellsworth Schools and Hancock County Technical Center from July 1, 2009 through June 30, 2014, and RSU 24 shall reimburse the New Ellsworth SAU for the 32.85% of the local debt service paid by RSU 24 for local only debt service on the Peninsula CSD School and the renovation of the Lamoine Consolidated School during this period. See Exhibit 7.

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B. Personal Property. When Ellsworth joined RSU 24, ownership of the school buses and vehicles listed on **Exhibit 1**, paragraph 1 were transferred from the Ellsworth School Department to RSU 24. The RSU has been responsible for repair and upkeep of these vehicles. Each of these buses will be returned to Ellsworth on July 1, 2014 with the exceptions listed on **Exhibit 1**, paragraph 2. In addition, the buses listed on **Exhibit 1**, paragraph 3 which have been acquired by RSU 24 will be conveyed to Ellsworth on July 1, 2014 subject to the provisions of Section 7. B(3) of this agreement.

Any and all personal property located at the Ellsworth Elementary Middle School, Ellsworth High School, and Hancock County Technical Center properties or used exclusively for Ellsworth school programs, including movable equipment, furnishings, textbooks and other curriculum materials, supplies and inventories shall become property of the New Ellsworth SAU on the date of withdrawal. The New Ellsworth SAU may require such assignments, bills of sale or other instruments of transfer as in its judgment is necessary to establish the New Ellsworth SAU's right, title and interest in such personal property.

The New Ellsworth SAU shall reimburse RSU 24 for excess major technology and equipment expenditures in Ellsworth schools as follows:

(1) Major Technology Expenditures. Upon verification of items and costs, and prior to conditional approval of this Agreement by the Commissioner of Education, a list of major technology expenditures undertaken in RSU 24 schools during the period from July 1, 2009 through June 30, 2012 is attached hereto as **Exhibit 8**. Adjustments will be made to take into account major capital expenditures at Ellsworth schools and Hancock County Technical Center through June 30, 2014. The New Ellsworth SAU shall reimburse RSU 24 for 67.15% of the major technology expenditures made by RSU 24 in Ellsworth's schools and Hancock County Technical Center and RSU 24 shall reimburse the New Ellsworth SAU for 32.85% of major technology expenditures made by RSU 24 at other facilities outside of the City of Ellsworth. The adjusted and updated list and calculations shall be attached to this Agreement as Replacement Exhibit 8.

(2) Major Equipment Expenditures. Upon verification of items and costs, and prior to conditional approval of this Agreement by Commissioner of Education, a list of major equipment expenditures undertaken in RSU 24 schools during the period from July 1, 2009 through June 30, 2012 is attached hereto as **Exhibit 9**. Adjustments will be made to take into account major equipment expenditures at through June 30, 2014. The New Ellsworth SAU shall reimburse RSU 24 for 67.15% of the major equipment expenditures made by RSU 24 in Ellsworth's schools and Hancock County Technical Center and RSU 24 shall reimburse the New Ellsworth SAU for 32.85% of the major equipment expenditures made by RSU 24 at other facilities outside of the City of Ellsworth. The adjusted and updated list and calculations shall be attached to this Agreement as **Replacement Exhibit 9**.

C. Net Monetary Assets. The guiding principle for the disposition of net monetary assets is that such assets existing as of the date of withdrawal of Ellsworth should be assigned to the New Ellsworth SAU according to the RSU's cost-sharing formula then in existence. The exceptions to

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this guiding principle include, any reserve funds or other funds specifically dedicated wholly to the education of Ellsworth students or to the education of the students of any other municipalities in the RSU which were transferred to the RSU July 1, 2009 or have come into the possession of the RSU since that date and funds required to pay summer payroll and benefits by employees assigned to the New Ellsworth SAU that were earned prior to July 1, 2014.

(1) RSU 24 will pay the New Ellsworth SAU 32.85% of its unassigned (undesignated) fund balance calculated on a "budgetary basis" as of June 30, 2014 as determined by RSU 24's final audit for FY 2013-14. Stated differently, but without changing the meaning or intent, RSU 24 will pay the New Ellsworth SAU 32.85% of the unassigned (undesignated) fund balance per Exhibit A-1, "Budgetary Comparison Schedule – General Fund," of the RSU's audited financial statements for the fiscal year ending June 30, 2014; Summer salaries will not be deducted from the unassigned (undesignated) fund balance total as Ellsworth SAU will be paying RSU 24 for its portion of the summer salaries during the months of July and August of 2014 under subparagraph 5 below.

Any designation of unassigned (undesignated) fund balance for any purpose other than to support the RSU 24 operating budgets for 2012-2013 or 2013-2014 shall be added back to the unassigned (undesignated) fund balance as of June 30, 2014 for the purposes of calculating the New Ellsworth SAU's share of the unassigned (undesignated) fund balance as of June 30, 2014.

RSU 24 shall pay the New Ellsworth SAU its 32.85% share of the unassigned (undesignated) fund balance as of June 30, 2014 by January 31, 2015.

RSU 24 shall pay the New Ellsworth SAU 32.85% of the June 30, 2014 food service audited balance. Conversely, the New Ellsworth SAU shall assume 32.85% of any food service audited deficit per Exhibit B1. RSU 24 shall transfer all prepayments for school lunch related to students residing in Ellsworth, and responsibility for all delinquent payments for school lunch related to students residing in Ellsworth, over to the New Ellsworth SAU on or before August 15, 2014.

(2) Reserve Funds. Any reserve fund transferred to RSU 24 on the date of its formation from the City of Ellsworth shall be transferred back to the New Ellsworth RSU upon withdrawal with a full accounting, verified by audit, net of fund transactions while the RSU has been responsible for it. Any audit costs, in addition to those normally incurred by RSU 24 as part of its year-end audit, shall be the responsibility of the New Ellsworth SAU.

(3) Scholarship Funds. RSU 24 shall transfer to the New Ellsworth SAU any remaining balances of scholarship funds wholly dedicated to the education of Ellsworth High School students. These funds are to be used consistent with the donor's intent.

(4) Trust Funds. RSU 24 shall transfer to the New Ellsworth SAU any trust funds it has acquired since formation that are wholly dedicated to the support of Ellsworth resident students' education. The funds shall be used in accordance with the intent of the trust.

(5) Summer Payroll and Benefits. The New Ellsworth SAU shall pay to RSU 24 the amount of any RSU 24 liabilities for summer payroll and benefits for employees at the Ellsworth

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Elementary Middle School, Ellsworth High School and Hancock County Technical Center as listed on **Exhibit 10** as updated to June 30, 2014 that were earned prior to July 1, 2014 and would normally be paid by RSU 24 in July and August 2014. The list of employees and the estimated amount to be due from the New Ellsworth SAU to RSU 24 shall be updated by RSU 24 by June 15, 2014 and attached hereto as Replacement Exhibit 10. RSU 24 shall then notify the New Ellsworth SAU in writing of the estimated amount due. The New Ellsworth SAU shall pay the amounts due to RSU 24 for such summer payroll and benefits in five (5) equal installments during July and August of 2014 with each installment being in the amount of each RSU 24 payroll for those employees assigned to the New Ellsworth SAU, with such installments to be paid to RSU 24 at least seven (7) days prior to the applicable RSU 24 payroll dates.

(6) Schedule of Payments.

- a. Summer Payroll and Benefits: Ellsworth SAU shall pay the RSU 24 Summer payroll and benefits in five (5) payments during the months of July and August at least 7 days before they are due to be paid by RSU 24.
- b. October 1, 2014 Reconciliation: Fifty percent (50%) of all debt and obligations specified in this Agreement, with the exception of unassigned (undesignated) Fund Balance (Section 12C), shall be paid to the party to which the obligation is due.
- c. January 31, 2015: The remainder of all debts and obligations specified in this Agreement, including the unassigned (undesignated) fund balance (Section 12C), shall be paid to the party to which the obligation is due.

13. Hancock County Technical Center (“HCTC”).

Section 5.A of the RSU 24 Reorganization Plan provides that if a municipality is allowed to withdraw from RSU 24, ownership of school facilities shall be transferred to the successor RSU. The HCTC facility shall be conveyed to the New Ellsworth SAU and it shall be operated by the New Ellsworth SAU as a vocational center pursuant to 20-A MRSA Sec 8401 et. seq.

(1) The HCTC facility shall be used to house the HCTC Career and Technical Education Program.

(2) In order to avoid the need for new school construction at Sumner High School, students from RSU 24 shall have the right to attend the HCTC Career and Technical Center educational programs.

14. Transition of Administration and Governance.

If this Agreement is approved by the Commissioner of Education and the voters of Ellsworth, the administration and governance of education for Ellsworth students will be transferred directly from RSU 24 to the New Ellsworth SAU as of July 1, 2014, except as provided herein with respect to Ellsworth students attending RSU 24 schools as tuition students. The City of Ellsworth will become a municipal school unit.

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In the event of a positive vote to withdraw from RSU 24 by the City of Ellsworth, the Ellsworth City Council will, as soon as possible, hold an election to form the Ellsworth School Board according to the Charter of the City of Ellsworth, Article IX, Local Advisory Board; School Board.

As soon as is practicable, the Ellsworth School Board will contract for administrative services to put in place policies and practices necessary to support educational services to Ellsworth resident students, including the development of a budget, the transfer of employment contracts, and the continuous provision of necessary services. Where possible and reasonable, cooperative agreements and other forms of collaboration with neighboring SAUs may be considered.

If this withdrawal agreement is approved by the Commissioner of Education and the withdrawal of Ellsworth as of June 30, 2014 is approved by the voters of Ellsworth, the voters of Ellsworth shall not participate in the approval of the RSU 24 budget for the fiscal year 2014-2015 at either the budget meeting or the budget validation referendum, and shall not vote on whether to continue the budget validation process in RSU 24.

15. Procedural elements

1. Superintendents' Agreements. Nothing in this Withdrawal Agreement shall limit the availability or use of Superintendents' Agreements with respect to any student who is not an Enrolled Student under this Agreement.

2. Dispute Resolution. Any dispute between Ellsworth, the New Ellsworth SAU and RSU 24 (hereinafter individually a "Party" or collectively, the "Parties") arising out of or relating to this Agreement shall be resolved in accordance with this paragraph. Any Party may give written notice of a dispute arising out of or related to this Agreement to another Party or Parties in person or by certified mail, return receipt requested. The Parties to the dispute (hereinafter the "Affected Parties") shall attempt to resolve the matter through informal communication or negotiation for a period of thirty (30) days from the date of receipt of notice by the last Party to receive notice. If the dispute has not been resolved within thirty (30) days, any Party may serve written notice on the other Affected Parties of a request for mediation. The mediation shall be conducted in Maine by a mediator mutually agreeable to the Affected Parties, shall not exceed one full day or two half days in length, and shall be completed within ninety (90) days from the date of receipt of notice of a request for mediation by the last Affected Party to receive notice. If the Affected Parties are unable to agree on a mediator within thirty (30) days, or to resolve the dispute through mediation within 90 days, the dispute shall be submitted to arbitration in accordance with the procedures of the Maine Uniform Arbitration Act, 14 M.R.S.A. §5927 et seq.

3. Applicability to Successor School Administrative Units. Upon approval by the Maine Commissioner of Education and approval by a majority vote of the City of Ellsworth, this Agreement shall be binding upon the City of Ellsworth, the New Ellsworth SAU, and any successor school administrative units that Ellsworth may join, merge with or otherwise be included in as a member during the term of this agreement, and on RSU 24 and its successor school administrative units. Accordingly, the terms of this Agreement shall be incorporated by reference into any Reorganization Plan to which Ellsworth, the New Ellsworth SAU, or RSU 24,

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or their respective successor school administrative units, is or becomes a party.

4. Amendment. This Agreement may be amended by mutual written agreement of the governing bodies of RSU 24 and the New Ellsworth SAU with the written approval of the Commissioner of the Maine Department of Education.

5. Termination. This Agreement shall remain in effect until such time as it may be terminated by mutual written agreement of the governing bodies of RSU 24 and the New Ellsworth SAU with the prior written approval of the Commissioner of the Maine Department of Education.

6. State and Local Approval. This Agreement is subject to approval by the Maine Commissioner of Education as required by 20-A MRS § 1466(4)(B) and approval by a majority vote at a referendum conducted in Ellsworth as required by 20-A MRS § 1466(9).

Signed at Ellsworth, this 21st day of March 2013.

The Withdrawal Committee of the City of Ellsworth:

Member from the RSU 24 Board of Directors

Member and Representative from Municipal Officers (City Councilor)

Member at Large

Member of Petitioning Group

Signed at Ellsworth, this 21st day of March 2013.

Chair, RSU 24 Board of Directors

Signed at Augusta, this 21st day of March 2013.

Approved as a Final Withdrawal Agreement under Title 20-A MRS §1466(5)

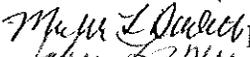
Stephen L. Bowen
Maine Commissioner of Education

5. Termination. This Agreement shall remain in effect until such time as it may be terminated by mutual written agreement of the governing bodies of RSU 24 and the New Ellsworth SAU with the prior written approval of the Commissioner of the Maine Department of Education.

6. State and Local Approval. This Agreement is subject to approval by the Maine Commissioner of Education as required by 20-A MRS § 1466(4)(B) and approval by a majority vote at a referendum conducted in Ellsworth as required by 20-A MRS § 1466(9).

Signed at Ellsworth, this 21st day of March, 2013.

The Withdrawal Committee of the City of Ellsworth:

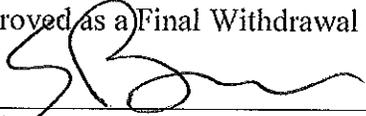
 Member from the RSU 24 Board of Directors
 Member and representative from Municipal Officers (City Councilor)
 Member at Large
 Member of Petitioning Group

Signed at Ellsworth, this 21st day March, 2013.

 ^{Acting}
Chair, RSU 24 Board of Directors

Signed at Augusta, this _____ day _____, 2013.

Approved as a Final Withdrawal Agreement under Title 20-A MRS §1466(5)



Stephen L. Bowen
Maine Commissioner of Education