

TO BE RECORDED AND WHEN RECORDED

RETURN TO:

Jones Hall, A Professional Law Corporation
475 Sansome Street, Suite 1700
San Francisco, California 94111
Attention: Charles F. Adams, Esq.

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX UNDER SECTION 11922 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES UNDER SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

LEASE AGREEMENT

This LEASE AGREEMENT (this "Lease"), dated October 5, 2017, is between the LOCAL FACILITIES FINANCE CORPORATION, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"), as lessee and sublessor, and the SCOTTS VALLEY UNIFIED SCHOOL DISTRICT, a unified school district duly organized and existing under the laws of the State of California (the "District"), as lessor and sublessee.

BACKGROUND:

1. The District has previously refinanced the construction of improvements to the Scotts Valley High School from the proceeds of its Certificates of Participation (2007 Refinancing Project) which were delivered in the aggregate original principal amount of \$4,190,000 (the "2007 Certificates").

2. The 2007 Certificates evidence direct, undivided fractional interests in lease payments (the "2007 Lease Payments") which are payable by the District under a Lease Agreement dated as of January 1, 2007 (the "2007 Lease Agreement"), between the District and the Scotts Valley Schools Financing Corporation, under which the Scotts Valley Schools Financing Corporation has leased to the District the land and improvements which constitute a gymnasium and multi-purpose room at the Scotts Valley High School (the "Leased Property").

3. The 2007 Certificates are currently subject to prepayment at the option of the District on any date, and the District has been advised that due to favorable interest rate conditions that exist in the tax-exempt bond market, the District can realize annual debt service savings which will benefit the District's general fund, by refinancing the 2007 Lease Payment and the outstanding 2007 Certificates as provided herein.

4. In order to provide funds to refinance the 2007 Lease Payments and the 2007 Certificates, the District has proposed to lease and lease back the Leased Property under this Lease in consideration of the agreement by the District to semiannual lease payments (the "Lease Payments").

5. The Corporation has assigned its right to receive the Lease Payments to _____ (the "Assignee"), under an Assignment Agreement, dated as of October 5, 2017 (the "Assignment Agreement"), which has been recorded concurrently herewith.

6. The District is authorized to enter into a lease-leaseback arrangement with the Corporation under the provisions of Section 17456 of the Education Code of the State of California.

A G R E E M E N T :

In consideration of the foregoing and the material covenants hereinafter contained, the District and the Corporation formally covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS; RULES OF INTERPRETATION

SECTION 1.1. *Definitions.* All terms defined in this Section have the meanings herein specified for all purposes of this Lease. All terms defined in the recitals of this Lease and not otherwise defined in this Section shall have the respective meanings given such terms in the recitals.

"Assignee" means _____, a _____ duly organized and existing under the laws of the State of _____.

"Assignment Agreement" means the Assignment Agreement dated as of the Closing Date, between the Corporation, as assignor, and the Assignee, as assignee, as originally executed or as thereafter amended under any duly authorized and executed amendments thereto.

"Board" means the Board of Education of the District.

"Bond Counsel" means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is excludable from gross income under Section 103 of the Tax Code.

"Closing Date" means the date of execution and delivery of this Lease by the parties hereto, being October 5, 2017.

"Corporation" means Local Facilities Finance Corporation, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California.

“District” means the Scotts Valley Unified School District, a unified school district organized and existing under the laws of the State of California.

“Escrow Agent” means U.S. Bank National Association, its successors and assigns, as escrow agent under the Escrow Agreement.

“Escrow Agreement” means the Escrow Agreement dated as of the Closing Date, between the District and the Escrow Bank, including any amendments thereof and supplements thereto.

“Event of Default” means any of the events of default as defined in Section 8.1.

“Federal Securities” means any direct general non-callable obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or obligations the timely payment of principal of and interest on which are directly guaranteed by the United States of America.

“Fiscal Year” means each twelve-month period during the Term of this Lease commencing on July 1 in any calendar year and ending on June 30 in the next succeeding calendar year, or any other twelve-month period selected by the District as its fiscal year period with notice to the Corporation.

“Lease” means this Lease Agreement dated the Closing Date, between the Corporation and the District, as originally executed or as hereafter amended under any duly authorized and executed amendments hereto.

“Lease Payments” means all payments required to be paid by the District under Section 4.4, including any prepayment thereof under Sections 9.2 or 9.3.

“Lease Payment Date” means March 1 and September 1 in each year, commencing March 1, 2018, and continuing to and including the date on which the Lease Payments are paid in full.

“Leased Property” means the real property which is more particularly described in Appendix A, consisting generally of the land and improvements which constitute a gymnasium and multi-purpose room at the Scotts Valley High School. In the event of the release of any property under Section 4.7 or a substitution of property under Section 4.8, the description of the Leased Property shall be modified to reflect such release or substitution.

“Net Proceeds” means amounts derived from any policy of casualty insurance or title insurance with respect to the Leased Property, or any eminent domain award (including any proceeds of sale to a governmental entity under threat of the exercise of eminent domain powers), paid with respect to the Leased Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

“Permitted Encumbrances” means, as of any time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the District may permit to remain unpaid under Article VI; (b) this Lease and the Assignment Agreement; (c) any

right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (d) the exceptions disclosed in the title insurance policy issued by Stewart Title Guaranty Company with respect to the Leased Property issued as of the Closing Date; and (e) any easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record and which the District certifies in writing will not materially impair the use of the Leased Property for its intended purposes.

“Rental Period” means each period during the Term of the Lease commencing on and including September 2 in each year and extending to and including the next succeeding September 1. The first Rental Period begins on the Closing Date and ends on September 1, 2018.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Tax Code.

“Term of this Lease” or “Term” means the time during which this Lease is in effect, as provided in Section 4.3.

SECTION 1.2. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Lease; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

COVENANTS, REPRESENTATIONS AND WARRANTIES

SECTION 2.1. *Covenants, Representations and Warranties of the District.* The District makes the following covenants, representations and warranties to the Corporation as of the date of the execution and delivery of this Lease:

- (a) Due Organization and Existence. The District is a unified school district duly organized and validly existing under the laws of the State of California, has full legal right, power and authority under the laws of the State of California to enter into this Lease and to carry out and consummate all transactions contemplated hereby, and by proper action the District has duly authorized the execution and delivery of this Lease.
- (b) Due Execution. The representatives of the District executing this Lease have been fully authorized to execute the same under a resolution duly adopted by the Board.
- (c) Valid, Binding and Enforceable Obligations. This Lease has been duly authorized, executed and delivered by the District and constitutes the legal, valid and binding agreement of the District enforceable against the District in accordance with its terms.
- (d) No Conflicts. The execution and delivery of this Lease, the consummation of the transactions herein contemplated and the fulfillment of or compliance with the terms and conditions hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the District is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the District, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease or the Escrow Agreement or the financial condition, assets, properties or operations of the District.
- (e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the District or of the voters of the District, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Lease or the Escrow Agreement or the consummation of any transaction

herein contemplated, except as have been obtained or made and as are in full force and effect.

- (f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the District after reasonable investigation, threatened against or affecting the District or the assets, properties or operations of the District which, if determined adversely to the District or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Lease or the Escrow Agreement or upon the financial condition, assets, properties or operations of the District, and the District is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease or the Escrow Agreement or the financial condition, assets, properties or operations of the District.
- (g) No Defaults. At no time in the last ten years has the District failed to appropriate funds for or defaulted under any of its payment or performance obligations or covenants, either under any financing lease of the same general nature as this Lease or under any of its bonds, notes, or other debt obligations.
- (h) Fee Title. The District is the owner in fee of title to the Leased Property.
- (i) Encumbrances. No lien or encumbrance on the Leased Property materially impairs the District's use of the Leased Property for the purposes for which it is, or may reasonably be expected to be, held. This Lease is the only lease that encumbers the Leased Property.
- (j) Compliance with Laws. The District's use of the Leased Property complies with all applicable restrictive covenants, zoning ordinances, building laws and other applicable laws (including without limitation, the Americans with Disabilities Act, as amended).
- (k) Use of the Leased Property. During the term of this Lease, the Leased Property will be used by the District only for the purpose of performing one or more governmental or proprietary functions of the District consistent with the permissible scope of the District's authority.
- (l) Essential Facilities. The Leased Property being leased hereunder is essential to the fulfillment of the District's governmental purposes.
- (m) Useful Life. The building located on the Leased Property has a remaining useful life that extends to at least September 1, 2046.

- (n) Value of Leased Property. The insured value of the Leased Property (real property replacement cost), not including the contents thereof, exceeds the aggregate original principal components of the Lease Payments.
- (o) Flooding Risk. To the best of the District's knowledge, the Leased Property is not located in a "Special Flood Hazard Area" shown on a Flood Hazard Boundary Map or a Flood Insurance Rate Map used in connection with the National Flood Insurance Program and has not been subject to material damage from flooding within the last ten years.
- (p) Hazardous Materials. To the best of the District's knowledge, the Leased Property is free of all hazardous materials that would impair the District's use of the Leased Property for the purposes for which it is, or may reasonably be expected to be, held or that will materially adversely affect the ability of the District to perform its obligations under this Lease.
- (q) Financial Condition. The financial statements of the District for the year ended June 30, 2016, supplied to the Assignee (i) were prepared in accordance with generally accepted accounting principles, consistently applied, and (ii) fairly present the District's financial condition as of the date of the statements. Other than as described in such financial statements or otherwise disclosed to the Assignee, there has been no material adverse change in the District's financial condition subsequent to June 30, 2016.
- (r) Interim Status. The District has not filed a qualified or negative certification (nor has the Santa Cruz County Superintendent of Schools classified the District's certification as qualified or negative) pursuant to Education Code section 42131 in the current or immediately preceding Fiscal Year.
- (s) Education Code Section 17150.1 Notification. The District notified the Santa Cruz County Controller of the proposed financing on July 25, 2017, which is at least thirty days before the Board approved the execution and delivery of this Lease on September 12, 2017. Attached to the notice were a preliminary repayment schedule for this Lease, evidence of the ability of the District to repay this Lease, and a preliminary summary of the related costs of issuance, which information was also provided to the members of the Board and the public.

SECTION 2.2. *Covenants, Representations and Warranties of the Corporation.* The Corporation makes the following covenants, representations and warranties to the District as of the date of the execution and delivery of this Lease:

- (a) Due Organization and Existence. The Corporation is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California, has full legal right, power and authority to

enter into this Lease and the Assignment Agreement, and to carry out and consummate all transactions contemplated hereby and thereby, and by proper action the Corporation has duly authorized the execution and delivery of this Lease and the Assignment Agreement.

- (b) Due Execution. The representatives of the Corporation executing this Lease and the Assignment Agreement are fully authorized to execute the same under official action taken by the governing board of the Corporation.
- (c) Valid, Binding and Enforceable Obligations. This Lease and the Assignment Agreement has each been duly authorized, executed and delivered by the Corporation and constitutes the legal, valid and binding agreement of the Corporation, enforceable against the Corporation in accordance with its terms.
- (d) No Conflicts. The execution and delivery of this Lease and the Assignment Agreement, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the Corporation is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Corporation, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease or the Escrow Agreement or the Assignment Agreement, or the financial condition, assets, properties or operations of the Corporation.
- (e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the Corporation, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Lease, the Escrow Agreement or the Assignment Agreement, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.
- (f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the Corporation after reasonable investigation, threatened against or affecting the Corporation or the assets, properties or operations of the Corporation which, if determined adversely to the Corporation or

its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Lease, the Escrow Agreement or the Assignment Agreement, or upon the financial condition, assets, properties or operations of the Corporation, and the Corporation is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease, the Escrow Agreement or the Assignment Agreement, or the financial condition, assets, properties or operations of the Corporation.

- (g) Corporation Not Fiduciary. In connection with the execution of this Lease, the Corporation is acting solely as a principal and is not acting as a municipal advisor, financial advisor or fiduciary to the District.

SECTION 2.3. *Role of Assignee.* The District acknowledges and agrees that:

- (a) Assignee Acting on Own Account. In providing funds pursuant to the Assignment Agreement, Assignee is acting for its own loan account and not as a fiduciary for the District or in the capacity of broker, dealer, municipal securities underwriter, placement agent, or municipal advisor.
- (b) No Advice. Assignee has not provided, and will not provide, financial, legal (including securities law), tax, accounting or other advice to or on behalf of the District (including to any financial advisor or placement agent engaged by the District) with respect to the structuring of the financing or the execution and delivery of this Lease, the Escrow Agreement or the Assignment Agreement.
- (c) No Fiduciary Duty. Assignee has no fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934, as amended, to the District with respect to the transactions relating to the structuring of the financing or the execution and delivery of this Lease and the discussions, undertakings, and procedures leading thereto.
- (d) Reliance on Other Parties. Each of the District, its financial advisor and its placement agent has sought and shall seek and obtain financial, legal (including securities law), tax, accounting and other advice (including as it relates to structure, timing, terms and similar matters) with respect to the lease financing transaction from its financial, legal, and other advisors (and not Assignee or its affiliates) to the extent that the District, its financial advisor or its placement agent desires to, should, or needs to obtain such advice.
- (e) Disclaimer as to Legal Matters. Assignee has expressed no view regarding the legal sufficiency of its representations for purposes of compliance with any legal requirements applicable to any other party, including but not limited to the District's financial advisor or placement

agent, or the correctness of any legal interpretation made by counsel to any other party, including but not limited to counsel to the District's financial advisor or placement agent, with respect to any such matters.

- (f) Arm's Length Transactions. The transactions between the District, the Corporation and/or Assignee are arm's length, commercial transactions in which Assignee is acting and has acted solely as a principal and for its own interest, and Assignee has not made recommendations to the District or the Corporation with respect to the transactions relating to this Lease, the Escrow Agreement or the Assignment Agreement.

ARTICLE III

DEPOSIT AND APPLICATION OF FUNDS

SECTION 3.1. *Deposit of Funds*. In consideration of the payment of the Lease Payments by the District to the Corporation as provided herein, the Corporation hereby agrees to provide the amount of \$_____ from the Assignee on the Closing Date, which shall be applied as follows:

- (a) the amount of \$_____ shall be paid to the Escrow Agent to be held and administered for the purpose of refinancing the 2007 Lease Payments and the 2007 Certificates in accordance with the Escrow Agreement.; and
- (b) the amount of \$_____ shall be paid to the U.S. Bank National Association, as custodian, to be held and administered for the payment of financing costs relating to the execution and delivery of this Lease.

SECTION 3.2. *Refunding of 2007 Lease Payments*. The District hereby covenants that the deposit which is made on the Closing Date under Section 3.1(a) shall constitute a security deposit for the payment of the 2007 Lease Payments under Section 10.1 of the 2007 Lease Agreement. As a result of such deposit, the 2007 Lease Payments shall be fully discharged under and with the effect set forth in Section 10.1 of the 2007 Lease Agreement and all right, title and interest of the Corporation in and to the Leased Property shall be transferred to and vested in the District under Section 4.6 of the 2007 Lease Agreement.

ARTICLE IV

LEASE AND LEASEBACK OF LEASED PROPERTY; LEASE PAYMENTS

SECTION 4.1. *Lease of Leased Property by District to the Corporation.* The District hereby covenants that it has fee simple merchantable title to the Leased Property, free and clear of all recorded liens, encumbrances, easements, public rights-of-way, assessments, leases, taxes and any or all other interests, excepting only Permitted Encumbrances. For and in consideration of the application by the Corporation of funds in accordance with Section 3.1, the District hereby leases the Leased Property to the Corporation, and the Corporation hereby leases the Leased Property from the District, for a term which is coterminous with the Term of this Lease. No merger shall be effected by the District's lease of the Leased Property to the Corporation under this Section, and the Corporation's sublease of the Leased Property back to the District under Section 4.2.

SECTION 4.2. *Sublease of Leased Property by the Corporation Back to District.* The Corporation hereby subleases the Leased Property back to the District, and the District hereby subleases the Leased Property from the Corporation. The Leased Property shall be subleased to the District under this Lease upon the terms and provisions hereof.

SECTION 4.3. *Term.* The Term of this Lease commences on the date of recordation of this Lease and ends on the date on which all of the Lease Payments have been paid in full. The provisions of this Section are subject to the provisions of Section 6.2 relating to the taking in eminent domain of the Leased Property or any portion thereof.

SECTION 4.4. *Lease Payments.*

(a) Obligation to Pay. Subject to the provisions of Section 6.2 and the provisions of Article IX, the District agrees to pay to the Corporation, its successors and assigns, the Lease Payments (denominated into components of principal and interest) in the respective amounts specified in Appendix B attached hereto (including any supplements thereto) and by this reference incorporated herein, to be due and payable in immediately available funds on each of the respective Lease Payment Dates specified in Appendix B. The Lease Payments payable in any Rental Period with respect to the Leased Property shall be for the use of the Leased Property during such Rental Period. The interest components of the Lease Payments have been calculated based on an interest rate of _____% per annum, on the basis of a 360-day year of twelve 30-day months.

(b) Effect of Prepayment. If the District prepays all Lease Payments in full under Sections 9.2 or 9.3, the District's obligations under this Section will thereupon cease and terminate. If the District prepays the Lease Payments in part but not in whole under Sections 9.2 or 9.3, the principal components of the remaining Lease Payments will be reduced on a pro rata basis; and the interest component of each remaining Lease Payment will be reduced on a pro rata basis.

(c) Rate on Overdue Payments. If the District fails to make any of the payments required in this Section, the payment in default will continue as an obligation of the District until the amount in default has been fully paid, and the District agrees to pay the same

with interest thereon, from the date of default to the date of payment at the rate of 8.00% per annum.

(d) Fair Rental Value. The Lease Payments coming due and payable during each Rental Period constitute the total rental for the Leased Property for such Rental Period, and will be paid by the District in each Rental Period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Leased Property during each Rental Period. The parties hereto have agreed and determined that the total Lease Payments represent the fair rental value of the Leased Property. In making this determination, consideration has been given to the estimated fair market value of the Leased Property, the costs of financing the deposits required to be made under Section 3.1, other obligations of the District and the Corporation under this Lease, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the District and the general public.

(e) Source of Payments; Budget and Appropriation. The Lease Payments are payable from any source of legally available funds of the District, subject to the provisions of Sections 6.2 and 9.1. The District covenants to take such action as may be necessary to include all Lease Payments in each of its annual budgets during the Term of this Lease and to make the necessary annual appropriations for all such Lease Payments. The covenants on the part of the District herein contained constitute duties imposed by law and it is the duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in this Lease agreed to be carried out and performed by the District.

(f) Assignment. The District understands and agrees that all Lease Payments have been assigned by the Corporation to Assignee under the Assignment Agreement, and the District hereby assents to such assignment. The Corporation hereby directs the District, and the District hereby agrees, to pay to Assignee all payments payable by the District under this Section 4.4 and all amounts payable by the District under Article IX as and to the extent set forth in the Assignment Agreement.

SECTION 4.5. *Quiet Enjoyment.* Throughout the Term of this Lease, the Corporation will provide the District with quiet use and enjoyment of the Leased Property and the District will peaceably and quietly have and hold and enjoy the Leased Property, without suit, trouble or hindrance from the Corporation, except as expressly set forth in this Lease. The Corporation will, at the request of the District and at the District's cost, join in any legal action in which the District asserts its right to such possession and enjoyment to the extent the Corporation may lawfully do so. Notwithstanding the foregoing, the Corporation has the right to inspect the Leased Property as provided in Section 7.2.

SECTION 4.6. *Title.* At all times during the Term of this Lease, the District shall hold title to the Leased Property, including all additions which comprise fixtures, repairs, replacements or modifications thereto, subject to Permitted Encumbrances and subject to the provisions of Section 7.2.

Upon the termination of this Lease (other than under Section 8.2(b) hereof), all right, title and interest of the Corporation in and to the Leased Property shall be transferred to and vested in the District. Upon the payment in full of all Lease Payments, or upon the

deposit by the District of security for such Lease Payments as provided in Section 9.1, all right, title and interest of the Corporation in and to the Leased Property shall be transferred to and vested in the District. The Corporation agrees to take any and all steps and execute and record any and all documents reasonably required by the District to consummate any such transfer of title.

SECTION 4.7. *Release of Excess Property.* The District may any time and from time to time, release any portion the Leased Property (the "Released Property") from the Lease, with the prior written consent of the Corporation (which shall not unreasonably be withheld) and upon satisfaction of all of the following requirements which are conditions precedent to such release:

- (a) The District shall certify to the Corporation that no Event of Default has occurred and is continuing;
- (b) The District shall file with the Corporation, and cause to be recorded in the office of the Santa Cruz County Recorder an amendment to this Lease which deletes the Released Property from the description of the Leased Property; and
- (c) The District shall file with the Corporation a written certificate of the District stating the District's determination that the estimated value of the real property which will remain leased under this Lease following such release is at least equal to the principal components of the Lease Payments remaining during the remainder of the Term.

Upon the satisfaction of all such conditions precedent, the Term of this Lease will thereupon end as to the Released Property. The District shall not be entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release. The Corporation and the District shall execute, deliver and cause to be recorded all documents required to discharge this Lease and the Assignment Agreement of record against the Released Property.

Section 4.8. *Substitution of Property.* With prior written consent of the Corporation, the District has the option at any time and from time to time, to substitute other real property (the "Substitute Property") for the Leased Property or any portion thereof (the "Former Property"), upon satisfaction of all of the following requirements which are hereby declared to be conditions precedent to such substitution:

- (a) The District shall certify to the Corporation that no Event of Default has occurred and is continuing;
- (b) The District shall file with the Corporation, and cause to be recorded in the office of the Santa Cruz County Recorder an amendment to this Lease which adds the legal description of the Substitute Property to Appendix A hereto, and deletes therefrom the legal description of the Former Property;
- (c) The District has obtained a CLTA policy of title insurance insuring the District's leasehold estate under this Lease in the Substitute Property, subject only to Permitted Encumbrances, in an amount at

least equal to the estimated value of the principal components of the Lease Payments remaining during the remainder of the Term;

- (d) The District shall certify to the Corporation that the Substitute Property (i) constitutes property which the District is permitted to lease under the laws of the State of California, and (ii) is essential to the fulfillment of the District's governmental purposes;
- (e) The Substitute Property does not cause the District to violate any of its covenants, representations and warranties made herein; and
- (f) The District shall certify to the Corporation that the estimated value of the Substitute Property is at least equal to the estimated value of the Former Property, and that the useful life of the Substitute Property at least extends to the end of the Term.

Upon the satisfaction of all such conditions precedent, the Term of this Lease will thereupon end as to the Former Property and commence as to the Substitute Property, and all references to the Former Property will apply with full force and effect to the Substitute Property. The District shall not be entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of any substitution of property under this Section. The Corporation, the Assignee and the District shall execute, deliver and cause to be recorded all documents required to discharge this Lease and the Assignment Agreement of record against the Former Property and to cause the Substitute Property to become subject to all of the terms and conditions of this Lease.

ARTICLE V

MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS

SECTION 5.1. *Maintenance, Utilities, Taxes and Assessments.* Throughout the Term of this Lease, as part of the consideration for the rental of the Leased Property, all improvement, repair and maintenance of the Leased Property are the sole responsibility of the District, and the District will pay for or otherwise arrange for the payment of all utility services supplied to the Leased Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Leased Property resulting from ordinary wear and tear or want of care on the part of the District or any assignee or sublessee thereof. In exchange for the Lease Payments herein provided, the Corporation agrees to provide only the Leased Property. The District waives the benefits of subsections 1 and 2 of Section 1932, Section 1933(4) and Sections 1941 and 1942 of the California Civil Code, but such waiver does not limit any of the rights of the District under the terms of this Lease.

The District will pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Corporation or the District affecting the Leased Property or the respective interests or estates therein; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over

a period of years, the District is obligated to pay only such installments as are required to be paid during the Term of this Lease as and when the same become due.

The District may, at the District's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation shall notify the District that, in its reasonable opinion, by nonpayment of any such items the interest of the Corporation in the Leased Property will be materially endangered or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event the District will promptly pay such taxes, assessments or charges or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation.

SECTION 5.2. *Modification of Leased Property.* The District has the right, at its own expense, to make additions, modifications and improvements to the Leased Property or any portion thereof. All additions, modifications and improvements to the Leased Property will thereafter comprise part of the Leased Property and become subject to the provisions of this Lease. Such additions, modifications and improvements may not in any way damage the Leased Property, or cause the Leased Property to be used for purposes other than those authorized under the provisions of state and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made thereto under this Section, shall be of a value which is not substantially less than the value thereof immediately prior to the making of such additions, modifications and improvements.

SECTION 5.3. *Public Liability Insurance.* The District shall maintain or cause to be maintained throughout the Term of this Lease a standard comprehensive general insurance policy or policies in protection of the District, the Corporation and their respective members, officers, agents, employees and assigns. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such policy or policies must provide coverage of at least \$1,000,000 and may be subject to such deductibles as the District deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of a program of self-insurance by the District, or in the form of the participation by the District in a joint powers authority or other program providing pooled insurance. The District will apply the proceeds of such liability insurance toward extinguishment or satisfaction of the liability with respect to which such proceeds have been paid.

SECTION 5.4. *Casualty Insurance.* The District will procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease, casualty insurance against loss or damage to all buildings situated on the Leased Property and owned by the District, in an amount at least equal to the replacement value of the insured buildings. Such insurance must, as nearly as practicable, cover loss or damage by all "special form" perils. Such insurance shall be subject to a deductible of not to exceed \$250,000. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of the participation by the District in a joint powers authority or other program providing

pooled insurance. The District will apply the Net Proceeds of such insurance as provided in Section 6.1.

SECTION 5.5. *Rental Interruption Insurance.* The District will procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the Leased Property and the improvements situated thereon as a result of any of the hazards covered in the insurance required by Section 5.4, in an amount at least equal to the maximum Lease Payments coming due and payable during any future 24 month period. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of the participation by the District in a joint powers authority or other program providing pooled insurance. The District will apply the Net Proceeds of such insurance towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

SECTION 5.6. *Worker's Compensation Insurance.* If required by applicable California law, the District shall carry worker's compensation insurance covering all employees on, in, near or about the Leased Property and, upon request, shall furnish to the Corporation certificates evidencing such coverage throughout the Term of this Lease.

SECTION 5.7. *Recordation Hereof; Title Insurance.* On or before the Closing Date, the District shall, at its expense, (a) cause this Lease, or a memorandum hereof or thereof in form and substance approved by Bond Counsel, to be recorded in the office of the Santa Cruz County Recorder with respect to the Leased Property, and (b) obtain a CLTA title insurance policy from Stewart Title Guaranty Company insuring the District's leasehold estate established hereunder in the Leased Property, subject only to Permitted Encumbrances, in an amount equal to the original principal components of the Lease Payments. The District will apply the Net Proceeds received under such title insurance policy to prepay the remaining Lease Payments under Section 9.3.

SECTION 5.8. *Insurance Net Proceeds; Form of Policies.* All insurance policies (or riders) required by this Article shall be taken out and maintained with responsible insurance companies organized under the laws of one of the states of the United States and qualified to do business in the State of California, and shall contain a provision that the insurer shall not cancel or revise coverage thereunder without giving written notice to the insured parties at least ten days before the cancellation or revision becomes effective. Each insurance policy or rider required by Sections 5.3, 5.4 and 5.5 shall name the District, the Corporation and the Assignee as insured parties and the Corporation and the Assignee as loss payees and shall include a lender's loss payable endorsement for the benefit of the Corporation and the Assignee.

SECTION 5.9. *Installation of District's Personal Property.* The District may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Leased Property. All such items shall remain the sole property of the District, in which the Corporation has no interest, and may be modified or removed by the District at any time. The District must repair and restore any and all damage to the Leased Property resulting from the installation, modification or removal of any such items. Nothing in this Lease prevents the District from purchasing or leasing items to be installed under this Section under a lease or conditional sale agreement, or subject to a vendor's lien or security

agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest may attach to any part of the Leased Property.

SECTION 5.10. *Liens.* The District will not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, other than as herein contemplated and except for such encumbrances as the District certifies in writing to the Corporation do not materially and adversely affect the leasehold estate in the Leased Property hereunder and for which the Corporation and Assignee approves in writing, which approval may not be unreasonably withheld. Except as expressly provided in this Article, the District will promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time. The District will reimburse the Corporation and Assignee for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

SECTION 5.11. *Records and Accounts.* The District shall keep proper records and accounts of its funds which, upon prior request, shall be subject to the reasonable inspection of the Corporation. The District shall cause such records and accounts to be audited annually by an independent certified public accountant or firm of certified public accountants, not more than 270 days after the close of each Fiscal Year, and shall furnish a copy of each annual audit report to the Corporation.

SECTION 5.12. *Advances.* If the District fails to perform any of its obligations under this Article, the Corporation may take such action as may be necessary to cure such failure, including the advancement of money, and the District shall be obligated to repay all such advances as additional rental hereunder, with interest at the rate set forth in Section 4.4(c).

ARTICLE VI

EMINENT DOMAIN; USE OF NET PROCEEDS

SECTION 6.1. *Application of Net Proceeds.* The Net Proceeds of any taking of the Leased Property, or any portion thereof, in eminent domain proceedings (or resulting from damage or destruction of the Leased Property) shall be paid to the Corporation to be applied as hereinafter set forth in this Section.

If the Leased Property is taken in eminent domain proceedings at any time during the Term of this Lease (or if the Leased Property is damaged or destroyed), the District shall as soon as practicable after such event, with the prior written consent of the Corporation, apply the Net Proceeds resulting therefrom either to:

- (a) repair the Leased Property to full use;
- (b) replace the Leased Property, at the District's sole cost and expense, with property of equal or greater value to the Leased Property immediately prior to the time of the such destruction or damage, such

replacement Leased Property to be subject to the Corporation's reasonable approval, whereupon such replacement shall be substituted in this Lease by appropriate endorsement; or

- (c) prepay the Lease Payments in accordance with Section 9.3.

The District will notify the Corporation of which course of action it desires to take within 15 days after the occurrence of such destruction or damage. The Corporation may (but is not required to) in its own name or in the District's name execute and deliver proofs of claim, receive all such moneys, endorse checks and other instruments representing payment of such moneys, and adjust, litigate, compromise or release any claim against the issuer of any such policy, and the District hereby grants to the Corporation a power of attorney coupled with an interest to accomplish all or any of the foregoing. The Net Proceeds of all insurance payable with respect to the Leased Property shall be available to the District and shall be used to discharge the District's obligations under this Section.

SECTION 6.2. *Termination or Abatement.* If the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of this Lease shall cease with respect thereto as of the day possession shall be so taken. If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain, then:

- (a) this Lease will continue in full force and effect with respect thereto and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and
- (b) there will be a partial abatement of Lease Payments allocated thereto, in an amount to be determined by the District with the prior written consent of the Corporation, such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property.

The Lease Payments are also subject to abatement during any period in which by reason of damage or destruction (other than by eminent domain which is hereinbefore provided for) there is substantial interference with the use and occupancy by the District of the Leased Property or any portion thereof. The Lease Payments are subject to abatement in an amount determined by the District such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged or destroyed. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, this Lease continues in full force and effect and the District waives any right to terminate this Lease by virtue of any such damage and destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments under this Section to the extent that (a) the proceeds of rental interruption insurance or (b) amounts are available from insurance to pay Lease Payments which would otherwise be abated under this Section, it being hereby declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

ARTICLE VII

OTHER COVENANTS OF THE DISTRICT

SECTION 7.1. *Disclaimer of Warranties.* THE CORPORATION MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE DISTRICT OF THE LEASED PROPERTY OR ANY PORTION THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE LEASED PROPERTY OR ANY PORTION THEREOF. THE DISTRICT ACKNOWLEDGES THAT THE CORPORATION IS NOT A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN, THAT THE DISTRICT LEASES THE LEASED PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE DISTRICT. In no event is the Corporation liable for incidental, indirect, special or consequential damages, in connection with or arising out of this Lease for the existence, furnishing, functioning or use of the Leased Property by the District.

SECTION 7.2. *Access to the Leased Property.* The District agrees that the Corporation shall have the right at all reasonable times, following at least 48 hours written notice provided to the District, to enter upon and to examine and inspect the Leased Property or any part thereof. The District further agrees that the Corporation shall have such rights of access to the Leased Property or any component thereof, following at least 48 hours written notice provided to the District, as may be reasonably necessary to cause the proper maintenance of the Leased Property if the District fails to perform its obligations hereunder. The Corporation has no obligation to cause such proper maintenance.

SECTION 7.3. *Release and Indemnification Covenants.* The District hereby indemnifies the Corporation, the Assignee and their respective officers, agents, successors and assigns against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on the Leased Property by the District, (b) any breach or default on the part of the District in the performance of any of its obligations under this Lease, (c) any negligence or willful misconduct of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Leased Property, (d) any intentional misconduct or negligence of any sublessee of the District with respect to the Leased Property, (e) the acquisition, construction, improvement and equipping of the Leased Property, or (f) the clean-up of any hazardous materials or toxic wastes from the Leased Property, or the authorization of payment of the costs thereof. No indemnification is made under this Section or elsewhere in this Lease for willful misconduct or gross negligence under this Lease by the Corporation, the Assignee or their respective officers, agents, employees, successors or assigns.

SECTION 7.4. *Assignment by the Corporation; Restrictions.* The Corporation's rights under this Lease, including the right to receive and enforce payment of the Lease Payments to be made by the District hereunder, have been assigned to the Assignee under the Assignment Agreement. The District hereby consents to such assignment. Whenever in this Lease any reference is made to the Corporation and such reference

concerns rights which the Corporation has assigned to the Assignee, such reference shall be deemed to refer to the Assignee. The Corporation and Assignee shall have the right at any time to further assign, transfer or convey this Lease or any interest therein or portion thereof, but no such assignment, transfer or conveyance shall be effective as against the District unless and until the Corporation has delivered to the District written notice thereof that discloses the name and address of the assignee and such assignment, transfer or conveyance shall be made only to (i) an affiliate of the Assignee or (ii) banks, insurance companies or other financial institutions or their affiliates. Nothing herein shall limit the right of the Assignee or its assignees to sell or assign participation interests in this Lease to one or more entities listed in (i) or (ii), provided that any participation, custodial or similar agreement under which multiple ownership interests in this Lease are created shall provide the method by which the owners of such interests shall establish the rights and duties of a single entity, owner, servicer or other fiduciary or agent acting on behalf of all of the assignees to act on their behalf with respect to the rights and interests of the Corporation under this Lease, including with respect to the exercise of rights and remedies of the Corporation on behalf of such owners upon the occurrence of an Event of Default under this Lease.

SECTION 7.5. *Assignment and Subleasing by the District.* This Lease may not be assigned by the District. With the prior written consent of the Corporation the District may sublease the Leased Property, or any portion thereof, subject to all of the following conditions:

- (a) This Lease and the obligation of the District to make Lease Payments hereunder shall remain obligations of the District.
- (b) The District shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Corporation a true and complete copy of such sublease.
- (c) No such sublease by the District may cause the Leased Property to be used for a purpose other than as may be authorized under the provisions of the laws of the State of California.
- (d) The District shall furnish the Corporation with a written opinion of Bond Counsel stating that such sublease does not cause the interest components of the Lease Payments to become includable in gross income for purposes of federal income taxation or to become subject to personal income taxation by the State of California.

SECTION 7.6. *Amendment of Lease.*

(a) Amendment with the Corporation's Consent. This Lease may be amended or modified by the District with the prior written consent of the Corporation (which shall not be unreasonably withheld).

(b) Amendment without the Corporation Consent. This Lease may be amended or modified by the District without the prior written consent of the Corporation to obligate the District to pay additional amounts of rental for the use and occupancy of the Leased Property, but only if (i) such additional amounts of rental are pledged or assigned for the payment of any bonds, notes, leases or other obligations, the proceeds of which are

applied to finance or refinance the acquisition or construction of any real or personal property for which the District is authorized to expend funds subject to its control, including, without limitation, the Energy Projects; and (ii) the District has obtained and filed with the Corporation an appraisal (or other written evidence satisfactory to the Corporation) showing that the value of the Leased Property is at least equal to the aggregate principal amount of (A) the Lease Payments remaining during the remainder of the Term under this Lease, *plus* (B) all such other bonds, notes, leases or other obligations.

(c) Effectiveness. Prior to the effective date of any amendment or modification pursuant to this Section, and as a condition precedent to the effectiveness thereof, the District at its expense shall obtain an opinion of Bond Counsel stating that such amendment or modification will not adversely affect the exclusion from gross income of the interest component of the Lease Payments.

SECTION 7.7. *Tax Covenants.*

(a) Generally. The District will not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, the interest components of the Lease Payments to become includable in gross income for federal income tax purposes.

(b) Private Activity Bond Limitation. The District will ensure that the proceeds of the Lease Payments are not so used as to cause the District's obligations hereunder to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(c) Federal Guarantee Prohibition. The District will not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Lease Payments to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

(d) No Arbitrage. The District will not take, or permit or suffer to be taken, any action with respect to the proceeds of the Lease Payments which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Lease Payments to be "arbitrage bonds" within the meaning of Section 148(a) of the Tax Code.

(e) Arbitrage Rebate. The District will take any and all actions necessary to assure compliance with Section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Lease Payments.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

SECTION 8.1. *Events of Default Defined.* Any one or more of the following events constitutes an Event of Default hereunder:

- (a) Payment Covenants. Failure by the District to pay any Lease Payment or other payment required to be paid hereunder at the time specified herein.
- (b) Other Covenants. Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, other than as referred to in the preceding clause (a) of this Section, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corporation. However, if in the reasonable opinion of the District the failure stated in the notice can be corrected, but not within such 30-day period, the Corporation shall not unreasonably withhold its consent to an extension of such time (for a period not to exceed 60 days) if corrective action is instituted by the District within such 30-day period and diligently pursued until the default is corrected.
- (c) Bankruptcy, etc. The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

SECTION 8.2. *Remedies on Default.* Whenever any Event of Default has happened and is continuing, the Corporation may exercise any and all remedies available under law or granted under this Lease; *provided, however,* that notwithstanding anything herein to the contrary, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each and every covenant hereof to be kept and performed by the District is expressly made a condition and upon the breach thereof the Corporation may exercise any and all rights granted hereunder; *provided,* that no termination of this Lease shall be effected either by operation of law or acts of the parties hereto, except only in the manner herein expressly provided. Upon the occurrence and during the continuance of any Event of Default, the Corporation may exercise any one or more of the following remedies:

- (a) Enforcement of Payments Without Termination. If the Corporation does not elect to terminate this Lease in the manner hereinafter provided for in subparagraph (b) hereof, the District agrees to and

shall remain liable for the payment of all Lease Payments and the performance of all conditions herein contained and shall reimburse the Corporation for any deficiency arising out of the re-leasing of the Leased Property, or, if the Corporation is unable to re-lease the Leased Property, then for the full amount of all Lease Payments to the end of the Term of this Lease, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments hereunder, notwithstanding such entry or re-entry by the Corporation or any suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Leased Property or the exercise of any other remedy by the Corporation.

The District hereby irrevocably appoints the Corporation as the agent and attorney-in-fact of the District to enter upon and re-lease the Leased Property upon the occurrence and continuation of an Event of Default and to remove all personal property whatsoever situated upon the Leased Property, to place such property in storage or other suitable place in the County of Santa Cruz for the account of and at the expense of the District, and the District hereby exempts and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Leased Property and the removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions herein contained.

The District agrees that the terms of this Lease constitute full and sufficient notice of the right of the Corporation to re-lease the Leased Property in the event of such re-entry without effecting a surrender of this Lease, and further agrees that no acts of the Corporation in effecting such re-leasing shall constitute a surrender or termination of this Lease irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the District the right to terminate this Lease shall vest in the Corporation to be effected in the sole and exclusive manner hereinafter provided for in subparagraph (b) hereof. The District agrees to surrender and quit possession of the Leased Property upon demand of the Corporation for the purpose of enabling the Leased Property to be re-let under this subparagraph (a), and the District further waives the right to any rental obtained by the Corporation in excess of the Lease Payments and hereby conveys and releases such excess to the Corporation as compensation to the Corporation for its services in re-leasing the Leased Property.

- (b) Termination of Lease. If an Event of Default occurs and is continuing hereunder, the Corporation at its option may terminate this Lease and re-lease all or any portion of the Leased Property. If the Corporation terminates this Lease at its option and in the manner hereinafter provided due to a default by the District (and notwithstanding any re-

entry upon the Leased Property by the Corporation in any manner whatsoever or the re-leasing of the Leased Property), the District nevertheless agrees to pay to the Corporation all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is herein provided in the case of payment of Lease Payments. Any surplus received by the Corporation from such re-leasing shall be applied by the Corporation to Lease Payments due under this Lease. Neither notice to pay rent or to deliver up possession of the premises given under law nor any proceeding in unlawful detainer taken by the Corporation shall of itself operate to terminate this Lease, and no termination of this Lease on account of default by the District shall be or become effective by operation of law, or otherwise, unless and until the Corporation shall have given written notice to the District of the election on the part of the Corporation to terminate this Lease. The District covenants and agrees that no surrender of the Leased Property, or of the remainder of the Term hereof or any termination of this Lease shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Corporation by such written notice.

- (c) Proceedings at Law or In Equity. If an Event of Default occurs and continues hereunder, the Corporation may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due hereunder or to enforce any other of its rights hereunder.

SECTION 8.3. *No Remedy Exclusive.* No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved to it in this Article it shall not be necessary to give any notice, other than such notice as may be required in this Article or by law.

SECTION 8.4. *Agreement to Pay Attorneys' Fees and Expenses.* If either party to this Lease defaults under any of the provisions hereof and the nondefaulting party should employ attorneys (including in-house legal counsel) or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys (including allocable costs and expenses of in-house legal counsel, if any) and such other expenses so incurred by the nondefaulting party.

SECTION 8.5. *No Additional Waiver Implied by One Waiver.* If any agreement contained in this Lease is breached by either party and thereafter waived by the other party, such waiver is limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

SECTION 8.6. *Assignee to Exercise Rights.* The rights and remedies as are given to the Corporation under this Article have been assigned by the Corporation to Assignee under the Assignment Agreement, to which assignment the District hereby consents. Such rights and remedies shall be exercised solely by Assignee as and to the extent set forth in the Assignment Agreement.

ARTICLE IX

PREPAYMENT OF LEASE PAYMENTS

SECTION 9.1. *Security Deposit.* Notwithstanding any other provision of this Lease, the District may on any date secure the payment of the Lease Payments in whole or in part by depositing with a fiduciary, in trust, an amount of cash which is either (a) sufficient to pay such Lease Payments, including the principal and interest components thereof, when due under Section 4.4(a) or upon the prepayment thereof under Section 9.2, or (b) invested in whole in non-callable Federal Securities in an amount which is sufficient, in the opinion of an independent certified public accountant, together with interest to accrue thereon and together with any cash which is so deposited, to pay such Lease Payments when due under Section 4.4(a) or upon the prepayment thereof under Section 9.2, as the District instructs at the time of said deposit.

In the event of a security deposit under this Section with respect to all unpaid Lease Payments, (a) the Term of this Lease shall continue, (b) all obligations of the District under this Lease, and all security provided by this Lease for said obligations, shall thereupon cease and terminate, excepting only the obligation of the District to make, or cause to be made all of the Lease Payments from such security deposit, and (c) under Section 4.6, title to the Leased Property will vest in the District on the date of said deposit automatically and without further action by the District or the Corporation. The District hereby grants a first priority security interest in and the lien on said security deposit and all proceeds thereof in favor of the Corporation. Said security deposit shall be deemed to be and shall constitute a special fund for the payment of Lease Payments in accordance with the provisions of this Lease.

SECTION 9.2. *Optional Prepayment.* The District shall have the right, at its option, to prepay the principal components of the Lease Payments in whole, or in part in any integral multiple of \$1,000, on any date on or after September 1, 20__, by paying a prepayment price equal to the aggregate principal components of the Lease Payments to be prepaid, without prepayment premium. The District shall give the Corporation written notice of its intention to exercise its option not less than 30 days in advance of the date of exercise.

SECTION 9.3. *Mandatory Prepayment From Net Proceeds of Insurance or Eminent Domain.* The District shall be obligated to prepay the unpaid principal components of the Lease Payments in whole or in part on any date, from and to the extent of any Net Proceeds of insurance award or condemnation award with respect to the Leased Property to be used for such purpose under Section 6.1. The District and the Corporation hereby agree that such Net Proceeds, to the extent remaining after payment

SECTION 10.6. *Execution in Counterparts.* This Lease may be executed in several counterparts, each of which is an original and all of which constitutes one and the same instrument.

SECTION 10.7. *Applicable Law.* This Lease is governed by and construed in accordance with the laws of the State of California.

SECTION 10.8. *Captions.* The captions or headings in this Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Lease.

SECTION 10.9. *Third Party Beneficiary.* The Assignee is made a party beneficiary hereunder with all rights of a third party beneficiary.

IN WITNESS WHEREOF, the Corporation and the District have caused this Lease to be executed in their respective names by their duly authorized officers, all as of the date first above written.

SCOTTS VALLEY UNIFIED SCHOOL DISTRICT, as Lessor and Sublessee

By _____
Tanya Krause, Superintendent

Attest:

Rudolph Ramirez, Chief Business Officer

LOCAL FACILITIES FINANCE CORPORATION, as Lessee and Sublessor

By _____
President

APPENDIX A

DESCRIPTION OF THE LEASED PROPERTY

The Leased Property consists of the following described land located in the City of Scotts Valley, County of Santa Cruz, State of California, together with all buildings, facilities and other improvements which constitute real property and which are located thereon:

PARCEL ONE:

A PORTION OF THE LANDS OF ASHINGTON I CORP BEING PART OF THE SAN AUGUSTINE RANCHO BEING A PORTION OF PARCEL B-1 AS SHOWN ON THAT CERTAIN PARCEL MAP FILED FOR RECORD OCTOBER 11, 1978 IN VOLUME 30, PAGE 50 OF PARCEL MAPS OF SANTA CRUZ COUNTY, BEING ALSO A PORTION OF THOSE LANDS CONVEYED TO DONALD SANTOS, ET UX BY GRANT DEED RECORDED AUGUST 9, 1945 IN BOOK 506, PAGE 334 OFFICIAL RECORDS OF SANTA CRUZ COUNTY, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHWESTERN CORNER OF SAID LANDS OF SANTOS AT A 3/4-INCH PIPE FOUND AT A FENCE INTERSECTION ON THE WESTERN BOUNDARY OF SAID RANCHO AS DELINEATED OF THE RECORD OF SURVEY MAP OF THE LANDS OF THE SALVATION ARMY IN VOLUME 29 OF MAPS, PAGE 52, OF SANTA CRUZ COUNTY FROM WHICH PIPE THE 3/4-INCH PIPE SHOWN AS THE SOUTHEASTERN CORNER OF THE LANDS OF THE SALVATION ARMY BEARS SOUTH 21 DEGREES 20' WEST 93.74 FEET DISTANT; THENCE FROM SAID POINT OF COMMENCEMENT ALONG SAID RANCHO BOUNDARY NORTH 21 DEGREES 20' EAST A DISTANCE OF 863.61 FEET TO A 1 1/4-INCH PIPE (TAGGED LS 2678) AT THE WESTERNMOST CORNER OF PARCEL B-2 SAID LANDS OF SANTOS, AS SUCH LANDS ARE SHOWN ON THAT CERTAIN PARCEL MAP RECORDED IN VOLUME 30 OF THE OFFICIAL MAPS OF SANTA CRUZ COUNTY AT PAGE 50, SAID CORNER BEING THE TRUE POINT OF BEGINNING.

THENCE FROM SAID TRUE POINT OF BEGINNING ALONG THE SOUTHERLY BOUNDARY LINE OF SAID LANDS SOUTH 78 DEGREES 44' 30" EAST A DISTANCE OF 943.69 FEET TO A 1/2-INCH PIPE AT THE NORTHEASTERLY CORNER OF THE LANDS OF THE SCOTTS VALLEY UNIFIED SCHOOL DISTRICT AND TAGGED LS 2678, AS DESCRIBED IN THE GRANT DEED RECORDED IN VOLUME 1914 OF SANTA CRUZ COUNTY RECORDS AT PAGE 336;

THENCE SOUTH 5 DEGREES 10' 30" WEST A DISTANCE OF 542.44 FEET ALONG THE COMMON BOUNDARY BETWEEN SAID SCHOOL DISTRICT LANDS AND THE AFOREMENTIONED LANDS OF SANTOS TO A 1/2-INCH PIPE TAGGED LS 2670;

THENCE CONTINUING ALONG THE SOUTHERLY BOUNDARY OF SAID LANDS OF SANTOS SOUTH 78 DEGREES 41' 30" EAST A DISTANCE OF 208.00 FEET TO A 1/2-INCH PIPE TAGGED LS 2670 LOCATED ON THE WESTERLY LINE OF GLENWOOD DRIVE;

THENCE ALONG SAID WESTERLY LINE OF GLENWOOD DRIVE, NORTH 5 DEGREES 10' 30" EAST A DISTANCE OF 240.00 FEET TO A POINT, HEREINAFTER REFERRED TO AS POINT "A" AND BEING ALSO THE TRUE POINT OF BEGINNING FOR PARCEL 2;

THENCE CONTINUING ALONG SAID WESTERLY LINE OF GLENWOOD DRIVE, NORTH 5 DEGREES 10' 30" EAST A DISTANCE OF 642.64 FEET;

THENCE ALONG A TANGENT CURVE TO THE EAST AND HAVING A RADIUS OF 530.00 FEET THROUGH A CENTRAL ANGLE OF 14 DEGREES 20' 30" FOR AN ARC DISTANCE OF 132.66 FEET;

THENCE NORTH 19 DEGREES 31' 00" EAST A DISTANCE OF 276.30 FEET;

THENCE ALONG A TANGENT CURVE CONCAVE TO THE EAST AND HAVING A RADIUS OF 1030.00 FEET THROUGH A CENTRAL ANGLE OF 4 DEGREES 44' 59" FOR AN ARC DISTANCE OF 85.38 FEET TO A POINT HEREINAFTER REFERRED TO AS POINT "C" AND BEING ALSO THE TRUE POINT OF BEGINNING FOR PARCEL 5;

PARCEL TWO:

COMMENCING AT A POINT ON THE WESTERLY LINE OF GLENWOOD DRIVE, FROM WHICH A 1/2- INCH PIPE TAGGED LS 2670 (LOCATED AT THE INTERSECTION OF THE SOUTHERLY BOUNDARY LINE OF THE AFOREMENTIONED LANDS OF SANTOS AND THE WESTERLY LINE OF GLENWOOD DRIVE) BEARS SOUTH 5 DEGREES 10' 30" WEST A DISTANCE OF 240.00 FEET, SAID POINT BEING ALSO LOCATED ON THE EASTERLY BOUNDARY OF PARCEL 1 AND HAVING PREVIOUSLY IDENTIFIED AS POINT "A" AND THE TRUE POINT OF BEGINNING FOR PARCEL 2.

THENCE FROM SAID TRUE POINT OF BEGINNING ALONG SAID WESTERLY LINE OF GLENWOOD DRIVE NORTH 5 DEGREES 10' 30" EAST A DISTANCE OF 642.64 FEET;

THENCE ALONG A TANGENT CURVE CONCAVE TO THE EAST AND HAVING A RADIUS OF 530.00 FEET THROUGH A CENTRAL ANGLE OF 14 DEGREES 20' 30" FOR AN ARC DISTANCE OF 132.66 FEET;

THENCE NORTH 19 DEGREES 31' 00" EAST A DISTANCE OF 276.30 FEET;

THENCE ALONG A TANGENT CURVE CONCAVE TO THE EAST AND HAVING A RADIUS OF 1030.00 FEET THROUGH A CENTRAL ANGLE OF 4 DEGREES 44' 59" FOR AN ARC DISTANCE OF 85.38 FEET TO THE AFOREMENTIONED POINT "C".

THENCE LEAVING SAID WESTERLY LINE OF GLENWOOD DRIVE IN A SOUTHERLY DIRECTION ALONG A NON-TANGENT CURVE CONCAVE TO THE SOUTHWEST, THE CENTER POINT OF WHICH BEARS SOUTH 76 DEGREES 56' 13" WEST 25.00 FEET DISTANT, THROUGH A CENTRAL ANGLE OF 31 DEGREES 05' 57" FOR AN ARC DISTANCE OF 13.57 FEET;

THENCE ALONG A TANGENT CURVE CONCAVE TO THE EAST AND HAVING A RADIUS OF 530.00 FEET THROUGH A CENTRAL ANGLE OF 18 DEGREES 32' 10" FOR AN ARC DISTANCE OF 171.46 FEET;

THENCE SOUTH 0 DEGREES 30' 00" EAST A DISTANCE OF 60.47 FEET, MORE OR LESS, TO A POINT ON THE EASTERLY LINE OF GLENWOOD DRIVE;

THENCE ALONG SAID EASTERLY LINE SOUTH 19 DEGREES 31' 00" WEST A DISTANCE OF 124.23 FEET;

THENCE ALONG A TANGENT CURVE CONCAVE TO THE EAST AND HAVING A RADIUS OF 470.00 FEET THROUGH A CENTRAL ANGLE OF 14 DEGREES 20' 30" FOR AN ARC DISTANCE OF 117.65 FEET;

THENCE SOUTH 5 DEGREES 10' 30" WEST A DISTANCE OF 319.52 FEET TO A POINT, HEREINAFTER REFERRED TO AS POINT "B" AND BEING ALSO THE TRUE POINT OF BEGINNING FOR PARCEL 3;

THENCE LEAVING SAID EASTERLY LINE OF GLENWOOD DRIVE ALONG A LINE BEARING SOUTH 18 DEGREES 00' 00" WEST FOR A DISTANCE OF 210.74 FEET;

THENCE ALONG A TANGENT CURVE CONCAVE TO THE EAST AND HAVING A RADIUS OF 530.00 FEET THROUGH A CENTRAL ANGLE OF 12 DEGREES 49' 30" F

THENCE LEAVING SAID WESTERLY LINE OF GLENWOOD DRIVE IN A WESTERLY DIRECTION ALONG A NONTANGENT CURVE CONCAVE TO THE SOUTHWEST, THE CENTER POINT OF WHICH BEARS SOUTH 76 DEGREES 56' 13" WEST 25.00 FEET DISTANT, THROUGH A CENTRAL ANGLE OF 54 DEGREES 21' 13" FOR AN ARC DISTANCE OF 23.72 FEET;

THENCE NORTH 67 DEGREES 25' 00" WEST A DISTANCE OF 325.07 FEET;

THENCE ALONG A TANGENT CURVE CONCAVE TO THE NORTHEAST AND HAVING A RADIUS OF 109.00 FEET THROUGH A CENTRAL ANGLE OF 68 DEGREES 10' 00" FOR AN ARC DISTANCE OF 129.68 FEET;

THENCE LEAVING THE AFOREMENTIONED CURVE ALONG A RADIAL LINE BEARING NORTH 89 DEGREES 15' 00" WEST A DISTANCE OF 227.28 FEET;

THENCE SOUTH 29 DEGREES 00' 00" WEST A DISTANCE OF 169.33 FEET;

THENCE SOUTH 53 DEGREES 45' 00" WEST A DISTANCE OF 615.00 FEET, MORE OR LESS, TO THE WESTERLY BOUNDARY OF THE AFOREMENTIONED RANCHO SAN AUGUSTINE;

THENCE SOUTH 21 DEGREES 29' 00" WEST ALONG SAID RANCHO LINE A DISTANCE OF 342.00 FEET, MORE OR LESS, TO THE TRUE POINT OF BEGINNING.

PARCEL THREE:

A PORTION OF THE LANDS OF ASHINGTON I CORP BEING PART OF THE SAN AUGUSTINE RANCHO BEING A PORTION OF PARCEL B-1 AS SHOWN ON THAT CERTAIN PARCEL MAP FILED FOR RECORD OCTOBER 11, 1978 IN VOLUME 30, PAGE 50 OF PARCEL MAPS OF SANTA CRUZ COUNTY, BEING ALSO A PORTION OF THOSE LANDS CONVEYED TO DONALD SANTOS, ET UX BY GRANT DEED RECORDED AUGUST 9, 1945 IN BOOK 506, PAGE 334 OFFICIAL RECORDS OF SANTA CRUZ COUNTY, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS: COMMENCING AT A POINT ON THE EASTERLY LINE OF GLENWOOD DRIVE, FROM WHICH A 1/2- INCH PIPE TAGGED LS 6270 (LOCATED AT THE INTERSECTION OF THE SOUTHERLY BOUNDARY LINE OF THE AFOREMENTIONED LANDS OF SANTOS AND THE EASTERLY LINE OF GLENWOOD DRIVE) BEARS SOUTH 5 DEGREES 10' 30" WEST A DISTANCE OF 881.78 FEET, SAID POINT BEING ALSO LOCATED ON THE EASTERLY BOUNDARY OF PARCEL 2 AND HAVING PREVIOUSLY IDENTIFIED AS POINT "B" AND THE TRUE POINT OF BEGINNING FOR PARCEL 3.

THENCE FROM SAID TRUE POINT OF BEGINNING ALONG SAID EASTERLY LINE OF GLENWOOD DRIVE NORTH 5 DEGREES 10' 30" EAST A DISTANCE OF 319.52 FEET;

THENCE ALONG A TANGENT CURVE CONCAVE TO THE EAST AND HAVING A RADIUS OF 470.00 FEET THROUGH A CENTRAL ANGLE OF 14 DEGREES 20' 30" FOR AN ARC DISTANCE OF 117.65 FEET;

THENCE NORTH 19 DEGREES 31' 00" EAST A DISTANCE OF 124.23 FEET;

THENCE SOUTH 0 DEGREES 30' 00" EAST A DISTANCE OF 173.05 FEET;

THENCE ALONG A TANGENT CURVE CONCAVE TO THE WEST AND HAVING A RADIUS OF 470.00 FEET THROUGH A CENTRAL ANGLE OF 18 DEGREES 30' 00" FOR AN ARC DISTANCE OF 151.76 FEET;

THENCE SOUTH 18 DEGREES 00' 00" WEST A DISTANCE OF 239.26 FEET, MORE OR LESS, TO THE TRUE POINT OF BEGINNING.

PARCEL FOUR

A PORTION OF THE LANDS OF ASHINGTON I CORP BEING PART OF THE SAN AUGUSTINE RANCHO BEING A PORTION OF PARCEL B-2 AS SHOWN ON THAT CERTAIN PARCEL MAP FILED FOR RECORD OCTOBER 11, 1978 IN VOLUME 30, PAGE 50 OF PARCEL MAPS OF SANTA CRUZ COUNTY, BEING ALSO A PORTION OF THOSE LANDS CONVEYED TO DONALD SANTOS, ET UX BY GRANT DEED RECORDED AUGUST 9, 1945 IN BOOK 506, PAGE 334 OFFICIAL RECORDS OF SANTA CRUZ COUNTY, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS:

AN EASEMENT FOR ROAD AND UTILITY PURPOSES OVER THAT PORTION OF PARCEL B-2 MORE PARTICULARLY DESCRIBED AS FOLLOWS: COMMENCING AT A POINT ON THE WESTERLY LINE OF GLENWOOD DRIVE, SAID POINT BEING ALSO LOCATED ON THE EASTERLY BOUNDARY OF PARCEL 1 AND HAVING PREVIOUSLY IDENTIFIED AS POINT "C" AND THE TRUE POINT OF BEGINNING FOR PARCEL 4.

THENCE LEAVING SAID WESTERLY LINE OF GLENWOOD DRIVE IN A WESTERLY DIRECTION ALONG A NON-TANGENT CURVE CONCAVE TO THE SOUTHWEST, THE CENTER POINT OF WHICH BEARS SOUTH 76 DEGREES 56' 13" WEST 25.00 FEET DISTANT; THROUGH A CENTRAL ANGLE OF 54 DEGREES 21' 13" FOR AN ARC DISTANCE OF 23.72 FEET;

THENCE NORTH 67 DEGREES 25' 00" WEST A DISTANCE OF 325.07 FEET;

THENCE ALONG A TANGENT CURVE CONCAVE TO THE NORTHEAST AND HAVING A RADIUS OF 109.00 FEET THROUGH A CENTRAL ANGLE OF 68 DEGREES 10' 00" FOR AN ARC DISTANCE OF 129.68 FEET;

THENCE LEAVING THE AFOREMENTIONED CURVE ALONG A RADIAL LINE BEARING SOUTH 89 DEGREES 15' 00" EAST A DISTANCE OF 36.00 FEET;

THENCE IN A SOUTHEASTERLY DIRECTION ALONG A RADIAL CURVE CONCAVE TO THE NORTHEAST AND HAVING A RADIUS OF 73.00 FEET THROUGH A CENTRAL ANGLE OF 68 DEGREES 10' 00" FOR AN ARC DISTANCE OF 86.85 FEET;

THENCE SOUTH 67 DEGREES 25' 00" EAST A DISTANCE OF 324.84 FEET;

THENCE ALONG A TANGENT CURVE CONCAVE TO THE NORTH AND HAVING A RADIUS OF 25.00 FEET THROUGH A CENTRAL ANGLE OF 84 DEGREES 44' 00" FOR AN ARC DISTANCE OF 36.97 FEET, MORE OR LESS, TO A POINT ON THE WESTERLY LINE OF GLENWOOD DRIVE;

THENCE IN A SOUTHERLY DIRECTION ALONG SAID WESTERLY LINE OF GLENWOOD DRIVE SOUTH 27 DEGREES 61' 00" WEST A DISTANCE OF 4.86 FEET;

THENCE ALONG A TANGENT CURVE CONCAVE TO THE EAST AND HAVING A RADIUS OF 1030.00 FEET THROUGH A CENTRAL ANGLE OF 3 DEGREES 35' 02" FOR AN ARC DISTANCE OF 64.43 FEET, MORE OR LESS, TO THE TRUE POINT OF BEGINNING.

PARCEL FIVE:

A PORTION OF THE LANDS OF ASHINGTON I CORP BEING PART OF THE SAN AUGUSTINE RANCHO BEING A PORTION OF PARCEL B-2 AS SHOWN ON THAT CERTAIN PARCEL MAP FILED FOR RECORD OCTOBER 11, 1978 IN VOLUME 30, PAGE 50 OF PARCEL MAPS OF SANTA CRUZ COUNTY, BEING ALSO A PORTION OF THOSE LANDS CONVEYED TO DONALD SANTOS, ET UX BY GRANT DEED RECORDED AUGUST 9, 1945 IN BOOK 506, PAGE 334 OFFICIAL RECORDS OF SANTA CRUZ COUNTY, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS: A PERMANENT EASEMENT FOR THE CONSTRUCTION AND MAINTENANCE OF GRADED SLOPES OVER THAT PORTION OF PARCEL B-2, MORE PARTICULARLY DESCRIBED AS FOLLOWS: COMMENCING AT THE EASTERN MOST CORNER OF THE ABOVE DESCRIBED PARCEL 4, SAID CORNER BEING SITUATE ON THE WESTERLY LINE OF GLENWOOD DRIVE;

THENCE LEAVING SAID WESTERLY LINE OF GLENWOOD DRIVE IN A SOUTHERLY ALONG A CURVE CONCAVE TO THE NORTHWEST, THE CENTER POINT OF WHICH BEARS NORTH 62 DEGREES 09' 00" WEST 25.00 FEET DISTANT, THROUGH A CENTRAL ANGLE OF 33 DEGREES 09' 00" FOR AN ARCH DISTANCE OF 14.46 FEET TO THE TRUE POINT OF BEGINNING.

THENCE CONTINUING FROM SAID TRUE POINT OF BEGINNING ALONG A TANGENT CURVE CONCAVE TO THE NORTH AND HAVING A RADIUS OF 25.00 THROUGH A CENTRAL ANGLE OF 51 DEGREES 35' 00" FOR AN ARC DISTANCE OF 22.51 FEET; THENCE NORTH 67 DEGREES 25' 00" WEST A DISTANCE OF 324.84 FEET; THENCE ALONG A TANGENT CURVE CONCAVE TO THE NORTHEAST AND HAVING A RADIUS OF 73.00 FEET THROUGH A CENTRAL ANGLE OF 68 DEGREES 10' 00" FOR AN ARC DISTANCE OF 86.85 FEET; THENCE NORTH 89 DEGREES 15' 00" WEST A DISTANCE OF 36.00 FEET TO THE NORTHERNMOST CORNER OF PARCEL 1; THENCE NORTH 89 DEGREES 15' 00" WEST A DISTANCE OF 10.53 FEET; THENCE NORTH 00 DEGREES 45' 00" EAST A DISTANCE OF 10.08 FEET; THENCE SOUTH 89 DEGREES 15' 00" EAST A DISTANCE OF 66.11 FEET; THENCE SOUTH 00 DEGREES 45' 00" WEST A DISTANCE OF 20.00 FEET; THENCE ALONG A TANGENT CURVE CONCAVE TO THE NORTHEAST AND HAVING A RADIUS OF 45.00 FEET THROUGH A CENTRAL ANGLE OF 87 DEGREES 30' 00" FOR AN ARC DISTANCE OF 68.62 FEET; THENCE SOUTH 54 DEGREES 00' 00" EAST A DISTANCE OF 61.00 FEET; THENCE SOUTH 71 DEGREES 00' 00" EAST A DISTANCE OF 238.00 FEET; THENCE SOUTH 53 DEGREES 00' 00" EAST A DISTANCE OF 38.00 FEET, MORE OR LESS, TO THE TRUE POINT OF BEGINNING.

PARCEL SIX:

A PORTION OF THE LANDS OF ASHINGTON I CORP BEING PART OF THE SAN AUGUSTINE RANCHO BEING A PORTION OF PARCEL B-1 AS SHOWN ON THAT CERTAIN PARCEL MAP FILED FOR RECORD OCTOBER 11, 1978 IN VOLUME 30, PAGE 50 OF PARCEL MAPS OF SANTA CRUZ COUNTY, BEING ALSO A PORTION OF THOSE LANDS CONVEYED TO DONALD SANTOS, ET UX BY GRANT DEED RECORDED AUGUST 9, 1945 IN BOOK 506, PAGE 334 OFFICIAL RECORDS OF SANTA CRUZ COUNTY, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS: AN EASEMENT FOR CONVEYANCE OF SURFACE DRAINAGE

AND FOR CONSTRUCTION, OPERATION AND MAINTENANCE OF DRAINAGE CHANNELS, CONDUITS AND RELATED FACILITIES OVER, UNDER AND ACROSS THAT PORTION OF PARCEL B-1 HAVING A NOMINAL WIDTH OF 40 FEET, THE WESTERLY BOUNDARY LINE OF WHICH IS DESCRIBED AS FOLLOWS: COMMENCING AT THE NORTHERNMOST CORNER OF PARCEL 4, AS DESCRIBED IN THAT CORPORATION GRANT DEED RECORDED MARCH 8, 2000 INSTRUMENT NO. 2000-0011195 OFFICIAL RECORDS OF SANTA CRUZ COUNTY, SAID POINT BEING LOCATED ON THE EASTERLY LINE OF GLENWOOD DRIVE HAVING BEEN PREVIOUSLY IDENTIFIED AS POINT "D",

THENCE NORTHERLY ALONG THE EASTERLY LINE OF GLENWOOD DRIVE, NORTH 27 DEGREES 51' 00" EAST A DISTANCE OF 45.00 FEET TO THE TRUE POINT OF BEGINNING; THENCE FROM SAID TRUE POINT OF BEGINNING ALONG THE EASTERLY BOUNDARY LINE OF GLENWOOD DRIVE SOUTH 27 DEGREES 51' 00" WEST A DISTANCE OF 45.00 FEET;

THENCE ALONG THE EASTERLY BOUNDARY LINE OF PARCEL 4, AS DESCRIBED IN THAT CORPORATION GRANT DEED RECORDED MARCH 8, 2000 INSTRUMENT NO. 2000-0011195 OFFICIAL RECORDS OF SANTA CRUZ COUNTY, ALONG A TANGENT CURVE CONCAVE TO THE EAST AND HAVING A RADIUS OF 470.00 FEET THROUGH A CENTRAL ANGLE OF 28 DEGREES 21' 00" FOR AN ARC DISTANCE OF 232.56 FEET; THENCE SOUTH 00 DEGREES 30' 00" EAST A DISTANCE OF 43.00 FEET.

PARCEL SEVEN:

A PORTION OF THE LANDS OF ASHINGTON I CORP BEING PART OF THE SAN AUGUSTINE RANCHO BEING A PORTION OF PARCEL B-1 AS SHOWN ON THAT CERTAIN PARCEL MAP FILED FOR RECORD OCTOBER 11, 1978 IN VOLUME 30, PAGE 50 OF PARCEL MAPS OF SANTA CRUZ COUNTY, BEING ALSO A PORTION OF THOSE LANDS CONVEYED TO DONALD SANTOS, ET UX BY GRANT DEED RECORDED AUGUST 9, 1945 IN BOOK 506, PAGE 334 OFFICIAL RECORDS OF SANTA CRUZ COUNTY, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS: AN EASEMENT TEN FEET IN WIDTH FOR PUBLIC UTILITY PURPOSES INCLUDING THE CONSTRUCTION, OPERATION AND MAINTENANCE OF PUBLIC UTILITY TRANSMISSION AND DISTRIBUTION FACILITIES OVER, UNDER AND ACROSS THAT PORTION OF PARCEL B-1 HAVING A WIDTH OF 10.00 FEET, THE WESTERLY BOUNDARY LINE OF WHICH IS DESCRIBED AS FOLLOWS: COMMENCING AT THE TRUE POINT OF BEGINNING LOCATED ON THE SOUTHERLY BOUNDARY LINE OF THE AFOREMENTIONED PARCEL B-1 WHERE SAID LINE INTERSECTS THE EASTERLY LINE OF GLENWOOD DRIVE AT A 1/4-INCH PIPE TAGGED RCE 6270,

THENCE NORTHERLY ALONG SAID EASTERLY LINE OF GLENWOOD DRIVE NORTH 5 DEGREES 10' 30" EAST A DISTANCE OF 558.66 FEET TO THE SOUTHERNMOST CORNER OF PARCEL 4, AS DESCRIBED IN THAT CORPORATION GRANT DEED RECORDED MARCH 8, 2000 INSTRUMENT NO. 2000-0011195 OFFICIAL RECORDS OF SANTA CRUZ COUNTY; THENCE ALONG THE EASTERLY BOUNDARY LINE OF SAID PARCEL 4 TO THE NORTHERNMOST CORNER THEREOF, SAID CORNER BEING A POINT ON THE EASTERLY LINE OF GLENWOOD DRIVE, HAVING BEEN PREVIOUSLY IDENTIFIED AS POINT "D".

PARCEL EIGHT:

A PORTION OF THE LANDS OF ASHINGTON I CORP BEING PART OF THE SAN AUGUSTINE RANCHO BEING A PORTION OF PARCEL B-1 AS SHOWN ON THAT CERTAIN PARCEL MAP FILED FOR RECORD OCTOBER 11, 1978 IN VOLUME 30, PAGE 50 OF PARCEL MAPS OF SANTA CRUZ COUNTY, BEING ALSO A PORTION OF THOSE LANDS CONVEYED TO DONALD SANTOS, ET UX BY GRANT DEED RECORDED AUGUST 9, 1945 IN BOOK 506, PAGE 334 OFFICIAL RECORDS OF SANTA CRUZ COUNTY, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS: A TEMPORARY EASEMENT FOR CONSTRUCTION PURPOSES OVER THAT PORTION OF PARCEL B-1 HAVING A NOMINAL WIDTH OF 20 FEET, THE WESTERLY BOUNDARY LINE OF WHICH IS DESCRIBED AS FOLLOWS: COMMENCING AT A POINT LOCATED ON THE SOUTHERLY BOUNDARY LINE OF THE AFOREMENTIONED PARCEL B-1 WHERE SAID LINE INTERSECTS THE EASTERLY BOUNDARY LINE OF GLENWOOD DRIVE AT A 1/2-INCH PIPED TAGGED RCE 6270, SAID POINT BEING THE TRUE POINT OF BEGINNING; THENCE NORTHERLY ALONG THE EASTERLY LINE OF GLENWOOD DRIVE NORTH 5 DEGREES 10' 30" EAST A DISTANCE OF 558.66 FEET TO THE SOUTHERNMOST CORNER OF PARCEL 4, AS DESCRIBED IN THAT CORPORATION GRANT DEED RECORDED MARCH 8, 2000 INSTRUMENT NO. 2000-0011195 OFFICIAL RECORDS OF SANTA CRUZ COUNTY. THENCE ALONG THE EASTERLY BOUNDARY LINE OF SAID PARCEL 4 TO THE SOUTHERNMOST CORNER OF THE AFOREMENTIONED PARCEL 7;

THENCE ALONG THE SOUTHERLY, EASTERLY AND NORTHERLY BOUNDARY LINES OF SAID PARCEL 7 TO A POINT ON THE EASTERLY LINE OF GLENWOOD DRIVE, SAID POINT BEING THE NORTHERNMOST CORNER OF PARCEL 7 AND FROM WHICH POINT THE PREVIOUSLY DESCRIBED POINT "D" BEARS SOUTH 27 DEGREES 51' 00" WEST A DISTANCE OF 45.00 FEET.

PARCEL NINE:

A PORTION OF THE LANDS OF ASHINGTON I CORP BEING PART OF THE SAN AUGUSTINE RANCHO BEING A PORTION OF PARCEL B-2 AS SHOWN ON THAT CERTAIN PARCEL MAP FILED FOR RECORD OCTOBER 11, 1978 IN VOLUME 30, PAGE 50 OF PARCEL MAPS OF SANTA CRUZ COUNTY, BEING ALSO A PORTION OF THOSE LANDS CONVEYED TO DONALD SANTOS, ET UX BY GRANT DEED RECORDED AUGUST 9, 1945 IN BOOK 506, PAGE 334 OFFICIAL RECORDS OF SANTA CRUZ COUNTY, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS: A TEMPORARY EASEMENT FOR CONSTRUCTION PURPOSES OVER THAT PORTION OF PARCEL B-2 HAVING NOMINAL WIDTH OF 50 FEET, THE SOUTHERLY BOUNDARY LINE OF WHICH IS COINCIDENT WITH THE NORTHERLY BOUNDARY LINES OF THE PREVIOUSLY DESCRIBED PARCEL 1 AND 4.

PARCEL TEN:

BEING A PART OF THE LANDS OF DONALD SANTOS, ET UX, DESCRIBED IN VOLUME 506, PAGE 334, OF SANTA CRUZ COUNTY OFFICIAL RECORDS, A PART OF THE SAN AUGUSTINE RANCHO AND BEING FURTHER DESCRIBED AS FOLLOWS: BEGINNING AT THE SOUTHWESTERN CORNER OF SAID LANDS AT A 3/4 INCH PIPE FOUND AT A FENCE INTERSECTION ON THE WESTERN BOUNDARY OF SAID RANCHO AS DELINEATED ON THE RECORD OF SURVEY MAP OF THE LANDS OF THE SALVATION ARMY IN VOLUME 29 OF MAPS, PAGE 52 OF SANTA CRUZ COUNTY RECORDS FROM WHICH PIPE THE 3/4 INCH PIPE SHOWN AS THE SOUTHEASTERN CORNER OF THE LANDS OF THE SALVATION ARMY BEARS SOUTH 21 DEGREES 20' WEST 93.74 FEET DISTANT;

THENCE FROM SAID POINT OF BEGINNING ALONG SAID RANCHO BOUNDARY NORTH 21 DEGREES 20' EAST 343.66 FEET TO A 1/2 INCH PIPE;

THENCE CONTINUE NORTH 21 DEGREES 20' EAST 404.00 FEET TO A 3/8 INCH PIPE FOUND TAGGED R. E. 6270;

THENCE CONTINUE NORTH 21 DEGREES 20' EAST 115.95 FEET TO A 1/2 INCH PIPE (A TOTAL OF 863.61 FEET) AND FROM WHICH PIPE A 1/2 INCH PIPE BEARS SOUTH 21 DEGREES 20' WEST 25.41 FEET DISTANT AND ANOTHER 1/2 INCH PIPE BEARS NORTH 21 DEGREES 20' EAST 25.41 FEET DISTANT;

THENCE FROM SAID 1/2 INCH PIPE LEAVING SAID BOUNDARY SOUTH 78 DEGREES 55' EAST 943.69 FEET TO A 1/2 INCH PIPE, FROM WHICH A 1/2 INCH PIPE BEARS NORTH 5 DEGREES 00' EAST 25.14 FEET DISTANT AND ANOTHER 1/2 INCH PIPE BEARS SOUTH 5 DEGREES 00' WEST 25.14 FEET DISTANT AND ANOTHER 1/2 INCH PIPE BEARS SOUTH 5 DEGREES 00' WEST 25.14 FEET DISTANT;

THENCE SOUTH 5 DEGREES 00' WEST 854.65 FEET TO A 3/8 INCH PIPE, R. E. 1469, FOUND ON THE SOUTHERN BOUNDARY OF THE LANDS OF SANTOS;

THENCE ALONG SAID BOUNDARY NORTH 78 DEGREES 55' WEST 1187.94 FEET TO THE POINT OF BEGINNING.

APPENDIX B

SCHEDULE OF LEASE PAYMENTS

<u>Lease Payment Date</u>	<u>Principal Component</u>	<u>Interest Component*</u>	<u>Aggregate Lease Payment</u>
March 1, 2018			
September 1, 2018			
March 1, 2019			
September 1, 2019			
March 1, 2020			
September 1, 2020			
March 1, 2021			
September 1, 2021			
March 1, 2022			
September 1, 2022			
March 1, 2023			
September 1, 2023			
March 1, 2024			
September 1, 2024			
March 1, 2025			
September 1, 2025			
March 1, 2026			
September 1, 2026			
March 1, 2027			
September 1, 2027			
March 1, 2028			
September 1, 2028			
March 1, 2029			
September 1, 2029			
March 1, 2030			
September 1, 2030			
March 1, 2031			
September 1, 2031			
March 1, 2032			
September 1, 2032			

<u>Lease Payment Date</u>	<u>Principal Component</u>	<u>Interest Component*</u>	<u>Aggregate Lease Payment</u>
March 1, 2033			
September 1, 2033			
March 1, 2034			
September 1, 2034			
March 1, 2035			
September 1, 2035			
March 1, 2036			
September 1, 2036			

* Interest is calculated at the rate of _____% per annum as provided in this Lease.