
LEASE AGREEMENT

By and Between

WILLIAM S. HART JOINT SCHOOL FINANCING AUTHORITY

(Lessor)

and

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

(Lessee)

Dated as of _____ 1, 2018

Relating to the

\$_____

**WILLIAM S. HART JOINT SCHOOL FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2018**

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LEASE AGREEMENT

THIS LEASE AGREEMENT is dated as of _____ 1, 2018, by and between the **WILLIAM S. HART JOINT SCHOOL FINANCING AUTHORITY**, a joint powers authority organized and existing under the laws of the State of California ("State") and that certain "Joint Exercise of Powers Agreement Creating the William S. Hart Joint School Financing Authority," by and between William S. Hart Union High School District and Community Facilities District No. 88-4 of the William S. Hart Union High School District, dated as of November 9, 1994 ("Joint Powers Agreement"), as Lessor ("Authority" or "Lessor"), and the **WILLIAM S. HART UNION HIGH SCHOOL DISTRICT**, a public school district duly organized and existing under the Constitution and the laws of the State of California ("District" or "Lessee"), as Lessee.

RECITALS

A. The District and Community Facilities District No. 88-4 of the District previously executed the Joint Powers Agreement and formed the Authority in order to provide for: (i) the acquisition, construction, modification, rehabilitation, financing and refinancing of facilities within and without the boundaries of the District, including the purchase, retention, and resale of bonds issued to finance or refinance such facilities; and (ii) the establishment, financing and implementation of a program of local agency pooled financing and lending as contemplated by the Marks-Roos Act (defined below in Section 1.01).

B. The California Education Code permits the District to lease real property belonging to the District to the Authority pursuant to an instrument providing for the District's lease-back and use, and for the vesting of title to such property at or prior to the expiration of the term of the instrument, and containing such other terms and conditions as the Governing Board of the District ("District Board") deems in the District's best interest.

C. The District and the Authority have entered into the Site Lease as of the same date of this agreement ("Site Lease") under which the District has agreed to lease the Site (as defined herein) to the Authority.

D. The Authority is authorized pursuant to the laws of the State and the Joint Powers Agreement to enter into leases for the purposes set forth in this Lease Agreement and in the Joint Powers Agreement, and to finance the design, construction, renovation, improvement, furnishing, equipping, acquisition, delivery and installation of new construction and modernization projects at certain schools, support facilities and land necessary for such facilities ("Project").

E. The District Board has determined that in order to execute and deliver the William S. Hart Joint School Financing Authority Lease Revenue Bonds, Series 2018 ("Bonds"), it is necessary and desirable to provide for the completion of a leasing arrangement with the Authority pursuant to this Lease Agreement.

F. All acts, conditions and things required by law to exist, to have happened, and to have been performed precedent to and in connection with the execution and entering into of the Lease Agreement do exist, have happened, and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into the Lease Agreement.

NOW, THEREFORE, IN CONSIDERATION OF THE ABOVE PREMISES AND OF THE MUTUAL COVENANTS HEREINAFTER CONTAINED AND FOR OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED, THE PARTIES HERETO AGREE AS FOLLOWS:

ARTICLE I: DEFINITIONS

1.01 Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Lease Agreement, have the meanings herein specified. All terms capitalized but not defined herein shall have the meanings ascribed to such terms in the Trust Agreement.

“Additional Rent” means the amounts specified as such in subsection (c) of Section 5.01 of this Lease Agreement.

“Agency Agreement” means the Agency Agreement, by and between the Authority and the District, dated as of _____ 1, 2018, and any authorized and executed amendment thereto.

“Assignment Agreement” means the Assignment Agreement, by and between the Authority and the Trustee, dated as of _____ 1, 2018, and any authorized and executed amendment thereto.

“Authority” means the William S. Hart Joint School Financing Authority, its successors and assigns.

“Authority Board” means the Board of Directors of the Authority.

“Authority Representative” or **“Authority Officer”** means any officer or employee of the Authority authorized to perform specific acts or duties by resolution duly adopted by the Authority Board. For purposes of this definition, “Authority Representative” or “Authority Officer” includes, but is not limited to, the President, Vice-President, Secretary, Treasurer/Chief Financial Officer and Chief Executive Officer of the Authority.

“Business Day” means a day which is not a Saturday or Sunday or a day on which banking institutions are authorized or required by law or executive order to be closed in California and New York for commercial banking purposes and on which the Federal Reserve system is not closed.

“Certificate of Completion” means a certificate of that name executed by a District Representative and the Authority Representative, and filed with the Trustee as set forth in the Trust Agreement.

“District” means the William S. Hart Union High School District, a public school district duly organized and existing under the State Constitution and State laws and located in the County of Los Angeles, and its successors and assigns.

“District Board” means the Governing Board of the District.

“District Representative” shall mean the District’s Superintendent, Chief Financial Officer, District Board members and officers, or other representatives designated in writing by the District’s Superintendent.

“Due Dates” mean the 15th day of the month prior to each Payment Date commencing with the November 1, 2018 Payment Date, so long as any of the Bonds are Outstanding.

“Fair Rental Value” means, with respect to the Site, the fair rental value thereof, as set forth in Section 5.02 hereof.

“Fiscal Year” means the fiscal year of the Authority, commencing July 1 and ending June 30 of each year.

“Independent Appraiser” means an appraiser, or appraisal firm or company, appointed and paid by the Authority and who, or each of whom:

- (1) is independent from the Authority and the District; and
- (2) does not have any substantial interest, direct or indirect, in the Authority, the District, or the Bonds.

“Lease Agreement” means this Lease Agreement, dated as of _____ 1, 2018, by and between the Authority and the District, and any authorized and executed amendment thereto.

“Lease Payments” mean any amounts due from the District to the Authority under subsection (a) of Section 5.01 of this Lease Agreement as such amounts may be adjusted from time to time in accordance with Section 4.8 of the Trust Agreement.

“Marks-Roos Act” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Section 6584 *et seq.* of the California Government Code.

“Net Proceeds” means the amount remaining from the gross proceeds of any insurance claim or condemnation award paid with respect to the Site or any component or components thereof, after deducting all expenses (including attorneys’ fees) incurred in the collection of such claim or award.

“Owner” or **“Bond Owner”** or any similar term, when used with respect to the Bonds, means any person who shall be the registered owner of any Outstanding Bond.

“Payment Dates” mean May 1 and November 1, of each year so long as any of the Bonds are Outstanding, commencing November 1, 2018.

“Permitted Encumbrances” means, as of any particular time: (i) liens for general *ad valorem* taxes and governmental assessments, if any, not then delinquent, or which the District may, pursuant to the provisions of Article VII hereof, permit to remain unpaid; (ii) the Assignment Agreement, as it may be amended from time to time; (iii) this Lease Agreement and the Site Lease, as they may be amended from time to time; (iv) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law as normally exist with respect to properties similar to the Site for the purposes for which it was acquired or is held by the District; (v) easement, rights-of-way, licenses, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Delivery Date which the District certifies in writing will not affect the intended use of the Site or impair the security granted to the Trustee for the benefit of the Owners of the Bonds by the Trust Agreement and the Assignment Agreement; (vi) easements, rights-of-way, licenses, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of this Lease Agreement and which the District certifies in writing will not affect the intended use of the Site or impair the security granted to the Trustee for the benefit of the Owners of the Bonds by the Trust Agreement and the Assignment Agreement and to which the Lessor consents in writing; and (vii) any non-recorded lease providing for the use of up to three classrooms located on the Site for childcare services (or equivalent services), as such lease may be amended or renewed from time to time, provided that any such lease shall not cause the District to be in violation of any representation, covenant, or warranty set forth herein and in the Trust Agreement.

“Principal Amount” means the total unpaid principal portion of the Lease Payments due hereunder.

“Project” means the construction and acquisition of all or a portion of those facilities and capital projects described in the Trust Agreement, subject to substitution thereof pursuant to the Trust Agreement.

“Rental Payments” means individually or collectively the Lease Payments, Reserve Replenishment Rent and Additional Rent.

“Rental Period” means the period from the Delivery Date through November 1, 2018, and thereafter, the twelve-month period commencing on November 2 of each year during the Term of this Lease Agreement.

“Reserve Replenishment Rent” means the amounts specified as such in Section 5.01(b) of this Lease Agreement.

“Site” means those certain parcel(s) of real property situated in the County of Los Angeles, State of California as described in Exhibit “B” attached hereto and made a part hereof by this reference and the improvements and fixtures thereon including any substitutions thereto or releases thereof as provided in Section 4.04.

“Site Lease” means the Site Lease, dated as of _____ 1, 2018, or as of the date of recording, as applicable, entered into by and between the Authority and the District concerning the leasing of the Site and all authorized amendments to such Site Lease.

“State” means the State of California.

“Term” means the time during which this Lease Agreement is in effect, as provided in Section 4.02 of this Lease Agreement.

“Title Insurance Policy” means the CLTA Leasehold Title Policy to be delivered by the District pursuant to Section 7.07(e) of this Lease Agreement.

“Total Rent” means, collectively, the Lease Payments, Additional Rent and Reserve Replenishment Rent.

“Trust Agreement” means the Trust Agreement, dated as of _____ 1, 2018, by and between the Trustee and the Authority, and any duly authorized and executed amendments thereto.

“Trustee” means ZB, National Association dba Zions Bank, a national banking association organized and existing under the laws of the United States of America, or its successor in interest acting as Trustee under the Trust Agreement.

1.02 Interpretation.

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

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

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

ARTICLE II: REPRESENTATIONS, COVENANTS AND WARRANTIES

2.01 Representations, Covenants and Warranties of the District. The District represents, covenants and warrants to the Authority as follows:

(a) The District is a public school district of the State, duly organized and validly existing under the State Constitution and the laws of the State and located in the County of Los Angeles.

(b) The District has full power, authority and legal right to execute, deliver and carry out the terms and provisions of this Lease Agreement, the Site Lease and the Agency Agreement, and the District’s execution, delivery and performance of this Lease Agreement, the Site Lease,

and the Agency Agreement, and the performance of its obligations under this Lease Agreement, the Site Lease and the Agency Agreement have all been authorized by all necessary action, do not require the approval or consent of any trustee or the holders of any indebtedness or obligation of the District and will not violate any law, charter, governmental rule, regulation or order binding upon the District or any provision of any indenture, mortgage, contract or other agreement to which the District is a party or by which it or any of its properties are bound or to which it or any of its properties are subject.

(c) There are no pending or, to the best knowledge of the District, threatened investigations, actions or proceedings by or before any court or administrative agency or other tribunal or body, which seek to question or set aside any of the transactions contemplated in this Lease Agreement.

(d) The District is not aware that it is in default in any material respect in the payment or performance of any of its material obligations or in the performance of any material contract, agreement or other instrument to which it is a party or by which it or any material portion of its assets may be bound.

(e) No authorization, consent, approval, license, exemption of or filing or registration with any court, governmental unit, department, commission, board, bureau, agency, instrumentality or the like, other than as has been obtained, is required or necessary for the valid execution and delivery of this Lease Agreement, the Site Lease, the Trust Agreement, and the Agency Agreement.

(f) This Lease Agreement, having been duly authorized, executed and delivered to the Authority, constitutes, and any accompanying documents, upon due authorization, execution and delivery to the Authority, will constitute, legal, valid and binding obligations of the District, enforceable against the District in accordance with the terms thereof, except as such enforcement may be limited by bankruptcy, insolvency, moratorium or similar laws affecting the enforcement of creditors' rights generally.

(g) The District will include in its annual budget appropriate and sufficient funds to pay on a timely basis all Rental Payments due under this Lease Agreement for the period covered by such budget.

(h) The District shall use its best efforts to expend all amounts in the Construction Fund in accordance with federal tax requirements.

(i) Notwithstanding any other provision of this Lease Agreement, the District will make no use of the proceeds of the Bonds, the Site, or the Project, or of any other amounts or property, or take any other action which if taken, or refrain from taking any action which, if not taken, would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, or to be "private activity bonds" within the meaning of Section 141 of the Code or "federally guaranteed" within the meaning of Section 149(b) of the Code. To that end, with respect to such proceeds and such amounts and property, the District will comply with all requirements of such Code Sections and all Regulations applicable thereunder.

(j) The District will not use or permit the use of the Site, or the Project or any portion thereof by any person other than a “governmental unit” as such term is used in Section 141 of the Code, in such manner or to such extent as would result in the loss of exclusion from gross income for federal tax purposes of the interest on the Bonds.

(k) The District shall give all notices and comply with all applicable laws, ordinances, rules, regulations, and lawful orders of any public authority bearing on the Site and the Project, including, but not limited to, those laws specified in this Article. To the extent applicable, the District shall comply with the California Environmental Quality Act.

(l) The District will carry out the provisions of the Continuing Disclosure Certificate. Notwithstanding any provision in the Trust Agreement to the contrary, failure by the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default for purposes of Article X, hereof, or Article VII of the Trust Agreement; however, any Bond Owner may take such actions as may be necessary and appropriate, including seeking a mandate or specific performance by court order, to cause the District to comply with the obligations under this Section.

2.02 Representations, Covenants and Warranties of the Authority. The Authority represents, covenants and warrants to the District as follows:

(a) The Authority is a joint powers authority organized and existing under and by virtue of the laws of the State and the Joint Powers Agreement; has power to enter into this Lease Agreement, the Agency Agreement, the Assignment Agreement, the Site Lease and the Trust Agreement; is possessed of full power to own and hold real and personal property, and to lease and sell the same; and has duly authorized the execution and delivery of this Lease Agreement, the Site Lease, the Agency Agreement, the Assignment Agreement and the Trust Agreement.

(b) The Authority will not pledge the Lease Payments, payments of Additional Rent, Reserve Replenishment Rent or other amounts derived from the Site and from its other rights under this Lease Agreement, and will not encumber the Site, except as provided under the terms of this Lease Agreement, the Assignment Agreement, the Site Lease and the Trust Agreement.

(c) Neither the execution and delivery of this Lease Agreement, the Agency Agreement, the Assignment Agreement, the Site Lease or the Trust Agreement, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Authority is a party or by which the Authority or any of its properties are bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Authority, or upon the Site or the Project, except for the Permitted Encumbrances.

(d) Except as provided herein, in the Assignment Agreement and in the Trust Agreement, the Authority will not assign this Lease Agreement, its right to receive Lease Payments from the District, or its duties and obligations hereunder to any other person, firm or corporation so as to impair or violate the representations, covenants and warranties contained in this Section 2.02.

(e) Notwithstanding any other provision of this Lease Agreement, the Authority will make no use of the proceeds of the Bonds or of any other amounts, or the Project or any other property or take any other action which if taken, or refrain from taking any action which, if not taken, would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code, or to be “private activity bonds” within the meaning of Section 141 of the Code or “federally guaranteed” within the meaning of Section 149(b) of the Code. To that end, with respect to such proceeds and such amounts and property, the Authority will comply with all requirements of such Code Sections and all Regulations applicable thereunder.

(f) The Authority will carry out the provisions of the Continuing Disclosure Certificate. Notwithstanding any provision in the Trust Agreement to the contrary, failure by the Authority to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default for purposes of Article X, hereof, or Article VII of the Trust Agreement; however, any Bond Owner may take such actions as may be necessary and appropriate, including seeking a mandate or specific performance by court order, to cause the Authority to comply with the obligations under this Section.

ARTICLE III: THE PROJECT

3.01 Deposit of Moneys. In order to provide for the completion of the Project and to insure that moneys needed to pay for the Project will be available, the Authority shall cause to be deposited with the Trustee the proceeds of the Bonds on the Delivery Date, which proceeds the Trustee shall apply in accordance with the provisions of the Trust Agreement.

3.02 Payment of Costs of Issuance. Payment of the Costs of Issuance shall be made from the moneys deposited with the Trustee in the Costs of Issuance Fund as provided in Section 3.01 hereof and Section 3.3 of the Trust Agreement, which shall be disbursed from the Costs of Issuance Fund in accordance and upon compliance with Article III of the Trust Agreement.

3.03 Payment of Construction Costs. Payment of the Construction Costs shall be made from the moneys deposited with the Trustee in the Construction Fund as provided in Section 3.01 hereof and Section 3.2 of the Trust Agreement, which shall be disbursed from the Construction Fund in accordance and upon compliance with Article III of the Trust Agreement.

ARTICLE IV: LEASE OF SITE; TERM AND TERMINATION; TITLE TO THE SITE

4.01 Lease. The Authority hereby leases the Site to the District, and the District hereby leases the Site from the Authority, upon the terms and conditions set forth in this Lease Agreement.

4.02 Term. The Term of this Lease Agreement shall commence as of the date hereof and shall end on May 1, 20__ (“Termination Date”), unless on such date any Bonds remain Outstanding under the Trust Agreement or the Trust Agreement is not fully discharged, in which case this Lease Agreement shall remain in full force and effect until all Bonds have been fully paid, except that the Term shall in no event be extended beyond May 1, 20__, or unless terminated prior thereto in accordance with Section 4.03 of this Lease Agreement.

4.03 Termination. The Term of this Lease Agreement will also terminate upon the earliest of any of the following events:

(a) the payment or prepayment or provision therefor by the District of all Lease Payments, payments of Additional Rent and Reserve Replenishment Rent and other amounts due during the Term of this Lease Agreement;

(b) the occurrence of an event of default hereunder, and the termination of this Lease Agreement by the Authority or its successors and assigns pursuant to Section 10.02(a)(3) hereof; or

(c) the Site is destroyed or damaged or is taken under the power of eminent domain to such extent that the operation of the Site is materially affected and the Trustee has given notice of prepayment of all of the Outstanding Bonds.

4.04 Substitution or Release of Site. The District shall have the right to substitute alternate real property for any portion of the Site or to release a portion of the Site from this Lease Agreement pursuant to this Section 4.04. All costs and expenses incurred in connection with such substitution or release shall be borne by the District. Notwithstanding any substitution or release pursuant to this Section 4.04, there shall be no reduction in or abatement of the Lease Payments due from the District hereunder as a result of such substitution or release. Any such substitution or release of any portion of the Site shall be subject to the following specific conditions, which are hereby made conditions precedent to such substitution or release:

(a) an Independent Appraiser shall find (and shall have delivered a certificate to the District and the Trustee setting forth its findings) that the Site, as constituted after such substitution or release: (i) has an annual fair rental value greater than or equal to 105% of the maximum amount of Lease Payments payable by the District in any Rental Period, and (ii) has a useful life equal to or greater than the useful life of the Site as constituted prior to such substitution or release;

(b) the District shall obtain or caused to be obtained the Title Insurance Policy with respect to any substituted property in the amount of the fair market value of such substituted property (which fair market value shall have been determined by replacement value or by an Independent Appraiser), of the type and with the endorsement described in Section 7.07(e) hereof;

(c) the District shall provide the Trustee with an Opinion of Bond Counsel to the effect that such substitution or release will not, in and of itself, cause the interest on the Bonds to be included in gross income for federal income tax purposes;

(d) the Authority and/or District shall give, or shall make arrangements to give, any notice of the occurrence of such substitution or release required to be given pursuant to the Continuing Disclosure Certificate;

(e) the District, the Authority, and the Trustee shall execute, and the District shall cause to be recorded with the County of Los Angeles Recorder, any document necessary to re-

convey to the District the portion of the Site being substituted or released and to include any substituted real property in the description of the Site contained herein and in the Site Lease; and

(f) the District shall certify to the Authority that the substituted real property is of approximately the same degree of essentiality to the District as the portion of the Site for which it is being substituted.

ARTICLE V: LEASE PAYMENTS

5.01 Lease Payments.

(a) Lease Payments.

(1) Base Rental. The District agrees to pay to the Authority, as “Base Rental” for the use and possession of the Site, the Lease Payments specified in Exhibit “A” hereto on the Due Dates, provided that the District shall receive a credit for any amounts on hand in the Lease Payment Fund and the Reserve Fund at the time any Lease Payment is due, and that at such time as the moneys on hand in the Lease Payment Fund are equal to all Lease Payments remaining unpaid, such moneys shall be applied by the Trustee, pursuant to the Trust Agreement and to such Lease Payments on behalf of the District, and the District shall not be required to make any further Lease Payments hereunder. If the District fails to make any Lease Payment when due, notwithstanding that moneys are withdrawn from the Reserve Fund for such purpose pursuant to Section 3.7 of the Trust Agreement, the Lease Payment shall continue as an obligation of the District until paid.

The obligation of the District to make the Lease Payments does not constitute a debt of the District or of the State, or of any political subdivision thereof, within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District or the State is obligated to levy or pledge any form of taxation or for which the District or the State has levied or pledged any form of taxation.

(2) Payments Other than Regularly Scheduled Payments. If the term of this Lease Agreement shall have been extended pursuant to Section 4.02 hereof, the obligation of the District to pay Total Rent shall continue to and including the Due Date preceding the date of termination of this Lease Agreement (as so extended pursuant to Section 4.02 hereof). Upon such extension, the principal and interest components of the Lease Payments shall be established so that the principal components will in the aggregate be sufficient to pay all extended and unpaid principal components and the interest components will in the aggregate be sufficient to pay all extended and unpaid interest components; provided, however, that the Total Rent payable in any Rental Period shall not exceed the annual fair rental value of the Site.

(b) Reserve Replenishment Rent. If:

(1) funds have been withdrawn from the Reserve Fund (as defined in the Trust Agreement) in order to pay interest or principal evidenced by the Bonds or if there shall be a deficiency in the Reserve Fund resulting from a decrease of 10% or more in the

market value of the Permitted Investments in the Reserve Fund, determined as provided in Section 3.7 of the Trust Agreement, and

(2) Lease Payments are not in abatement pursuant to Section 5.05 hereof, and

(3) the amount of such Lease Payments is less than the Fair Rental Value (as set forth in Section 5.02), and

(4) the amount on deposit in the Reserve Fund is less than the Reserve Requirement as determined under the Trust Agreement, then the Lessee shall pay from its first available moneys after payment of Lease Payments, to the Trustee, Reserve Replenishment Rent consistent with such fair market rental

(i) over a one-year period, in substantially equal quarterly payments to replenish the Reserve Fund to the Reserve Requirement in the event that such deficiency results from a withdrawal from the Reserve Fund, or

(ii) if such payments prescribed in clause (i) are inconsistent with the Fair Rental Value or if all Lease Payments have been made in full, in such maximum amounts as shall be recommended by the appraisal reference above consistent with Fair Rental Value on each Payment Date until the amount on deposit in the Reserve Fund equals the Reserve Requirement as determined under the Trust Agreement.

(c) Additional Rent. In addition to the Lease Payments set forth above, during the Term of this Lease Agreement the District agrees to pay when due or on the next Due Date following receipt of statements therefor or estimates thereof furnished by or on behalf of the Authority or provided otherwise, Additional Rent equal to the sum of the following:

(1) all taxes and assessments of any nature whatsoever, including, but not limited to, excise taxes, *ad valorem* taxes, *ad valorem* and specific lien special assessments and gross receipts taxes, if any, levied upon the Site, or upon any interest of the Authority, the Trustee or the Owners therein or in this Lease Agreement;

(2) all fees and expenses (not otherwise paid or provided for out of the proceeds of the sale of the Bonds) of the Trustee in connection with the performance of its duties hereunder and under the Trust Agreement that do not otherwise constitute Lease Payments or payments of Reserve Replenishment Rent;

(3) insurance premiums, if any, on all insurance required under the provisions of Section 7.07 of this Lease Agreement;

(4) all administrative costs of the Authority related to the Project or the Site, including, without limiting the generality of the foregoing, fees and charges of auditors, accountants and attorneys, any amounts payable under Sections 5.04, 7.01, 7.02, 7.03 and 7.04 hereof, and all other necessary administrative costs of the Authority or charges required to be paid by the Authority in order to comply with the terms of the Bonds or the

Trust Agreement and to defend and indemnify the Authority and its members, officers and directors; and

(5) all other payments required to be paid by the District under the provisions of this Lease Agreement or the Trust Agreement.

The District shall pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 60 days after notice in writing from the Trustee to the District stating the amount of Additional Rent then due and payable and the purpose thereof.

(d) Consideration. Rental Payments for each semi-annual Rental Payment during the Term of this Lease Agreement shall constitute the total rent for said semi-annual Rental Payment period, and shall be paid by the District in each semi-annual Rental Payment period for and in consideration of the right of the use and possession of, and the continued use and enjoyment of the Site during each such period for which any Rental Payments are to be paid. The parties hereto have agreed and determined that the Rental Payments represent the fair rental value of the Site. In making such determination, consideration has been given to the costs of financing the Project, other obligations of the Parties under this Lease Agreement, the uses and purposes which may be served by the Site and the benefits therefrom which will accrue to the District and the general public.

(e) Payment; Credit. Each Lease Payment due hereunder shall be paid in lawful money of the United States of America to or upon the order of the Authority at the Principal Office of the Trustee, or such other place or entity as the Authority shall designate. Each Lease Payment shall be deposited with the Trustee no later than the Due Date preceding the Payment Date on which such Lease Payment is due. Any Lease Payment which shall not be paid by the District when due and payable under the terms of this Lease Agreement shall bear interest from the date when the same is due hereunder until the same shall be paid at the rate of 10% per annum. Amounts required to be deposited by the District with the Trustee pursuant to this Section on any date shall be reduced to the extent of available amounts on deposit in the Lease Payment Fund, or the Bond Fund and its subaccounts. In the event that any payment hereunder is due on a day which is not a Business Day, such payment shall be made on the next Business Day. Notwithstanding any dispute between the Authority and the District hereunder, the District shall make all payments when due and shall not withhold any payments pending the final resolution of such dispute. In the event of a determination that the District was not liable for said payments or any portion thereof, said payments or excess payments, as the case may be, shall be credited against subsequent payments due hereunder.

(f) Appropriations Covenant. Rental Payments shall be paid from any source of legally available funds of the District. The District covenants to take such action as may be necessary to include all Rental Payments due hereunder in its annual budget. It shall be 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 made by the District in this Lease Agreement. During the Term of this Lease Agreement, the District will provide to the Trustee, no later than 20 days following adoption of the budget for that Fiscal Year, a certificate of the District Representative

that the Rental Payments due in that Fiscal Year have been included in the budget approved by the Board for such Fiscal Year; or if no budget has been approved by [September 15th] of any year, the District shall deliver to the Trustee no later than [September 30th] of such year, a certificate of the District Representative that the Rental Payments due in that Fiscal Year have been appropriated by a Resolution duly adopted by the Board.

5.02 Fair Rental Value. The Rental Payments shall be paid by the District in consideration of the right of possession of, and the continued quiet use and enjoyment of, the Site during each such period for which the rental is being paid. The parties hereto have agreed and determined that Rental Payments are not in excess of the fair rental value of the Site. In making such determination of fair rental value, consideration has been given to the uses and purposes that may be served by the Site and the benefits therefrom that will accrue to the District and to the general public. Rental Payments for the Site during each Rental Period shall constitute the total rent for said Rental Period.

5.03 Possession and Quiet Enjoyment. During the Term of this Lease Agreement, the Authority shall provide the District with quiet use and enjoyment of the Site, and the District shall during such Term peaceably and quietly have and hold and enjoy the Site, without suit, trouble or hindrance from the Authority, except as expressly set forth in this Lease Agreement. The Authority will, at the request of the District and at the District's expense, join in any legal action in which the District asserts its right to such possession and enjoyment to the extent the Authority may lawfully do so. Notwithstanding the foregoing, the Authority and its successors and assigns shall have the right to inspect the Site as provided in Section 8.03 hereof.

5.04 Leasehold Interest in the Site. During the Term of this Lease Agreement, leasehold title to the Site pursuant to the Site Lease and any and all additions, replacements or modifications will be retained by the Authority, except as provided below and except for the Site and those modifications which are added to the Site by the District and which may be removed without damaging the Site. The District shall not have any right, title or interest in the Site or in any additions, repairs, replacements or modifications thereto except as expressly provided in this Lease Agreement.

Upon expiration of the Term as provided in Section 4.02 hereof and upon payment of all required Lease Payments, all right, title and interest of the Authority in and to the Site shall be transferred to and vest in the District or its designee, without the necessity of any additional document of transfer. Additionally, if necessary, the Authority shall authorize, execute and deliver to the District any documents required to release any and all liens created under the provisions of the Site Lease, this Lease Agreement and the Trust Agreement, and any other document required to terminate this Lease Agreement and consummate such transfer of title and release of liens. The Authority agrees to defend and eliminate any claims adverse to the title to the Site, and to save and hold the District harmless therefrom; provided that the Authority's obligations under this sentence shall not extend to claims arising out of actions by the District or persons asserting claims under it; and provided further that the District shall reimburse the Authority for any costs incurred by the Authority in defending or eliminating such claims, including reasonable attorneys' fees.

5.05 Abatement of Rental Payments.

(a) Except as otherwise specifically provided in this Section, during any period in which, by reason of material damage to, or destruction or condemnation of, the Site, there is substantial interference with the District's right to use and occupy any portion of the Site, Rental Payments shall be abated proportionately, and the District waives the benefits of California Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate this Lease Agreement by virtue of any such interference, and this Lease Agreement shall continue in full force and effect. The amount of such abatement shall be agreed upon by the District and Authority; provided, however, that the Rental Payments due for any Rental Period shall not exceed the fair rental value of that portion of the Site available for use and occupancy by the District during such Rental Period. The District and the Authority shall calculate such abatement and shall provide the Trustee with a certificate setting forth such calculation and the basis therefor. Such abatement shall continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Site, ending with the substantial completion of the work of repair or replacement of the Site, or the portion thereof so damaged or destroyed; and the term of this Lease Agreement shall be extended as provided in Section 4.02 hereof, except that the term of this Lease Agreement shall in no event be extended more than ten years beyond the Termination Date. Abatement of Total Rent is not an event of default under this Lease Agreement and does not permit the Trustee to take any action or avail itself of any remedy against the District. In the event of any such partial damage or destruction or taking, this Lease Agreement shall continue in full force and effect and the District waives any right to terminate this Lease Agreement by virtue of any such damage or destruction or taking.

(b) Notwithstanding the foregoing, to the extent moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Trust Agreement, Rental Payments shall not be abated as provided above, but rather, shall be payable by the District as a special obligation payable solely from said funds and accounts.

5.06 Repair or Replacement. In the event of abatement, the District will use its best efforts to repair or replace the damaged or destroyed portion of the Site, as the case may be, from special funds of the District or from other moneys, the application of which, in the opinion of Bond Counsel addressed to the Trustee, the District and the Authority, would not result in the obligations of the District hereunder constituting indebtedness of the District in contravention of the Constitution or the laws of the State.

5.07 Assignment of Lease Payments. Amounts necessary to pay Lease Payments and Additional Rent or Reserve Replenishment Rent (if any) shall be deposited by the District on the dates set forth in Section 5.01 hereof in lawful money of the United States of America, at the Principal Office of the Trustee or with the Authority or its designee, as applicable, or at such other place or places as may be established in accordance with the Trust Agreement. Except as provided in Section 5.05 hereof, any amount necessary to pay any Lease Payments or Reserve Replenishment Rent or portion thereof which is not so deposited with the Trustee, or to pay Additional Rent which is not deposited with the Authority or its designee, shall remain due and payable until received by the Trustee, or the Authority or its designee, as applicable. Notwithstanding any dispute between the District and the Authority hereunder, the District shall

make all Rental Payments when due and shall not withhold any Rental Payments pending the final resolution of such dispute or for any other reason whatsoever. The District's obligation to make Rental Payments in the amounts and on the terms and conditions specified hereunder shall be absolute and unconditional without any right of set-off or counterclaim, subject only to the provisions of Section 5.05 hereof. Amounts required to be deposited with the Trustee pursuant to this Article V on any date shall be reduced to the extent of available amounts on deposit on such date in the Lease Payment Fund established under the Trust Agreement. Certain of the Authority's rights under this Lease Agreement, including the right to receive and enforce payment of the Lease Payments, certain Additional Rent, prepayments and Reserve Replenishment Rent to be made by the District hereunder, have been assigned to the Trustee, subject to certain exceptions, pursuant to the Assignment Agreement, to which assignment the District hereby consents. The Authority hereby directs the District, and the District hereby agrees to pay to the Trustee at the Trustee's Principal Office, or to the Trustee at such other place as the Trustee shall direct in writing, all Lease Payments or prepayments thereof, Additional Rent (unless otherwise directed by the Authority) or Reserve Replenishment Rent payable by the District hereunder. The Authority will not assign or pledge the Lease Payments and its other rights under this Lease Agreement except as provided under the terms of this Lease Agreement, or its duties and obligations except as provided under the Assignment Agreement and the Trust Agreement.

ARTICLE VI: PREPAYMENT; REDEMPTION

6.01 Mandatory Redemption from Net Proceeds. Following an event of damage, destruction, condemnation or theft to the Site or any portion thereof or a loss of the use or possession of the Site or any portion thereof due to a title defect, and the District does not repair or replace the Site or the affected item thereof with Net Proceeds, as provided in Section 3.6 of the Trust Agreement, the Net Proceeds are to be applied to the redemption of the Bonds in whole or in part in accordance with the provisions of Section 4.1(b) of the Trust Agreement.

6.02 Option to Purchase. The District shall have the option to purchase the Authority's leasehold interest under the Site Lease in all or any portion of the Site, including the improvements on the Site: (i) on any date by depositing as prepaid rent with the Trustee cash and/or Defeasance Securities as provided by Section 8.3 of the Trust Agreement; or (ii) on the dates and in accordance with the terms for redemption of the Bonds set forth in Article IV of the Trust Agreement. In such event(s), all or a portion of the obligations of the District under this Lease Agreement, and the security provided by this Lease Agreement for said obligations or said portion of the obligations, shall cease and terminate as provided in Section 4.03 hereof, excepting in the case all of the Authority's interest has been purchased, only the obligation of the District to make, or cause to be made, such Lease Payments from such deposit. In the event Lease Payments under this Lease Agreement have been paid in full, on the date of said deposit, the Authority's leasehold interest in the Site shall revert to the District automatically and without further action by the District or the Authority, and the Authority shall execute and deliver such further instruments and take such further action as may reasonably be requested by the District for carrying out the reversion of the Authority's leasehold. In the event Lease Payments under this Lease Agreement have been paid in part only, on the date of said deposit, the District shall specify a discrete portion of the Authority's leasehold interest in the Site for reversion to the

District and the Authority shall execute and deliver such further instruments and take such further action as may reasonably be requested by the District for carrying out the reversion of such portion of the Authority's leasehold; provided, that such portion shall revert to the District only if the reduction in the fair rental value of the Site affected by such reversion at the time of such reversion is proportionately less than or equal to the reduction in the maximum annual Lease Payments under this Lease Agreement affected by such purchase. Any such deposit shall be deemed to be and shall constitute a special fund for the payment of Lease Payments in accordance with Section 5.01 hereof. The District shall give notice to Authority and Trustee at least 45 days prior to a date of District's intention to purchase the Authority's leasehold interest, unless such notice is otherwise waived by the Trustee.

6.03 Credit for Amounts on Deposit. In the event of prepayment of the Lease Payments in full under this Article VI and the payment of all Additional Rent such that the Trust Agreement shall be discharged by its terms as a result of such prepayment, all amounts then on deposit in the Lease Payment Fund, and all amounts then on deposit in the Bond Fund and the Reserve Fund attributed to the Bonds to be paid from the Lease Payments hereunder, shall be credited toward the amounts then required to be so prepaid.

6.04 Effect of Prepayment.

(a) **In Whole.** In the event that the District prepays all remaining Lease Payments pursuant to Section 6.01 hereof (or exercises the option to purchase all of the Authority's leasehold interest in the Site as described in Section 6.02 hereof) and all amounts owing the Trustee pursuant to Section 5.01(c) hereof, then the District's obligations under this Lease Agreement shall thereupon cease and terminate, including but not limited to the District's obligation to continue to pay Lease Payments under Article V.

(b) **In Part.** In the event the District prepays less than all of the remaining principal components of the Lease Payments either pursuant to Section 6.01 hereof from Net Proceeds or other moneys or by exercising the option to purchase part of the Authority's leasehold interest in the Site as described in Section 6.02 hereof, the amount of such prepayment shall be applied to reduce the principal components of the remaining Lease Payments in a manner corresponding to the redemption of principal of the Bonds. The District shall also deliver a schedule of revised Lease Payments to the Trustee as provided for in Section 4.8 of the Trust Agreement.

ARTICLE VII: MAINTENANCE AND REPAIR; MODIFICATION; TAXES, INSURANCE AND OTHER CHARGES; NET PROCEEDS

7.01 Maintenance and Repair. Throughout the Term of this Lease Agreement, as part of the consideration for the rental of the Site, all improvement, repair and maintenance of the Site shall be the responsibility of the District, and the District shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Site and improvements thereon resulting from ordinary wear and tear or want of care on the part of the District. In exchange for the Lease Payments and payments of Additional Rent herein provided, the Authority agrees to provide only the Site for District's use, as hereinbefore more specifically set forth. The District hereby expressly waives the right to make repairs or perform maintenance of the Site at the

expense of the Authority and (to the extent permitted by law) waives the benefits of Sections 1932, 1933(4), 1941 and 1942 of the Civil Code of the State relating thereto.

7.02 Taxes, Other Governmental Charges and Utility Charges. The District shall also pay or cause to be paid to the Authority or upon its order all taxes of any type or nature charged to the Authority or affecting the Site or the respective interests or estates therein, including any sales tax, or affecting the amount available to the Authority from Lease Payments received hereunder for the Bonds (including taxes or assessments assessed or levied by any governmental agency or district having power to levy taxes or assessments) and any utility charges (including, but not limited to, janitor and landscape service, power, gas, telephone, light, heating, water and all other utility services); provided that with respect to governmental charges that may lawfully be paid in installments over a period of years, the District shall be obligated to pay only such installments as are required to be paid during the Term of this Lease Agreement as and when the same become due.

The District, at the District's expense and in its name, may, upon the provision of notice to the Trustee (as assignee of the Authority), in good faith contest any such taxes and other charges and, in the event of any such contest, may permit the taxes or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority shall notify the District that, in the Opinion of Bond Counsel, by nonpayment of any such items, the interest of the Authority in the Site will be materially endangered or the Site or any part thereof will be subject to loss or forfeiture, in which event the District shall promptly pay such taxes or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority.

7.03 Modification of Site. The District shall, at its own expense, have the right to make additions, improvements and modifications to the Site. All such additions, improvements and modifications shall thereafter comprise part of, and be subject to, the provisions of this Lease Agreement. Such additions, improvements and modifications shall not in any way damage the Site, substantially alter its nature or cause it to be used for purposes other than those authorized under the provisions of State and federal law; and improvement of or on the Site, upon completion of any additions, improvements and modifications made pursuant to this Section 7.03, shall be of a value which is not less than the value of such item immediately prior to the making of such additions, improvements or modifications. Except for permitted encumbrances, the District will not permit any mechanic's or other lien to be established or remain against the Site for labor or materials furnished in connection with any additions, modifications, repairs, renewals or replacements made by the District pursuant to this Section 7.03; provided that if any such lien is established and the District shall first notify the Lessor of the District's intention to do so, the District may in good faith contest any lien filed or established against any item or improvement of or on the Site, and in such event may permit the liens so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom, and shall provide the Lessor with full security against any loss or forfeiture which might arise from the nonpayment of any such lien, in form satisfactory to the Lessor. The Lessor will cooperate fully in any such contest, upon the request and at the expense of the District.

7.04 Replacements, Redevelopment and Renovation. The Lessee shall, at its own expense, have the right to replace, redevelop or renovate all or a portion of the Site if the following conditions precedent are satisfied:

(a) The Lessee receives an opinion of Bond Counsel, a copy of which the Lessee shall furnish to the Lessor and the Trustee, that (i) such replacement, redevelopment and/or renovation does not adversely affect the federal income tax exclusion or the State tax-exempt status of the interest components of the Lease Payments or interest, and (ii) the Lease Agreement will remain the legal, valid, binding and enforceable obligation of the Lessee;

(b) In the event such replacement, redevelopment or renovation by reason of by reason of damage or destruction would result in the temporary abatement of Lease Payments as provided in Section 5.05 hereof, the Lessee shall provide in advance for payment of Lease Payments from special funds of the Lessee or other moneys, the application of which would not, in the opinion of Bond Counsel (a copy of which shall have been delivered to the Trustee), result in such Lease Payments constituting indebtedness of the Lessee in contravention of the Constitution and laws of the State;

(c) The Lessee shall certify to the Trustee that it has sufficient funds to complete such replacement, redevelopment or renovation; and

(d) The Lessee and the Trustee receive a report of an Independent Appraiser stating that the annual fair rental value of the replacements, redevelopment and/or renovations of the Site will be at least equal to, or other written evidence of insured or replacement value at least equal to, the lesser of (i) the annual fair rental value of the Site immediately prior to such replacement, redevelopment or renovation, or (ii) 110% of the maximum annual Lease Payments remaining under this Lease Agreement.

7.05 Installation of District's Equipment. The District and any sublessee may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed items of equipment or other personal property in or upon the Site. All such items shall remain the sole property of the District or such sublessee, and neither the Authority nor the Trustee shall have any interest therein. The District or such sublessee may remove or modify such equipment or other personal property at any time, provided that such party shall repair and restore any and all damage to the Site resulting from the installation, modification or removal of any such items. Nothing in this Lease Agreement shall prevent the District or any sublessee from purchasing items to be installed pursuant to this Section under a conditional sale or lease purchase contract, 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 shall attach to any part of the Site.

7.06 Liens. Except as provided in this Article VII, the District shall not, directly or indirectly, create, incur, assume or suffer to exist any pledge, lien, charge, encumbrance or claim on or with respect to the Site, other than the respective rights of the Lessor and the District as herein provided and any Permitted Encumbrances. Except as expressly provided in this Article VII, the District shall 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 shall reimburse the Lessor for any expense incurred by it in order to discharge or remove any such pledge, lien, charge, encumbrance or claim.

7.07 Insurance. The District shall maintain, or cause to be maintained, throughout the Term of this Lease Agreement, for and commencing on the periods set forth below the following insurance with insurers rated “A” or better by A.M. Best’s Credit Ratings or through insurance provided through a joint powers authority (“JPA” or “JPA Program”) (as further discussed in (f) below) except subsection (e) below, all coverage on the Site required by this Section.

Such insurance shall consist of:

(a) A standard comprehensive general insurance policy or policies in protection of the Authority, its successors and assigns, and the District, and their members, directors, agents and employees. 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 construction on, or operation of, the Site. Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$150,000 (subject to a deductible clause of not to exceed \$50,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks.

(b) Insurance against loss or damage to the Site by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke, sprinkler damage, boiler explosion and such other hazards as are normally covered by such insurance (but excluding earthquake and flood). Such insurance shall be in an amount equal to the full insurable value (without deduction for depreciation) of all structures constituting any part of the Site, (except that such insurance may be subject to a deductible clause of not to exceed \$100,000); provided, however, that in no event shall such insurance be maintained in an aggregate amount (together with moneys in the Reserve Fund) less than the aggregate principal amount of Bonds outstanding at the time.

(c) Rental interruption insurance to cover loss, total or partial, of the use of the Site as the result of any of the hazards covered in the insurance required by this Section 7.07, in an amount sufficient to pay the total Lease Payments hereunder for a period of 24 months (using the two highest annual Lease Payments during the Term). In the event that the District determines, based on a certification from an Insurance Consultant (defined below in (f)(i)), that such insurance is not commercially available, the District may under such circumstances (notwithstanding (f) below) provide for a cash deposit (held by the Trustee), equal to the 24 months of Lease Payments (using the two highest annual Lease Payments during the Term) to satisfy the foregoing requirements. The Net Proceeds of such insurance shall be paid to the Trustee for deposit in the Lease Payment Fund to be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable.

(d) Workers' compensation insurance for not less than the amounts required by applicable law to insure District employees against liability for compensation under the Workers' Compensation Insurance and Safety Act now in force in the State, or any act hereafter enacted as an amendment or supplement thereto or in lieu thereof.

(e) A Title Insurance Policy insuring (i) the District's fee interest in the Site; (ii) the Authority's leasehold interest in the Site under the Site Lease; and (iii) the District's leasehold estate in the Site under this Lease Agreement, subject only to Permitted Encumbrances (any of which estates may be insured through an endorsement to such policy). The Title Insurance Policy shall be in an amount equal to the entire unpaid principal amount of the Bonds, and be issued by a company of recognized standing, duly authorized to issue the same, payable to the Trustee for the benefit of the Owners.

(f) For insurance provided through a JPA (except for title insurance, for which the District may not provide coverage through a JPA Program), the District shall provide, or arrange to provide a certificate(s) or certifications as to all of the following:

(i) the JPA Program must be approved by a nationally recognized independent actuary, insurance company, or broker that has actuarial personnel experienced in the area of insurance for which the District is insuring through a JPA and employing accepted actuarial techniques, as may be designated by the District from time to time ("Insurance Consultant") (this subsection shall not apply in the case of workers' compensation insurance coverage);

(ii) the JPA Program must include an actuarially sound segregated claims reserve fund out of which each claim shall be paid; the JPA Program must include a claims processing and risk management program; the adequacy of such fund must be evaluated initially and on an annual basis by an Insurance Consultant; and any deficiencies in any claims reserve fund must be remedied in accordance with the recommendation of the Insurance Consultant;

(iii) in the event the JPA Program is discontinued, the actuarial soundness of its claims reserve fund, as determined by an Insurance Consultant, must be maintained;

(iv) the District shall cause the Insurance Consultant to submit a written report, on or before [April 1], to the JPA, setting forth a determination, employing accepted actuarial techniques, of an adequate amount of reserves for the next Fiscal Year to be maintained in the JPA Program trust fund; and

(v) amounts payable with respect to the JPA Program must not be subject to appropriation or abatement.

Certificates and/or endorsements evidencing annual renewal of the policies of insurance required under subsections (a) through (e) of this Section (excluding subsection (d)) shall be sent by the District to the Trustee at the address(es) set forth in the Trust Agreement.

The Authority shall cooperate fully with the District at the expense of the District in filing any proof of loss with respect to any insurance policy maintained pursuant to this Article and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Site or any portion thereof.

7.08 Net Proceeds; Form of Policies. The policies of insurance required by Section 7.07(b), (c) and (d) hereof shall provide that all proceeds thereunder shall be payable to the Trustee pursuant to a lender's loss payable endorsement substantially in accordance with the form approved by the Insurance Services Office and the California Bankers Association and must require at least 30 days prior written notice to the Trustee before expiration, cancellation or reduction of the coverage afforded thereby. The Net Proceeds of such insurance shall be paid to the Trustee to be applied as provided in Section 3.6 of the Trust Agreement, or subsection (c) of Section 7.07 hereof, as the case may be. If the Site is damaged or destroyed to such an extent that the use and possession of the Site as a whole is materially affected, the remaining Lease Payments due hereunder shall be abated in full and this Lease Agreement shall thereupon be terminated, except as provided in Section 7.10. Otherwise, (1) this Lease Agreement shall continue in full force and effect and shall not be terminated by virtue of such damage or destruction and the parties waive the benefit of any law to the contrary, and (2) there shall be a partial abatement of Lease Payments in order to reflect the crediting, if any, of Net Proceeds of insurance applied to redeem the Bonds pursuant to Section 4.1 of the Trust Agreement, but in no event shall the resulting Lease Payments be less than the amount required for the payment of the principal and interest with respect to the principal amount as the same shall become due and payable.

The District shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease Agreement. The Trustee shall not be responsible for the sufficiency of any insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee. The District shall annually (during the month of July) cause to be delivered to the Trustee and to the Authority, certification that the insurance policies required by this Lease Agreement are in full force and effect.

7.09 Eminent Domain. If all or any portion of the Site is taken under the power of eminent domain, the Net Proceeds from any award resulting therefrom shall be deposited with the Trustee pursuant to Section 7.10 hereof and the District Representative shall file a certificate with the Trustee as provided in Section 3.6 of the Trust Agreement. If the Site is taken under the power of eminent domain to such extent that the use and possession of the Site as a whole is materially affected, the remaining Lease Payments due hereunder shall be abated in full and this Lease Agreement shall thereupon be terminated, except as provided in Section 7.10 hereof. Otherwise, (1) this Lease Agreement shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (2) there shall be a partial abatement of Lease Payments in order to reflect the crediting, if any, of Net Proceeds from any eminent domain award applied to redeem Bonds pursuant to Section 4.1 of the Trust Agreement, but in no event shall the resulting Lease Payments be less than the amount required for the payment of the principal and interest with respect to the Principal Amount as the same become due and payable.

7.10 Application of Net Proceeds. If the District shall certify to the Authority and the Trustee that the Net Proceeds of any insurance award resulting from any damage to or destruction of the Site by fire or other casualty or the Net Proceeds of any eminent domain award resulting from any event described in Section 7.09 hereof shall be sufficient, together with any other funds which the District at its option may supply for such purpose, to cover the entire projected repair or replacement cost as provided in Section 3.6 of the Trust Agreement, estimated in good faith, and shall further certify that such repair or replacement can be completed within the period during which rental interruption insurance proceeds and other designated funds available therefor will cover Lease Payments coming due, the District shall cause the Net Proceeds or other funds, as applicable, to be deposited with the Trustee for deposit in the Insurance and Condemnation Fund promptly upon receipt thereof to be applied to the prompt replacement, repair, restoration, modification or improvement of the Site by the District. Otherwise if the District makes the certifications described in Section 3.6(a)(ii) or (iii) or (b)(ii) or (iii) of the Trust Agreement, such Net Proceeds shall be applied to the redemption of the Bonds in whole or in part, as provided in Section 4.1 of the Trust Agreement.

7.11 Further Assurances and Corrective Instruments. The Authority, on behalf of itself and its assignees, and the District agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may be reasonably required for correcting any inadequate description of the Site, or for substitutions as provided for in Section 4.04 and for carrying out the expressed intention of this Lease Agreement.

7.12 Covenant Against Condemnation. The District hereby covenants and agrees, to the extent it may lawfully do so, under the provisions of State and federal law, that so long as any of the Bonds remain Outstanding and unpaid, the District will not exercise its statutory powers of condemnation with respect to the Site (except as expressly provided for in this Section). The District further covenants and agrees, to the extent it may lawfully do so under the provisions of State and federal law, that if for any reason the foregoing covenant is determined to be unenforceable or if the District should fail or refuse to abide by such covenant and condemns the Site (except as expressly provided for in this Section), the appraised value of the Site shall not be less than the greater of (i) if such Bonds are then subject to prepayment, the principal and interest components of the Bonds Outstanding through the date of their prepayment, or (ii) if such Bonds are not then subject to prepayment, the amount necessary to defease such Bonds to the first available prepayment date in accordance with the provisions of the Trust Agreement.

7.13 Title Insurance Proceeds. Proceeds of any Title Insurance Policy received by the Trustee in respect of the Site shall be applied and disbursed by the Trustee pursuant to Section 3.10 of the Trust Agreement.

ARTICLE VIII: DISCLAIMER OF WARRANTIES; ACCESS

8.01 Disclaimer of Warranties. THE AUTHORITY MAKES NO 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 PROJECT OR THE SITE, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO

THE PROJECT OR THE SITE OR ANY PORTION THEREOF. IN NO EVENT SHALL THE AUTHORITY BE LIABLE FOR INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES, IN CONNECTION WITH OR ARISING OUT OF THIS LEASE AGREEMENT OR THE TRUST AGREEMENT, OR FOR THE EXISTENCE, FURNISHING, FUNCTIONING OR THE DISTRICT'S USE OF THE SITE.

8.02 District's Right to Enforce Warranties. The Authority hereby irrevocably appoints the District its agent and attorney-in-fact during the Term hereof, so long as the District is not in default hereunder, to assert from time to time whatever claims and rights, including warranties which the Authority may have against any vendor or contractor with respect to any work done on the Site. The District's sole remedy for the breach of any such warranty shall be against the vendor or contractor with respect thereto, and not against the Authority, nor shall such matter have any effect whatsoever on the rights and obligations of the Authority's rights under this Lease Agreement, including the right to receive in full any timely Lease Payments and other payments due hereunder. The District shall be entitled to retain any and all amounts recovered as a result of the assertion of any such claims and rights. The Authority shall, upon the District's request, do all things and take all such actions as the District may request in connection with the assertion of any such claim and rights or the enforcement of any warranties. If the Authority is ever required or requested by the District to enforce any warranty with respect to the Site on behalf of the District, the District shall reimburse the Authority, upon demand, for any costs incurred by the Authority in the enforcement of such warranty, including reasonable attorneys' fees.

8.03 Access to the Site. The District agrees that the Authority, any Authority Representative, and the Authority's successors or assigns, shall have the right at all reasonable times to examine and inspect the Site. The District further agrees that the Authority, any Authority Representative, and the Authority's successors or assigns shall have the rights of access to the Site as may be reasonably necessary to cause the proper maintenance of the Site in the event of failure by the District to perform its obligations hereunder.

8.04 Authority's Rights to Perform. If the District shall fail to make any payment required to be made hereunder or perform any of its other obligations under this Lease Agreement, the Authority may, but shall not be obligated to, take such action as may be necessary to make such payment or comply with such obligation, including the advancement of money to the District, and the District shall be obligated to pay such amount and the reasonable expenses of the Authority incurred in connection with such payment or compliance, upon demand.

ARTICLE IX: ASSIGNMENT, SUBLEASING AND INDEMNIFICATION

9.01 Assignment by the Authority. The Authority's rights under this Lease Agreement, including the right to receive and enforce payment of the Lease Payments to be made by the District under this Lease Agreement, have been assigned to the Trustee pursuant to the Assignment Agreement and shall be exercised by the Trustee and the Owners pursuant to the Trust Agreement. The District hereby consents to the assignment by the Authority to the Trustee of the Authority's rights under this Lease Agreement.

9.02 Assignment and Subleasing by the District. This Lease Agreement may be assigned or subleased by the District; provided, however, that any sublease or assignment shall be subject to all of the following conditions:

(a) This Lease Agreement and the obligation of the District to make Lease Payments hereunder shall remain primary obligations of the District;

(b) The Authority shall provide prior written consent, which shall not be unreasonably withheld, to such assignment or sublease;

(c) Any sublease of the Site by the District shall explicitly provide that such sublease is subject to all rights of the Authority under this Lease Agreement, including, the right to re-enter and re-let the Site or terminate this Lease Agreement upon a default by the District;

(d) The District shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of such sublease or assignment;

(e) No such sublease or assignment by the District shall cause the Site to be used for a purpose other than a governmental function authorized under the provisions of the Constitution and laws of the State; and

(f) The District will furnish the Trustee with an Opinion of Bond Counsel to the effect that such sublease or assignment will not, in and of itself, cause the interest on the Bonds to become includable in gross income for federal income tax purposes.

9.03 Release and Indemnification Covenants.

(a) The District shall, to the full extent then permitted by law, indemnify, protect, hold harmless, save and keep harmless the Authority, its officers, agents, and directors, and its assignees (including the Trustee and its officers, employees and agents) from and against any and all liability, obligations, losses, claims, and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of the entering into of this Lease Agreement or the Trust Agreement or any other agreement entered into in connection therewith or the performance of its rights and duties thereunder (however, the Trustee must exercise the standard of care set forth in Section 5.3(c) of the Trust Agreement); the design or manufacture or ownership or construction of any item placed, installed or constructed on the Site; the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage, or return of any items for installation, use or construction on the Site or any accident in connection with the operation, use, condition, possession, storage or return of the Site resulting in damage to property or injury to or death to any person including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the District or the Authority; any claim for patent, trademark, or copyright infringement; any claim arising out of the presence or suspected presence of any hazardous material, substance or waste on or under the Site; and any claim arising out of strict liability in tort. The indemnification arising under this Section shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease Agreement or the termination of any Lease Agreement term for any reason. The District agrees

not to withhold or abate any portion of the payments required pursuant to this Lease Agreement by reason of any defects, malfunctions, breakdowns, or infirmities of the Site except to the extent that an abatement would otherwise be permitted under this Lease Agreement. The District and the Authority mutually agree to promptly give notice to each other of any claim or liability hereby indemnified against following either of them learning thereof.

(b) The District shall and hereby agrees to indemnify and save the Lessor harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of: (i) the management of, or from any work or thing done with respect to the Site by the District, (ii) any act of negligence of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Site, (iii) any act of negligence of any assignee or sublessee of the District, or of any agents, contractors, servants, employees or licensees of any assignee or sublessee of the District with respect to the Site, or (iv) the completion of the Refunding Project. No indemnification is made under this Section 9.03(b) of this Lease Agreement for willful misconduct, negligence, or breach of duty by the Lessor, its directors, officers, agents, employees, successors or assigns. The provisions of this Section 9.03(b) shall survive the termination of this Lease Agreement and the completion of the Project.

9.04 Covenant Concerning Hazardous Materials. The District shall not cause the Site or any part thereof to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Materials, except in compliance with all applicable federal, State, and local laws or regulations, nor shall the District cause, as a result of any intentional or unintentional act or omission on the part of the District or any tenant or subtenant, a release of Hazardous Materials onto the Site. The District shall comply with and ensure compliance by all tenants and subtenants with all applicable federal, State and local laws, ordinances, rules and regulations, whenever and by whomever triggered, and shall obtain and comply with any and all approvals, registrations or permits required hereunder. The District shall: (i) conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions necessary to clean up and remove all Hazardous Materials, on, from, or affecting the Site, (A) in accordance with all applicable federal, State, and local laws, ordinances, rules, regulations, and policies, (B) to the satisfaction of the Trustee and (C) in accordance with the orders and directives of the federal, State and local governmental authorities, and (ii) defend, indemnify and hold harmless the Trustee from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs or expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in a way related to, (A) the presence, disposal, release or threatened release of any Hazardous Materials which are on, from, or affecting the soil, water, vegetation, buildings, personal property, persons, animals or otherwise; (B) any personal injury (including wrongful death), or property damage (real or personal) arising out of or related to such Hazardous Materials, and/or (C) any violation of laws, orders, regulations, requirements or demands of government authorities, or any policies or requirements of the mortgage trustee, which are based upon or in any way related to such Hazardous Materials including, without limitation, attorney and consultant fees, investigation and laboratory fees, court costs and litigation expenses. In the event that the Trustee elects to control, operate, sell or otherwise claim property rights in the Site pursuant to the terms and conditions hereof, the District shall deliver the Site free of any applicable federal, State and local laws, ordinances, rules or regulations affecting the Site. Prior to any such delivery of the Site, the District shall pay to the Trustee, from its own funds, any amounts then required to be paid under

subsection (ii) above. For purposes of this Section 9.04, “Hazardous Materials” includes, without limitation, any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances or related materials defined in the Comprehensive Environmental Reponses, Compensation and Liability Act of 1980, as mended (42 U.S.C. §§ 9601 et seq.) the Hazardous Materials Transportation Act, as amended (49 U.S.C. §§ 9601 et seq.) and in the regulations adopted and publications promulgated pursuant thereto or any other federal, State or local environmental law, ordinance, rules or regulation.

9.05 District Covenant to Assist Authority. The District hereby covenants to assist the Authority in complying with all obligations and notice requirements as set forth in the Trust Agreement.

ARTICLE X: DEFAULTS AND REMEDIES

10.01 Events of Default Defined.

The following shall be “events of default” under this Lease Agreement and the terms “events of default” and “default” shall mean, whenever they are used in this Lease Agreement with respect to the Site, any one or more of the following events:

(a) Failure by the District to pay any Lease Payment, payment of Additional Rent, Reserve Replenishment Rent or other payment required to be paid hereunder by the fifth (5th) day (or if such day is not a Business Day, the next succeeding Business Day) following the corresponding Due Date.

(b) The District’s interest in this Lease Agreement or any part thereof is assigned or transferred, either voluntarily or by operation of law or otherwise, without the prior written consent of the Authority, as hereinafter provided for.

(c) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed herein or in the Trust Agreement, other than as referred to in 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 Lessor, the Trustee, or the Owners of not less than 25% in aggregate principal amount of Bonds then Outstanding; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the Lessor, the Trustee and such Owners will not unreasonably withhold their consent to an extension of such time if corrective action shall be instituted by the District within the applicable period and diligently pursued until the default is corrected.

(d) 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.

10.02 Remedies on Default.

(a) Upon the occurrence and continuance of any event of default specified in Section 10.01(a) through (d), the Authority, or its assignee, shall proceed to do any of the following:

(1) Protect and enforce this Lease Agreement by such judicial proceeding as the Lessor or its assignee shall deem most effectual, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained in this Lease Agreement, or in aid of the exercise of any power granted in this Lease Agreement, or to enforce any other legal or equitable right vested in the Lessor or its assignee by this Lease Agreement or by law; or

(2) Take possession of the Site, to which repossession the District hereby irrevocably consents, and exclude the District from using it and re-let it for the account of the District, in which event the District's obligations will accrue from year to year in accordance with this Lease Agreement and the District will continue to receive the value of the use of the Site from year to year in the form of credits against its obligation to pay Lease Payments. The District agrees to and shall remain liable for the payment of all Lease Payments and Additional Rent and the performance of all conditions contained herein and shall reimburse the Lessor for any deficiency arising out of the re-letting of the Site, or, in the event the Lessor is unable to re-let the Site, then for the full amount of all Lease Payments to the end of the Term, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as provided above for the payment of the Lease Payments hereunder, notwithstanding such repossession by the Lessor or any suit brought by the Lessor for the purpose of effecting such repossession of the Site or the exercise of any other remedy by the Lessor.

The District hereby irrevocably appoints the Lessor as the agent and attorney-in-fact of the Lessee to repossess and re-let the Site in the event of default and to remove all personal property whatsoever situated upon the Site, to place such property in storage or other suitable place in the County of Los Angeles, for the account of and at the expense of the Lessee, and the Lessee hereby exempts and agrees to hold harmless the Lessor from any costs, loss or damage whatsoever arising or occasioned by any such repossession and re-leasing of the Site. The Lessee hereby waives any and all claims for damage caused or which may be caused by the Lessor in repossessing the Site as provided herein and all claims for damages that may result from the destruction of or the injury to the Site and all claims for damages to or loss of any property belonging to the Lessee that may be in or upon the Site.

The Lessee agrees that no acts of the Lessor in effecting such re-leasing shall constitute a surrender or termination of this Lease Agreement irrespective of the term for which such re-letting is made, unless the Lessor effects such termination and surrender in the sole and exclusive manner provided for in subparagraph (3) below.

The District shall retain the portion of rental obtained by the Trustee as assignee of the Lessor in excess of the Lease Payments and of the costs of the Trustee of re-leasing the Site.

(3) In the event of the termination of this Lease Agreement by the Lessor at its option and in the manner hereinafter provided on account of default by the District (and

notwithstanding any repossession of the Site by the Lessor in any manner whatsoever or the re-letting of the Site), the District nevertheless agrees to pay to the Lessor all costs, losses or damages howsoever arising or occurring payable at the same time and in the same manner as is provided herein in the case of payment of Lease Payments. Any proceeds of the re-let or other disposition of the Site by the Lessor shall be deposited into the Lease Payment Fund for application to Lease Payments as they become due, pursuant to the Trust Agreement. Any surplus received from such re-leasing over the total Lease Payments and other amounts that would have been due hereunder and the costs of the Trustee shall be remitted to the District. Neither notice to pay rent or to deliver up possession of the Site given pursuant to law nor any proceeding taken by the Lessor to recover possession of the Site shall of itself operate to terminate this Lease Agreement, and no termination of this Lease Agreement on account of default by the District shall be or become effective by operation of law, or otherwise, unless and until the Lessor shall have given written notice to the District of the election on the part of the Lessor to terminate this Lease Agreement. The District covenants and agrees that no surrender of the Site for the remainder of the Term or any termination of this Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Lessor by such written notice. No such termination shall be effected either by operation of law or act of the parties hereto, except only in the manner herein expressly provided.

The Lessor and District hereby agree that Section 1951.2 of the California Civil Code shall apply to this Lease Agreement and that upon such termination, the Lessor may recover, in addition to all other damages available by contract or at law, from the District: (i) the worth at the time of award of the unpaid rental which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rental for the balance of the term after the time of the award exceeds the amount of such rental loss that the District proves could have been reasonably avoided; and (iii) any other amount necessary to compensate the Lessor for all the detriment proximately caused by the District's failure to perform its obligations under this Lease Agreement or which in the ordinary course of things would be likely to result therefrom. The "worth at the time of award" of the amounts referred to in clauses (i) and (ii) above is computed by allowing interest at the legal rate of interest per annum at which judgments for money in the State bear interest.

The term "re-let" or "re-letting" as used in the Lease Agreement shall include, but not be limited to, re-letting by means of the operation by the Lessor of the Site. If any statute or rule of law validly shall limit the remedies given to the Lessor thereunder, the Lessor nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law. In the event the Lessor shall prevail in any action brought to enforce any of the terms and provisions of the Lease Agreement, the District agrees to pay a reasonable amount as and for attorneys' fees incurred by the Lessor in attempting to enforce any of the remedies available to the Lessor thereunder.

NOTWITHSTANDING ANYTHING HEREIN OR IN THE TRUST AGREEMENT 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.

(b) Notwithstanding anything herein to the contrary, the termination of this Lease Agreement by the Authority on account of a default by the District under this Section shall not effect or result in a termination of the lease of the Site by the District to the Authority pursuant to the Site Lease.

10.03 No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority or its assignee 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 Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any 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 Authority to exercise any remedy reserved to it in this Article X, it shall not be necessary to give any notice, other than such notice as may be required in this Article X or by law. To the extent that this Lease Agreement confers upon or gives or grants the Trustee any right, remedy or claim under or by reason of this Lease Agreement, the Trustee is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

10.04 Waiver. Failure of the Authority to take advantage of any default on the part of the District shall not be, or be construed as, a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering this instrument be construed to waive or to lessen the right of the Authority to insist upon performance by the District or any term, covenant, or condition hereof, or to exercise any rights given the Authority on account of such default. A waiver of a particular default shall not be deemed to be a waiver of any other default or of the same default subsequently occurring. The acceptance of Rental Payments hereunder shall not be, or be construed to be, a waiver of any term, covenant, or condition of this Lease.

10.05 Authority's Default. The failure by the Authority to observe and perform the covenants, agreements or conditions on its part contained in this Lease Agreement in Section 5.03, if such failure shall have continued for a period of 60 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Authority and the Trustee by the District, shall constitute an "Authority Event of Default" under this Lease Agreement; provided, however, that if, in the reasonable opinion of the Authority, the failure stated in the notice can be corrected, but not within such 60 day period, such failure shall not constitute an Authority Event of Default if corrective action is instituted by the Authority within such 60 day period and the Authority shall thereafter diligently and in good faith cure such failure in a reasonable period of time. In each and every case upon the occurrence and during the continuance of an Authority Event of Default by the Authority hereunder, the District shall have all the rights and remedies permitted by law. Notwithstanding anything to the contrary contained herein, the provisions of this Section shall not impair, restrict or limit the application of Section 5.05.

10.06 Limitation on Remedies Clause. All remedies of the Authority, as set forth in this Article X, are limited to the extent permitted by State law.

ARTICLE XI: MISCELLANEOUS

11.01 Notices. All notices, certificates or other communications hereunder shall be addressed as follows or at such other address as such party may provide to the other parties in writing from time to time.

If to District:	William S. Hart Union High School District 21380 Centre Pointe Parkway Santa Clarita, CA 91350 Attn: Chief Financial Officer
If to Authority:	William S. Hart Joint School Financing Authority c/o William S. Hart Union High School District 21380 Centre Pointe Parkway Santa Clarita, CA 91350 Attn: Secretary
If to Trustee:	ZB, National Association dba Zions Bank 550 South Hope Street, Suite 2875 Los Angeles, CA 90071 Attn: Corporate Trust Department

Each such notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication hereunder shall be deemed delivered to the party to whom it is addressed (a) if personally served or delivered, upon delivery, (b) if given by electronic communication, whether by telex, telegram or telecopier, upon the sender's receipt of an appropriate answerback or other written acknowledgment, (c) if given by registered or certified mail, return receipt requested, deposited with the United States mail postage prepaid, 72 hours after such notice is deposited with the United States mail, (d) if given by overnight courier, with courier charges prepaid, 24 hours after delivery to said overnight courier, or (e) if given by any other means, upon delivery at the address specified in this Section.

The Trustee, the Lessor and the District by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

11.02 Binding Effect. This Lease Agreement shall inure to the benefit of and shall be binding upon the Authority and the District and their respective successors and assigns.

11.03 Severability. In the event any provision of this Lease Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

11.04 Amendments, Changes and Modifications.

(a) This Lease Agreement and the Site Lease, and the rights and obligations of the Authority and the District hereunder and thereunder may be amended or modified at any time by an amendment hereto or thereto which shall become binding upon execution by the Authority

and the District, but only with the prior written consent of the Owners of a majority of the principal on the Bonds then Outstanding, provided that no such amendment shall: (i) extend the payment date of any Lease Payments, reduce the interest component or principal component of any Lease Payments or change the prepayment terms and provisions, without the prior written consent of the Owner of each Bond so affected, or (ii) reduce the percentage of the principal on the Bonds, the consent of the Owners of which is required for the execution of any amendment of this Lease Agreement or the Site Lease without the prior written consent of the Owners of all the Bonds then Outstanding.

(b) This Lease Agreement and the Site Lease, and the rights and obligations of the Authority and the District hereunder and thereunder, may also be amended at any time by an amendment hereto or thereto which shall become binding upon execution by the Authority and the District, without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes: (i) to add to the agreements, conditions, covenants and terms required by the Authority or the District to be observed or performed herein or therein by the Authority or the District, or to surrender any right or power reserved herein or therein to or conferred herein or therein on the Authority or the District; (ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or therein or in regard to questions arising hereunder or thereunder which the Authority or the District may deem desirable or necessary and not inconsistent herewith or therewith; (iii) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of the interest components of Lease Payments; (iv) to provide for the substitution or release of a portion of the Site in accordance with the provisions of Section 4.04 hereof; (v) or to make such other changes herein or therein or modifications hereto or thereto as the Authority or the District may deem desirable or necessary, and which shall not materially adversely affect the interests of the Owners.

11.05 “Triple Net” Lease. This Lease Agreement shall be deemed and construed to be a “triple net” lease and the District hereby agrees that the Lease Payments shall be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever, except to the extent expressly provided in this Lease Agreement.

11.06 Further Assurances and Corrective Instruments. The District agrees that it will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of any item of the Site hereby leased or intended so to be or for carrying out the expressed intention of this Lease Agreement.

11.07 Execution in Counterparts. This Lease Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

11.08 Applicable Law. This Lease Agreement shall be governed by and construed in accordance with the laws of the State applicable to contracts made and performed in such State.

11.09 Authority and District Representatives. Whenever under the provisions of this Lease Agreement the approval of the Authority or the District is required, or the Authority or the District is required to take some action at the request of the other, such approval or such request shall be given for the Authority by an Authority Representative and for the District by a District Representative, and any party hereto shall be authorized to rely upon any such approval or request.

11.10 Captions. The captions or headings in this Lease Agreement are for convenience only and in no way define, limit or describe the scope or intent or any provisions, Articles or Sections of this Lease Agreement.

11.11 Exhibits. The following Exhibits are attached to, and by reference made a part of, this Lease Agreement:

Exhibit A: Schedule of Lease Payments

Exhibit B: Legal Description

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the Authority has caused this Lease Agreement to be executed and attested in its name by its duly authorized officers; and the District has caused this Lease Agreement to be executed and attested in its name by its duly authorized officers, as of the date first above written.

**WILLIAM S. HART JOINT SCHOOL
FINANCING AUTHORITY**

By: _____
Authorized Officer

**WILLIAM S. HART UNION HIGH SCHOOL
DISTRICT**

By: _____
Authorized Officer

EXHIBIT “A”
SCHEDULE OF LEASE PAYMENTS

Payment Date	Principal Component	Interest	Total Base Rental
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EXHIBIT "B"

LEGAL DESCRIPTION OF SITE (WEST RANCH HIGH SCHOOL)

That portion of Parcel 5 of Parcel Map No. 15955, in the unincorporated County of Los Angeles, State of California, as per map recorded in Book 188 Pages 90 through 95, inclusive of Parcel Maps in the Office of the County Recorder of said County, described as a whole as follows:

Commencing at the southeasterly terminus of that certain course shown as N 54°20'17"W 8850.91 feet along the northeasterly limits of said Parcel 5 and described herein bearing N 54°20'03"W; thence northwesterly along said northeasterly limits N 54°20'03"W 1715.97 feet to a point on that certain course bearing N 21°26'38"W along the westerly right-of-way of Old Rock Road, 64 feet wide, as shown on Tract No. 45433-04 recorded in Book 1268 Pages 45 through 65, inclusive of Maps in the Office of said County Recorder and described herein bearing N 21°38'10"W, said point also being the **True Point of Beginning** for this legal description; thence,

- 1st - Northwesterly continuing along said northeasterly limits of said Parcel 5 and the southerly limits of said Tract No. 45433-04, N 54°20'03"W 1544.68 feet to a line parallel with and 150.00 feet southeasterly of the southeasterly limits of that certain easement as described in the Right-of-Way Easement to Southern California Edison Company recorded May 15, 1952 in Book 38937 Page 6 of Official Records in the Office of said County Recorder; thence,
- 2nd - Southwesterly, leaving said northeasterly limits of said Parcel 5 and the southerly limits of said Tract No. 45433-04, along said parallel line S 51°10'19"W 1368.97 feet; thence,
- 3rd - Southwesterly continuing along said parallel line S 47°10'34"W 44.93 feet; thence,
- 4th - Southeasterly leaving said parallel line S 40°17'39"E 112.03 feet; thence,
- 5th - S 25°22'41"E 88.53 feet; thence,
- 6th - S 14°40'35"W 150.61 feet to the beginning of a tangent curve concave easterly having a radius of 150.00 feet; thence,
- 7th - Southerly along said curve through a central angle of 76°30'07" an arc length of 200.28 feet to the end of said curve; thence,
- 8th - Southeasterly tangent to said curve, S 61°49'32"E 18.42 feet; thence,
- 9th - S 40°50'13"E 138.25 feet; thence,
- 10th - S 62°16'32"E 38.05 feet; thence,
- 11th - S 22°37'30"E 24.23 feet to the beginning of a tangent curve concave northeasterly having a radius of 190.00 feet; thence,

- 12th - Southeasterly along said curve through a central angle of 41°49'32" an arc length of 138.70 feet to the end of said curve; thence,
- 13th - Southeasterly tangent to said curve, S 64°27'02"E 78.30 feet to the beginning of a tangent curve concave northerly having a radius of 150.00 feet; thence,
- 14th - Easterly along said curve through a central angle of 31°37'48" an arc length of 82.81 feet to the end of said curve; thence,
- 15th - Easterly tangent to said curve, N 83°55'10"E 10.65 feet; thence,
- 16th - S 46°35'35"E 31.49 feet; thence,
- 17th - S 19°24'19"E 222.32 feet to the beginning of a tangent curve concave northeasterly having a radius of 100.00 feet; thence,
- 18th - Southeasterly along said curve through a central angle of 89°23'05" an arc length of 156.01 feet to the end of said curve; thence,
- 19th - Northeasterly tangent to said curve, N 71°12'36"E 13.21 feet; thence,
- 20th - S 85°50'29"E 217.93 feet; thence,
- 21st - N 61°16'40"E 37.25 feet; thence,
- 22nd - S 57°54'30"E 155.69 feet to a point on a non-tangent curve concave northwesterly having a radius of 2340.00 feet, a radial line to said point bears S 34°24'57"E, said point also being on the northerly right-of-way of proposed Valencia Boulevard, 120 feet wide; thence,
- 23rd - Easterly along said non-tangent curve and said proposed right-of-way through a central angle of 6°21'59" an arc length of 260.00 feet to the end of said curve; thence,
- 24th - Northeasterly tangent to said curve continuing along said proposed right-of-way, N 49°13'04"E 405.04 feet to the beginning of a tangent curve concave southerly having a radius of 2460.00 feet; thence,
- 25th - Easterly along said curve and said proposed right-of-way through a central angle of 19°08'46" an arc length of 822.04 feet to the end of said curve; thence,
- 26th - Northeasterly tangent to said curve continuing along said proposed right-of-way, N 68°21'50"E 34.75 feet to the westerly terminus of that certain course bearing N 68°33'22"E along the northerly right-of-way of Valencia Boulevard, 120 feet wide, as shown on Parcel Map No. 26010 recorded in Book 305 Pages 79 through 95, inclusive of Parcel Maps in the Office of said County Recorder and described herein bearing N 68°21'50"E; thence,
- 27th - Northeasterly continuing along said course and said right-of-way of Valencia Boulevard, as shown on said Parcel Map No. 26010, N 68°21'50"E 19.87 feet to the beginning of a

tangent curve concave northwesterly having a radius of 27.00 feet as shown on said Parcel Map No. 26010; thence,

- 28th - Northerly along said curve and said right-of-way of Valencia Boulevard through a central angle of 90°00'00" an arc length of 42.41 feet to the end of said curve, said point also being on said westerly right-of-way of Old Rock Road, 64 feet wide, as shown on said Tract No. 45433-04; thence,
- 29th - Northwesterly tangent to said curve along said westerly right-of-way of Old Rock Road, N 21°38'10"W 252.39 feet to the **True Point of Beginning**.

Containing 64.8520 acres of land more or less.