Item 20, Attachment 4 of the California State Board of Education November 2025 Agenda

Description: Lease Agreement by and Between California Infrastructure and Economic Development Bank and King City Joint Union High School District

California Department of Education, November 2025

Stephen L. Vagnini
Monterey County Recorder
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LEASE AGREEMENT

Under 30 years

by and between

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

and

KING CITY JOINT UNION HIGH SCHOOL DISTRICT

Dated as of April 1, 2010

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LEASE AGREEMENT

This LEASE AGREEMENT dated as of April 1, 2010 (this "Lease Agreement"), by and between the CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK, a public instrumentality of the State of California (the "I-Bank"), as lessor, and the KING CITY JOINT UNION HIGH SCHOOL DISTRICT, a public school district organized and existing under the Constitution and laws of the State of California (the "District"), as lessee;

W I T N E S S E T H:

WHEREAS, the I-Bank is authorized to issue bonds pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act (Title 6.7 of the California Government Code, Section 63000 and following, including particularly Sections 63049.67 and 63041.68 thereof, the "Act");

WHEREAS, pursuant to Article 2.7 of Chapter 3 of Part 24 of the California Education Code (commencing with Section 41329.50 thereof) and Chapter 20 of the Statutes of 2009 (collectively the "Emergency Apportionment Financing Act"), the I-Bank is authorized to provide the proceeds of such bonds to the King City Joint Union High School District (the "District") pursuant to a lease agreement, to be used, among other things, to reimburse an emergency apportionment from the General Fund of the State of California (the "State") made pursuant to subdivision (b) of Section 41329.52 of the California Education Code and to fund an augmentation of that emergency apportionment;

WHEREAS, the I-Bank has determined to issue, pursuant to a Trust Agreement, dated as of April 1, 2010 (the "Trust Agreement") by and between the I-Bank and U.S. Bank National Association (the "Trustee"), $14,395,000 aggregate principal amount of its State School Fund Apportionment Lease Revenue Bonds (King City Joint Union High School District Financing) Series 2010 (the "Bonds") for the purpose of reimbursing an emergency apportionment and financing an augmentation to the emergency apportionment;

WHEREAS, in furtherance of the Bonds, the District is authorized by the Emergency Apportionment Financing Act to lease the Leased Premises (as hereinafter defined) to the I-Bank, and pursuant to such authorization will lease the Leased Premises to the I-Bank pursuant to a Site Lease dated as of April 1, 2010 (the "Site Lease"), and the I-Bank will simultaneously lease the Leased Premises back to the District pursuant to this Lease Agreement;

WHEREAS, under the terms of this Lease Agreement, the District agrees to make Base Rental Payments (as hereinafter defined) to the I-Bank for the use and occupancy of the Leased Premises, and such Base Rental Payments and other amounts paid hereunder will be used by the I-Bank to pay the principal of and interest on the Bonds and costs related thereto;

WHEREAS, Pursuant to Sections 41329.55(a) and 41329.55(b) of the California Education Code, the Controller of the State is obligated to apportion directly to the Trustee, from moneys in Section A of the State School Fund designated for apportionment to the District, amounts necessary to pay all Rental Payments (as defined herein) under this Lease Agreement; and

WHEREAS, under the Trust Agreement, the I-Bank has assigned to the Trustee (subject to certain retained rights of the I-Bank set forth therein) all of its rights to and under the Site Lease and Lease Agreement;

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

ARTICLE I

DEFINITIONS

SECTION 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, which meanings shall be equally applicable to both the singular and plural forms of any of the terms herein defined. Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Trust Agreement.

"Additional Rental Payments" has the meaning given such term in Section 3.01 of this Lease Agreement.

"Additional Rental Payment Schedule" means the schedule of Additional Rental Payments payable to the I-Bank or the Trustee pursuant to Section 3.01 hereof and attached hereto as Exhibit C-2, as it may be amended, supplemented or replaced from time to time.

"Base Rental Payments" means all amounts payable to the I-Bank by or on behalf of the District as Base Rental Payments pursuant to Section 3.01 hereof.

"Base Rental Payment Due Date" means any date on which a Base Rental Payment is due pursuant to the Base Rental Payment Schedule, as more fully set forth in Section 3.01(a)

"Base Rental Payment Schedule" means the schedule of Base Rental Payments delivered by the I-Bank to the Trustee, with a copy to the State Controller and the District, in substantially the form attached hereto as Exhibit C-1, as the same may be amended or supplemented from time to time.

"Bonds" means the California Infrastructure and Economic Development Bank State School Fund Apportionment Lease Revenue Bonds (King City Joint Union High School District Financing) Series 2010, plus any Additional Bonds issued and Outstanding pursuant to the Trust Agreement.

"Bond Counsel" means a nationally recognized bond counsel firm, approved by the I-Bank, experienced in matters relating to the validity of and the exclusion from gross income for federal income tax purposes of interest payable on obligations of states and political subdivisions thereof.

"Business Day" means a day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in the city in which the Trustee maintains its Corporate Trust Office are authorized or required by law or executive order to close, (iii) a day on which the New York Stock Exchange is closed, or (iv) a State holiday or the Friday after Thanksgiving Day.

"Commencement Date" has the meaning given such term in Section 2.02 of this Lease Agreement.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate of the I-Bank, dated the Closing Date, as the same may be supplemented, modified or amended in accordance with its terms.

"District" means the King City Joint Union High School District, a public school district organized and existing under the Constitution and laws of the State.

"Emergency Apportionment Financing Act" means Article 2.7 of Chapter 3 of Part 24 of the California Education Code (commencing with Section 41329.50 thereof) and Chapter 20 of the Statutes of 2009.

"Event of Default" shall have the meaning specified in Section 6.01 of this Lease Agreement.

"I-Bank" means the California Infrastructure and Economic Development Bank or successors and assigns of the I-Bank.

"Intercept" has the meaning given to that term in Section 3.02 hereof.

"Lease Agreement" means this Lease Agreement, as originally executed or as it may from time to time be supplemented, modified or amended pursuant to the provisions hereof.

"Leased Premises" means the facilities described in Exhibit A attached hereto and made a part hereof, subject to Permitted Encumbrances, together with the improvements, fixtures, furnishings and equipment therein, or any real property, buildings, improvements, fixtures and equipment substituted for all or any portion of such property in accordance herewith.

"Permitted Encumbrances" has the meaning given such term in Section 1 of the Site Lease.

"Property" means the property on which the Leased Premises is located, as described in Exhibit B attached hereto and made a part hereof.

"Rental Payments" means Base Rental Payments and Additional Rental Payments, individually or collectively as the context requires.

"Rental Payment Schedule" means the Base Rental Payment Schedule and the Additional Rental Payment Schedule, individually or collectively as the context requires.

"Site Lease" means the Site Lease, dated the date hereof, between the District, as lessor, and the I-Bank, as lessee, as it may be amended from time to time.

"State Controller" means the Controller of the State of California, together with any successors and assigns.

"State School Fund" shall mean the fund by that name held within the General Fund of the State.

"Termination Date" has the meaning given such term in Section 2.02 of this Lease Agreement.

"Trust Agreement" means the Trust Agreement, dated as of April 1, 2010, between the I-Bank and U.S. Bank National Association, as trustee for the Bonds.

ARTICLE II

LEASE OF LEASED PREMISES; TERM; SUBSTITUTION

SECTION 2.01. Lease of Leased Premises. The I-Bank hereby leases the Leased Premises to the District and the District hereby leases the Leased Premises from the I-Bank, subject to Permitted Encumbrances. The District hereby agrees and covenants that, during the term of this Lease Agreement, except as hereinafter provided, it will use the Leased Premises for public and District purposes so as to afford the public the benefits contemplated by this Lease Agreement.

The leasing by the I-Bank to the District of the Leased Premises shall not effect or result in a merger of the District's leasehold estate pursuant to this Lease Agreement and its fee estate as lessor under the Site Lease, and the I-Bank shall continue to have and hold a leasehold estate in the Leased Premises pursuant to the Site Lease throughout the term thereof and the term of this Lease Agreement.

SECTION 2.02. Term; Use and Occupancy. The term of this Lease Agreement shall commence on April 14, 2010 (the "Commencement Date"), and shall end on April 1, 2030 as such term is extended or sooner terminated as hereinafter provided (the "Termination Date"). If on April 1, 2030, the Rental Payments payable hereunder shall not be fully paid, or if the Rental Payments payable hereunder shall have been abated at any time and for any reason, then the term of this Lease Agreement shall be extended until the date after all Rental Payments payable hereunder shall be fully paid and the Bonds shall have been fully repaid, provided that such extension shall be for a period not to exceed 10 years. If prior to the Termination Date all Rental Payments payable hereunder and the Bonds shall have been fully paid, or provision therefor made, the term of this Lease Agreement shall immediately end.

SECTION 2.03. Substitution; Release. The District and the I-Bank may substitute real property and the improvements, buildings and fixtures thereon for all or a part of, or may release a part of, the Leased Premises for purposes of this Lease Agreement and the Site Lease, but only after the District shall have filed or caused to be filed with the I-Bank and the Trustee the following:

(a) Executed copies of the Site Lease and this Lease Agreement or amendments thereto containing the amended description of the Leased Premises, including the legal description of the Leased Premises, as may be modified, in proper recordable form, together with evidence recording thereof;

(b) A Written Certificate of the District, accompanied by evidence acceptable to the I-Bank, stating that the value of the property, improvements buildings and fixtures that will constitute the Leased Premises after such substitution or release (which may be based on the construction or acquisition cost or replacement cost of such substituted property or remaining Leased Premises) will be at least equal to 100% of the then Outstanding principal amount of the Bonds;

(c) With respect to a substitution, a leasehold owner's title insurance policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing title insurance policy or policies resulting in title insurance with respect to the Leased Premises after

such substitution in an amount at least equal to the amount of such insurance provided with respect to the Leased Premises prior to such substitution or the then Outstanding principal amount of the Bonds (whichever is less); each such insurance instrument, when issued, shall name the Trustee, as assignee of the I-Bank, as an insured party and "loss payee" of such insurance, and shall insure the leasehold estate of the I-Bank in such substituted property subject only to such exceptions as do not substantially interfere with the District's right to use and occupy such substituted property and as will not result in an abatement of Base Rental Payments payable by or on behalf of the District under this Lease Agreement;

(d) A Written Certificate of the District stating (i) that such substitution or withdrawal, as applicable, does not adversely affect the District's use and occupancy of the Leased Premises, and (ii) with respect to a substitution, that the substituted property consists of school facilities regularly attended by students and that such substituted property complies with the Field Act (consisting of California Education Code Articles 3 and 6 of Chapter 3 of Part 10.5, together with Article 7 of Chapter 1 of Part 49); and

(e) An opinion of Bond Counsel stating that any amendment executed in connection with such substitution or release, as the case may be, (i) is authorized or permitted under this Lease Agreement; (ii) will, upon the execution and delivery thereof, be valid and binding upon the I-Bank and the District in accordance with its terms (provided that as to the District, this opinion may be rendered by District counsel); and (iii) will not, in and of itself, cause the interest on the Bonds to be included in gross income for federal income tax purposes.

ARTICLE III

RENTAL PAYMENTS; ABATEMENT; STATE CONTROLLER

SECTION 3.01. Rental Payments. The District agrees to pay to the I-Bank, or cause to be paid on its behalf as set forth herein, all Rental Payments under this Lease Agreement.

(a) Base Rental Payments. The District agrees to make periodic rental payments ("Base Rental Payments") on or prior to the last Business Day of the applicable month, as set forth in the Base Rental Payment Schedule, for the use and occupancy of the Leased Premises (subject to the provisions of Sections 3.04, 3.06 and 7.01 of this Lease Agreement). Each Base Rental Payment shall be payable by or on behalf of the District from any lawfully available funds, at any time during the applicable month set forth in the Base Rental Payment Schedule, but shall not be due until 10 days after the end of each such month (each a "Base Rental Payment Due Date"). To the extent any Base Rental Payment is not paid in full on its due date, any deficiency in such Base Rental Payment shall be due on the next Base Rental Payment Due Date, in addition to the Base Rental Payment due on such next Base Rental Payment Date.

If the term of this Lease Agreement shall have been extended pursuant to Section 2.02 hereof, Base Rental Payments shall continue to be due on the last Business Day of each month in each year, and payable as described herein, continuing to and including the Termination Date (as such Termination Date may be adjusted in accordance with Section 2.02 hereof), in an amount equal to the highest total amount of Base Rental Payments previously paid or scheduled for future payment in any twelve-month period commencing July 1.

(b) Additional Rental Payments. The District agrees to pay as additional rental ("Additional Rental Payments") such reasonable amounts, as set forth in the Additional Rental Payment Schedule, as shall be required by the I-Bank or the Trustee for the payment of all Administrative Expenses and such other expenses of the I-Bank or the Trustee as may be incurred in connection with the Leased Premises during the term of this Lease Agreement in order to comply with the terms of the Trust Agreement or of the Bonds. The Additional Rental Payment Schedule may be amended, supplemented or replaced from time to time, as provided herein.

(c) Delinquent Payments. Any Base Rental Payment or Additional Rental Payment accruing hereunder that shall not be paid when due shall continue to be due and payable from the date when the same is due hereunder until the same shall be paid and shall, to the extent permitted by law, bear interest at a rate equal to (i) with respect to any delinquent Base Rental Payment, the rate of interest on the principal component of the Bonds to which such Base Rental Payment relates, and (ii) with respect to any Additional Rental Payment, the highest rate due on any principal component of any Base Rental Payment payable hereunder.

SECTION 3.02. Payment of Rental by State Controller. Concurrently with the issuance of the Bonds, the I-Bank shall notify the State Controller and the District of the issuance of the Bonds and the execution and delivery of this Lease Agreement. Such written notice shall identify the Trustee as the trustee for the Bonds, and shall include a copy of the Base Rental Payment Schedule and the Additional Rental Payment Schedule.

Pursuant to Sections 41329.55(a) and 41329.55(b) of the California Education Code, the State Controller is obligated to apportion directly to the Trustee, from moneys in Section A of the State School Fund designated for apportionment to the District, amounts necessary to pay all Rental Payments under this Lease Agreement (such action by the State Controller, and the State Controller's statutory obligation to take such action, is referred to herein as the "Intercept"). The District shall not be obligated to pay Rental Payments hereunder to the extent such Rental Payments are paid by the State Controller by way of the Intercept. To the fullest extent permitted by law, the Intercept shall constitute a lien senior to any other apportionment or payment of State School Fund moneys to or for the District not made pursuant to Sections 41329.55(a) and 41329.55(b) of the California Education Code. No party, including the District or any of its creditors, other than the Trustee on behalf of the Bondholders, shall have any claim to the money apportioned or to be apportioned to the Trustee by the State Controller pursuant to Section 41329.55 of the California Education Code.

The State Controller shall make Base Rental Payments in accordance with the Base Rental Payment Schedule and Additional Rental Payments in accordance with the Additional Rental Payment Schedule. The I-Bank may amend or supplement either or both Rental Payment Schedules, as provided in Section 3.01 or otherwise herein, from time to time as necessary or appropriate. The District will cooperate with the I-Bank in any manner the I-Bank may request in connection with amending or supplementing either or both Rental Payment Schedules. If at any time a Rental Payment Schedule is amended or supplemented for any reason permitted in this Lease Agreement, the District or the I-Bank on behalf of the District shall promptly provide the State Controller with a copy of such amended or supplemented Rental Payment Schedule.

SECTION 3.03. Fair Rental Value. Rental Payments during the term of this Lease Agreement shall constitute the total rental for, and shall be paid by or on behalf of the District in consideration of the right of use and occupancy of the Leased Premises during each twelve month period for which said rental is to be paid. The parties hereto have agreed and determined that the total

Rental Payments for each twelve-month period beginning April 14 of each year represent no more than the fair rental value of the Leased Premises for each such period. In making such determination, consideration has been given to costs related to the Leased Premises, other obligations of the parties under this Lease Agreement, the uses and purposes that may be served by the Leased Premises, and the benefits therefrom which will accrue to the District and the general public.

SECTION 3.04. Payment Provisions. Each Rental Payment payable hereunder shall be paid in lawful money of the United States of America to or upon the order of the I-Bank. Notwithstanding any dispute between the I-Bank and the District and subject to Section 3.06 of this Lease Agreement, the District shall make or cause to be made on its behalf all Rental Payments when due without deduction, offset, recoupment, diminution or set-off, subject only to abatement as described in Section 3.06 herein, of any kind and shall not withhold any Rental Payments pending the final resolution of such dispute. In the event of a determination that, due to abatement, the District was not liable for said Rental Payments or any portion thereof, said Rental Payments or excess of payments, as the case may be, shall be credited against subsequent Rental Payments due hereunder at the time of such determination.

Nothing contained in this Lease Agreement shall prevent the District from making from time to time contributions or advances to the I-Bank for any purpose now or hereafter authorized by law, including the making of repairs to, or the restoration of, the Leased Premises in the event of damage to or the destruction of the Leased Premises.

SECTION 3.05. Rental Payments to Constitute a Current Expense of the District; No Pledge. The I-Bank and the District understand and intend that the obligation of the District to pay Rental Payments hereunder shall constitute a current expense of the District. Nothing contained herein constitute a pledge of the general tax revenues, funds or moneys of the District. Rental Payments due hereunder shall be payable only from current funds that are budgeted and appropriated or otherwise legally available for the purpose of paying Base Rental Payments, Additional Rental Payments or other payments due hereunder as consideration for use and occupancy of the Leased Premises, including but not limited to the proceeds of insurance maintained pursuant to Article V hereof. This Lease Agreement shall not create an immediate indebtedness for any aggregate payments that may become due hereunder in the event that the term of this Lease or the Site Lease is continued.

The District has not pledged the full faith and credit of the District, the State or any subdivision, agency or department of either of them to the payment of the Rental Payments due hereunder.

SECTION 3.06. Rental Abatement. Except to the extent payable from amounts held in the Reserve Fund established under the Trust Agreement or proceeds of insurance maintained pursuant to Sections 5.01, 5.04 or 5.05 hereof, unpaid Rental Payments shall be abated proportionately, during any period in which by reason of any damage or destruction (other than by condemnation which is hereinafter provided for) there is substantial interference with the use and occupancy of the Leased Premises by the District, in the proportion in which the value of that portion of the Leased Premises rendered unusable bears to the value of the whole of the Leased Premises. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. The District shall notify the I-Bank and the State Controller in the event of any abatement and of any end of the abatement period, and the I-Bank shall amend the Base Rental Payment Schedule accordingly. In the

event of any such damage or destruction, this Lease Agreement shall continue in full force and effect and the District waives the benefits of California Civil Code Section 1932(2) and 1933(4) and Title 11 of the United States Code, Section 365(h) and all other rights to terminate this Lease Agreement by virtue of any such damage or destruction or interference. To the extent that Rental Payments have been made and are held in the Revenue Fund established under the Trust Agreement, such Base Rental Payments shall not be subject to return as abatement of rent. Nothing in this Lease Agreement shall serve to prevent the District from voluntarily contributing funds to the I-Bank from time to time to the extent permitted by law.

ARTICLE IV

USE OF BOND PROCEEDS; MAINTENANCE OF LEASED PREMISES

SECTION 4.01. Use of Bond Proceeds. The District hereby agrees that the Trustee shall deposit and apply the proceeds of the Bonds, for and on behalf of the District, as provided in the Trust Agreement.

SECTION 4.02. Maintenance and Utilities. During such time as the District is in possession of the Leased Premises, all maintenance and repair, both ordinary and extraordinary, of the Leased Premises shall be the responsibility of the District, which shall at all times maintain or otherwise arrange for the maintenance of the Leased Premises in good condition and repair, and shall pay for or otherwise arrange for payment of all utility services supplied to the Leased Premises, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, ventilation, air conditioning, water and all other utility services, and shall pay for or otherwise arrange for payment of the cost of the repair and replacement of the Leased Premises resulting from ordinary wear and tear or want of care on the part of the District or any assignee or sublessee thereof or any other cause and shall pay for or otherwise arrange for the payment of all insurance policies required to be maintained with respect to the Leased Premises.

SECTION 4.03. Changes to the Leased Premises. The District shall, at its own expense, have the right to remodel the Leased Premises or to make additions, modifications and improvements to the Leased Premises. All such additions, modifications and improvements shall thereafter comprise part of the Leased Premises and be subject to the provisions of this Lease Agreement. Such additions, modifications and improvements shall not in any way damage the Leased Premises or cause it to be used for purposes other than those authorized under the provisions of State and federal law; and the Leased Premises, upon completion of any additions, modifications and improvements made pursuant to this Section, shall be of a value that is at least equal to the value of the Leased Premises immediately prior to the making of such additions, modifications and improvements.

SECTION 4.04. Installation of Equipment. The District may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed equipment or other personal property. All such items shall remain the sole property of the District, in which the I-Bank shall have no interest. Nothing in this Lease Agreement shall prevent the District 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 Leased Premises.

SECTION 4.05. Perfection of Real Property Interest. The District shall execute and deliver all documents and make or cause to be made all filings and recordings reasonably necessary or desirable from time to time in order to perfect, preserve and protect the interest of the Trustee in the Leased Premises to the extent possible under applicable law.

ARTICLE V

INSURANCE

SECTION 5.01. Fire and Extended Coverage Insurance; Insurance Proceeds. The District shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of this Lease Agreement and commencing with the District's beneficial use and occupancy of the Leased Premises, all-risk property insurance. Such insurance shall (i) name the Trustee, as assignee of the I-Bank, as an insured party and "loss payee" of such insurance and (ii) be in an amount equal to the replacement cost (without deduction for depreciation) of the Leased Premises, except that such insurance may be subject to deductible clauses for any one loss of not to exceed $100,000 (or a comparable deductible adjusted for inflation), but in no case shall such insurance be in an amount less than necessary, and in a form sufficient, in the event of total or partial loss, to prepay all outstanding principal components of Base Rental Payments due hereunder. Such insurance may be part of a joint- purchase insurance program.

In the event of any damage to or destruction of any part of the Leased Premises, caused by the perils covered by such insurance, the District, except as hereinafter provided, shall, upon notice to and consultation with the I-Bank, cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Leased Premises. The Trustee shall hold said proceeds on behalf of the District separate and apart from all other funds, in a special fund to be designated the "Insurance and Condemnation Fund," to the end that such proceeds shall be applied, in consultation with the I-Bank, to the repair, reconstruction or replacement of the Leased Premises to at least the same good order, repair and condition as they were in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The Trustee shall, upon written request of the District, permit withdrawals of said proceeds from time to time for the purpose of repair, reconstruction or replacement only in the event that the Base Rental Payments payable in each year following such repair, reconstruction or replacement shall equal, as certified in the withdrawal request of the District, the amount of Base Rental Payments payable in such year as set forth in the Base Rental Payment Schedule. Any balance of said proceeds not required for such repair, reconstruction or replacement shall be applied by the Trustee as Base Rental Payments. Alternatively, the District, upon notice to and consultation with the I-Bank, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Premises and thereupon shall cause said proceeds to be used for the prepayment of Base Rental Payments, but only if (i) the proceeds of such insurance together with any other moneys then available for the purpose are at least sufficient to prepay an aggregate principal amount of Base Rental Payments equal to the portion of the Leased Premises so destroyed or damaged (determined by reference to the proportion that the acquisition cost of such portion of the Leased Premises bears to the acquisition cost of the Leased Premises) and (ii) the Base Rental Payments due after such prepayment and corresponding partial redemption of Bonds would be sufficient to retire the Bonds remaining Outstanding thereafter in accordance with their terms.

The I-Bank and the District shall promptly apply for Federal disaster aid or State disaster aid in the event that the Leased Premises are damaged or destroyed as a result of an earthquake occurring

at any time. Any proceeds received as a result of such disaster aid shall be used to repair, reconstruct, restore or replace the damaged or destroyed portions of the Leased Premises, or, at the option of the District, to prepay all outstanding principal components of Base Rental Payments due hereunder if such use of such disaster aid is permitted.

SECTION 5.02. Liability Insurance. Except as hereinafter provided, the District shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of this Lease Agreement commencing with the District's beneficial use and occupancy of the Leased Premises, a commercial general liability insurance policy or policies in protection of the I-Bank and its members, directors, officers, agents and employees, indemnifying said parties against all direct or contingent loss or liability for damages for bodily injury, death or property damage occasioned by reason of the operation of the Leased Premises, with minimum liability limits of $500,000 for bodily injury or death of each person in each accident or event, and in a minimum amount of $500,000 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 covering all such risks. Such liability insurance may be part of a joint- purchase insurance program.

SECTION 5.03. Workers' Compensation. The District shall maintain workers' compensation insurance issued by a carrier authorized under the laws of the State to insure its 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. As an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the District. Such insurance may be maintained by the District in the form of self-insurance, if authorized by the State.

SECTION 5.04. Rental Interruption Insurance. The District shall maintain insurance issued by a responsible carrier against rental interruption or loss of use and possession of the Leased Premises or, as an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the District. Such insurance shall (i) name the Trustee, as assignee of the I-Bank, as an insured party and "loss payee" of such insurance and (ii) be maintained by the District in an amount sufficient to pay the maximum annual Base Rental Payments hereunder for any two-year period. Such insurance may be subject to the same deductible as provided in the fire and extended coverage insurance policy described above. Proceeds of such insurance shall be delivered to the Trustee and applied pursuant to the Trust Agreement.

SECTION 5.05. Title Insurance. The District shall obtain, or cause to be obtained in its name by the I-Bank, an ALTA owner's policy of title insurance on the Leased Premises, in an amount not less than the principal amount of the Bonds, issued by a company of recognized standing duly authorized to issue the same, subject only to Permitted Encumbrances; each such insurance instrument, when issued, shall name the Trustee, as assignee of the I-Bank, as an insured party and "loss payee" of such insurance, and shall insure the leasehold estate of the I-Bank in the Leased Premises. Proceeds of such insurance shall be delivered to the Trustee as a prepayment of Base Rental Payments pursuant to Section 7.02 of this Lease Agreement and shall be applied by the Trustee to the redemption of Bonds pursuant to the Trust Agreement.

SECTION 5.06. Form of Policies.

(a) All insurance required by this Lease Agreement (other than title insurance) shall provide that the Trustee and the I-Bank shall be given 30 days' written notice of each

cancellation; provided, however, that where cancellation is for nonpayment of premium, at least 10 days' notice of cancellation accompanied by the reason therefor shall be given. Neither the Trustee nor the I-Bank shall be responsible for the sufficiency of any insurance herein required and both the Trustee and the I-Bank 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 I-Bank. The District shall pay when due the premiums for all insurance policies required by this Lease Agreement, and shall promptly furnish evidence of such payments to the I-Bank.

(b) The District will deliver to the I-Bank and the Trustee on July 1 of each year a written certificate of the District to the effect that the insurance then-currently maintained by the District satisfies the requirements of this Lease Agreement, setting forth the names of the insurers and joint-purchase insurance programs that have issued the policies, the amounts thereof, the identity of the insured parties and "loss payees" under the policies, the property and risks covered thereby, and the date on which the applicable policy terminates and the date on which the District expects to make its renewal payment.

(c) In addition to any other rights and remedies available to the I-Bank or the Trustee at law, the I-Bank, as soon as practicable following the lapse or expiration of any insurance required in this Article, a reduction of the coverage below the minimum requirements stated in this Article, or a determination by the I-Bank, at its sole discretion, that such a lapse or expiration is likely to occur, the I-Bank shall procure replacement insurance as required in this Article and shall include the costs of the replacement insurance in the Additional Rental Payment Schedule.

ARTICLE VI

DEFAULTS AND REMEDIES

SECTION 6.01. Defaults and Remedies.

(a) If the District shall fail to (i) pay, or cause to be paid on its behalf, any Rental Payment hereunder when the same becomes due and payable and such amount remains unpaid as of the Business Day that is five Business Days prior to the next succeeding Interest Payment Date on the Bonds, time being expressly declared to be of the essence of this Lease Agreement, or (ii) keep, observe or perform any other term, covenant or condition contained herein to be kept or performed by the District for a period of 30 days after notice of the same has been given to the District by the I-Bank or the Trustee, or such additional time as is reasonably required to correct the same, but not to exceed 60 days, or upon the happening of any of the events specified in subsection (b) of this Section (any such case above being an "Event of Default"), the District shall be deemed to be in default hereunder and it shall be lawful for the I-Bank or the Trustee, as assignee of the I-Bank, to exercise any and all remedies available pursuant to law or granted pursuant to this Lease Agreement.

Upon any such default, the I-Bank or the Trustee, in addition to all other rights and remedies it may have at law, shall have the option to collect each installment of Base Rental Payments as it becomes due and enforce any other terms or provision hereof to be kept or performed by the District, regardless of whether or not the District has abandoned the Leased Premises. The remedies available hereunder upon an Event of Default shall not include acceleration of any Base Rental Payments. The District shall remain liable and agrees to keep or perform all covenants and conditions herein contained to be kept or performed by the District and to pay or cause to be paid on its behalf the full amount of the Base Rental Payments to the end of the term of this Lease Agreement; and further

agrees to pay or cause to be paid on its behalf said Base Rental Payments punctually at the same time and in the same manner as hereinabove provided for the payment of Base Rental Payments hereunder.

(b) If (i) the District's interest in this Lease Agreement or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the I-Bank, as hereinafter provided for, or (ii) if the District shall abandon the Leased Premises, then the District shall be deemed to be in default hereunder.

(c) The I-Bank shall in no event be in default in the performance of any of its obligations hereunder or imposed by any statute or rule of law unless and until the I-Bank shall have failed to perform such obligations within 60 days or such additional time as is reasonably required to correct any such default after notice by the District to the I-Bank properly specifying wherein the I-Bank has failed to perform any such obligation. In the event of a default by the I-Bank, the District shall be entitled to pursue any remedy provided by law.

(d) In addition to the other remedies set forth in this Section, upon the occurrence of an Event of Default as described in this Section, the I-Bank or the Trustee, shall be entitled to proceed to protect and enforce the rights vested in the I-Bank by this Lease Agreement or by law. The provisions of this Lease Agreement and the duties of the District and of its officers or employees shall be enforceable by the I-Bank or the Trustee, as the case may be, by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the I-Bank shall have the right to bring the following actions:

(1) Accounting. By action or suit in equity to require the District and its trustees, officers and employees and assigns to account as the trustee of an express trust.

(2) Injunction. By action or suit in equity to enjoin any acts or things that may be unlawful or in violation of the rights of the I-Bank.

(3) Mandamus. By mandamus or other suit, action or proceeding at law or in equity to enforce the I-Bank's rights against the District (and its board, officers and employees) and to compel the District to perform and carry out its duties and obligations under the law and its covenants and agreements with the District as provided herein.

Each and all of the remedies given to the I-Bank hereunder or by any law now or hereafter enacted are cumulative and the single or partial exercise of any right, power or privilege hereunder shall not impair the right of the I-Bank to other or further exercise thereof or the exercise of any or all other rights, powers or privileges. If any statute or rule of law validly shall limit the remedies given to the I-Bank hereunder, the I-Bank nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

(e) In the event the I-Bank shall prevail in any action brought to enforce any of the terms and provisions of this Lease Agreement, the District agrees to pay a reasonable amount as and for attorneys' fees incurred by the I-Bank, including employees of the I-Bank, in attempting to enforce any of the remedies available to the I-Bank hereunder, whether or not a lawsuit has been filed and whether or not any lawsuit culminates in a judgment.

(f) Notwithstanding any provision of this Lease Agreement to the contrary, no Event of Default by the District shall result in the acceleration of any Base Rental Payment or Additional Rental Payment hereunder.

SECTION 6.02. Waiver. Failure of the I-Bank 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 I-Bank to insist upon performance by the District of any term, covenant or condition hereof, or to exercise any rights given the I-Bank on account of such default. A waiver of a particular default shall not be deemed to be a waiver of the same or any subsequent default. The acceptance of rent hereunder shall not be, or be construed to be, a waiver of any term, covenant or condition of this Lease Agreement.

ARTICLE VII

EMINENT DOMAIN; PREPAYMENT

SECTION 7.01. Eminent Domain. If the whole of the Leased Premises or so much thereof as to render the remainder unusable for the purposes for which it was used by the District shall be taken under the power or threat of eminent domain, the term of this Lease Agreement shall cease as of the day that possession shall be so taken. If less than the whole of the Leased Premises shall be taken under the power or threat of eminent domain and the remainder is usable for the purposes for which it was used by the District at the time of such taking, then this Lease Agreement shall continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the rental due hereunder in an amount equivalent to the amount by which the annual payments of Base Rental Payments due hereunder will be reduced by the application of the award in eminent domain to the prepayment of Base Rental Payments due hereunder. So long as Rental Payments are due hereunder, any award made in eminent domain proceedings for taking the Leased Premises or any portion thereof shall be paid to the I-Bank and applied first to the prepayment of the Base Rental Payments as provided in Section 7.02 hereof, then to the payment of any Additional Rental Payments then due and payable. Any such award made after all of the Rental Payments have been fully paid, or provision therefor made, shall be paid to the District.

SECTION 7.02. Prepayment.

(a) The District shall prepay (without a prepayment premium) on any date from insurance and eminent domain proceeds, to the extent provided in Sections 5.01 and 7.01 hereof (provided, however, that in the event of partial damage to or destruction of the Leased Premises caused by perils covered by insurance, if in the judgment of the I-Bank the insurance proceeds are sufficient to repair, reconstruct or replace the damaged or destroyed portion of the Leased Premises, such proceeds shall be held by the Trustee (on behalf of the I-Bank) and used to repair, reconstruct or replace the damaged or destroyed portion of the Leased Premises, pursuant to the procedure set forth in Section 5.01 for proceeds of insurance). The amount prepaid shall be allocated in a manner such that, upon such prepayment, the principal components of all or any part (in integral multiples of $5,000) of Base Rental Payments then unpaid shall be as nearly proportional as practicable to the aggregate annual amounts of principal components of Base Rental Payments unpaid prior to the prepayment date.

Before making any prepayment pursuant to this Section 7.02(a), the District shall, within five days following the event creating such obligation to prepay, give written notice to the I-Bank describing such event and specifying the date on which the prepayment will be made, which date shall be not less than 45 days from the date such notice is given.

(b) The District may prepay, from any source of available funds, all or any portion of Base Rental Payments by (i) depositing with the Trustee moneys or securities sufficient to retire or redeem Bonds corresponding to such Base Rental Payments when due or redeemable, and (ii) satisfying the requirements of Section 2.04 and Article VIII, as applicable, of the Trust Agreement.

Before making any prepayment pursuant to this Section 7.02(b), the District shall give written notice to the I-Bank stating its election to prepay and specifying the date on which such prepayment will be made, which date shall be not less than 180 days from the date such notice is given, or such shorter period as may be acceptable to the I-Bank.

ARTICLE VIII

COVENANTS

SECTION 8.01. Right of Entry and Inspection. The I-Bank and its assignees, and upon the request of the I-Bank any agent of the Internal Revenue Service performing an examination of the Bonds shall have the right (but not the duty) to enter upon and to examine and inspect the Leased Premises during normal business hours following reasonable notice (a) to inspect the same, (b) for any purpose connected with the I-Bank's or the District's rights or obligations under this Lease Agreement, and (c) for all other lawful purposes.

SECTION 8.02. Liens. In the event the District shall at any time during the term of this Lease Agreement cause any changes, alterations, additions or other work to be done or performed or materials to be supplied with respect to the Leased Premises, the District shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the District in, upon or about the Leased Premises and shall keep the Leased Premises free of any and all liens against the Leased Premises (except for the Site Lease and Lease Agreement) or the I-Bank's interest therein. In the event any such lien attaches to or is filed against the Leased Premises or the I-Bank's interest therein, the District shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the District desires to contest any such lien it may do so in good faith. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the District shall forthwith pay and discharge said judgment. The District agrees to and shall, to the maximum extent permitted by law, indemnify and hold the I-Bank and its respective members, directors, employees, agents, successors and assigns, harmless from and against, and defend each of them against, any claim, demand, loss, damage, liability or expense (including reasonable attorneys' fees, including fees of I-Bank employees) as a result of any such lien or claim of lien against the Leased Premises or the I-Bank's interest therein.

SECTION 8.03. Quiet Enjoyment. The parties hereto mutually covenant that the District, by keeping and performing the covenants and agreements herein contained and if not in

default hereunder, shall at all times during the term of this Lease Agreement peaceably and quietly have, hold and enjoy the Leased Premises without suit, trouble or hindrance from the I-Bank.

SECTION 8.04. Indemnification of I-Bank and Trustee. The I-Bank, the Trustee and their members, directors, officers, agents, employees, successors and assignees shall not be liable to the District or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever about the Leased Premises. To the fullest extent permitted by law, the District agrees to indemnify, hold harmless and defend the I-Bank, the Trustee and each of their members, directors, officers, agents, employees, successors and assignees (collectively, the "Indemnified Parties"), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under or any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(a) the Trust Agreement, this Lease Agreement, the Site Lease and all documents related thereto (including the Tax Certificate), or the execution or amendment thereof or in connection with transactions contemplated thereby, including the issuance, sale, resale or remarketing of the Bonds;

(b) any act or omission of the District or any of its agents, contractors, servants, employees or licensees in connection with the Leased Premises, the operation of the Leased Premises, or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about the Leased Premises or any part thereof;

(c) any lien or charge upon payments by the District to the I-Bank or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the I-Bank in respect of any portion of the Leased Premises;

(d) any violation of any environmental law, rule or regulation with respect to, or the release of any toxic substance from, the Leased Premises or any part thereof;

(e) the defeasance and/or redemption, in whole or in part, of the Bonds;

(f) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact by or about the District contained in any offering statement or disclosure document for the Bonds or any of the documents relating to the Bonds to which the District is a party, or any omission or alleged omission from any offering statement or disclosure document for the Bonds of any material fact necessary to be stated therein in order to make the statements made therein by or about the District, in the light of the circumstances under which they were made, not misleading;

(g) any declaration of taxability of interest for federal tax purposes on the Bonds, or allegations or regulatory inquiry that interest on the Bonds is taxable; except to the extent such damages are caused by the willful misconduct of such Indemnified Party.

In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the District, upon written notice from the

Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the District shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the District if, in the judgment of such Indemnified Party, a conflict of interest exists by reason of common representation if all parties commonly represented do not agree as to the action (or inaction) of counsel or, if the Indemnified Party is the I-Bank or a member, officer or employee thereof, and the Indemnified Party's representation is undertaken by the Attorney General of the State of California..

The rights of any persons to indemnity hereunder and rights to payment of fees and reimbursement of expenses hereunder shall survive the final payment or defeasance of the Bonds. The provisions of this Section shall survive the term of the Bonds.

SECTION 8.05. Assignment and Subleasing.

(a) Neither this Lease Agreement nor any interest of the District hereunder shall be mortgaged, pledged, assigned, sublet or transferred by the District by voluntary act or by operation of law or otherwise, except with the prior written consent of the I-Bank. No such mortgage, pledge, assignment, sublease or transfer shall in any event affect or reduce the obligation of the District to make the Base Rental Payments required hereunder.

(b) The I-Bank may assign all of its rights, title and interest in and to this Lease Agreement and the Leased Premises, and/or may grant or assign a security interest in this Lease Agreement and the Leased Premises, to the Trustee for the benefit of the Bondholders.

SECTION 8.06. Title to Leased Premises.

During the term of this Lease Agreement and the Site Lease, the District shall hold fee title to the Leased Premises, and the I-Bank shall have, pursuant to the Site Lease, a leasehold interest in the Leased Premises and any and all additions that comprise repairs, replacements or modifications thereof, except for those repairs, replacements or modifications which are added thereto by the District and which may be removed without damaging the Leased Premises, pursuant to Section 4.02. This provision shall not operate to the benefit of any insurance company if there is a rental interruption covered by insurance pursuant to Section 5.03 hereof.

Upon the termination or expiration of this Lease Agreement (other than as provided in Sections 6.01 and 7.01 of this Lease Agreement), the District's leasehold interest in the Leased Premises shall vest in the I-Bank. Upon any such termination or expiration, the District shall execute such conveyances, deeds and other documents as may be necessary to effect such vesting of record. Upon termination of the Site Lease, the I-Bank's leasehold interest in the Leased Premises shall vest in the District, and the I-Bank shall, pursuant to Section 8 of the Site Lease, execute and record such conveyances, deeds and other documents as may be necessary to effect such vesting of record.

SECTION 8.07. Purpose of Lease Agreement. The District covenants that during the term of this Lease Agreement, except as hereinafter provided, (a) it will use, or cause the use of, the

Leased Premises for public purposes, (b) it will not vacate or abandon the Leased Premises or any part thereof, and (c) it will not make any use of the Leased Premises that would jeopardize in any way the insurance coverage required to be maintained pursuant to Article V hereof.

SECTION 8.08. Tax Covenants. The District and the I-Bank will not make any use of the Bond proceeds or any other moneys of the District or the I-Bank in a manner that will cause the Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code. The District and the I-Bank will not make any use of the Bond proceeds or any other moneys of the District or the I-Bank that will cause such obligations to be "federally guaranteed" and subject to inclusion in gross income for federal income tax purposes by reason of Section 149(b) of the Code. To that end, so long as any Base Rental Payments are unpaid, the District and the I-Bank, with respect to such proceeds and such other moneys, will comply with all requirements of such Sections 148 and 149(b) and all regulations of the United States Department of the Treasury issued thereunder to the extent that such requirements are, at the time, applicable and in effect.

The District further covenants that it will not use or permit the use of the Leased Premises by any person not an "exempt person" within the meaning of Section 141(a) of the Code or by an "exempt person" (including the District) in an "unrelated trade or business", in such manner or to such extent as would result in the inclusion of interest received hereunder in gross income for federal income tax purposes under Section 103 of the Code.

If at any time the District is of the opinion that for purposes of this Section it is necessary to restrict or limit the yield on or change in any way the investment of any moneys held by the Trustee or the District or the I-Bank under this Lease Agreement or the Trust Agreement, the District shall so instruct the Trustee or the I-Bank in writing, and the Trustee or the I-Bank, as the case may be, shall take such actions as may be necessary in accordance with such instructions. The District agrees to pay to the I-Bank, or to the United States on behalf of the I-Bank, from time to time as Additional Rental Payments, all amounts required to be rebated by the I-Bank to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final treasury regulations as may be applicable to the Bonds from time to time. This covenant shall survive termination of this Lease Agreement.

In furtherance of the covenants of the District set forth above, the District will comply with the Tax Certificate and will instruct the Trustee in writing as necessary to comply with the terms of the Tax Certificate. The Trustee and the I-Bank may conclusively rely on any such written instructions, and the District hereby agrees to hold harmless the Trustee and the I-Bank for any loss, claim, damage, liability or expense incurred by the I-Bank for any actions taken by the I-Bank in accordance with such instructions.

The District and the I-Bank shall at all times do and perform all acts and things required by applicable law that are necessary or desirable in order to assure that the interest component of the Base Rental Payments will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being excluded from gross income for federal income tax purposes.

SECTION 8.09. Taxes. The District shall pay or cause to be paid all taxes and assessments of any type or nature charged to the I-Bank in connection with the Leased Premises or affecting the Leased Premises or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a

period of years, the District 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 shall also pay directly such amounts, if any, in each year as shall be required by the I-Bank for the payment of all license and registration fees and all taxes (including, without limitation, income, excise, license, franchise, capital stock, recording, sales, use, value-added, property, occupational, excess profits and stamp taxes), levies, imposts, duties, charges, withholdings, assessments and governmental charges of any nature whatsoever, together with any additions to tax, penalties, fines or interest thereon, including, without limitation, penalties, fines or interest arising out of any delay or failure by the District to pay any of the foregoing or failure to file or furnish to the I-Bank for filing in a timely manner any returns, hereinafter levied or imposed against the I-Bank or the Leased Premises, the rentals and other payments required hereunder or any parts thereof or interests of the District or the I-Bank therein by any governmental authority.

The District may, at the District's expense and as agent or attorney-in-fact for the I-Bank, in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the I-Bank shall notify the District that, in the opinion of independent counsel, by nonpayment of any such items, the interest of the I-Bank in the Leased Premises will be materially endangered or the Leased Premises, or any part thereof, will be subject to loss or forfeiture, in which event the District shall promptly pay such taxes, assessments or charges or provide the I-Bank with full security against any loss which may result from nonpayment, in form satisfactory to the I-Bank and the Trustee.

SECTION 8.10. Non-Impairment by District. The District will not voluntarily limit or alter the right hereby vested in the I-Bank to receive Rental Payments by way of the Intercept or in any way impair the rights or remedies of the I-Bank, the Bondholders or the Trustee until the Bonds, together with interest thereon, are fully discharged or provision for their discharge has been made in accordance with the Trust Agreement. This covenant is expressly intended to describe, but is not limited to, any change in the nature of the District's obligations with respect to this Lease Agreement in connection with any reorganization, or proposed reorganization, of the District pursuant to Chapters 3 and 4 of Division 3 of Title 2 of the California Education Code.

SECTION 8.11. Continuing Disclosure; Budget and Financial Statements. The District will assist the I-Bank from time to time as necessary to comply with and carry out all of the provisions of the Continuing Disclosure Certificate relating to the District.

The District shall provide to the I-Bank annually, within 60 days after such information becomes available, (i) a statement of its budget for the succeeding fiscal year, and (ii) audited financial statements for the preceding fiscal year.

SECTION 8.12. Hazardous Waste Covenant. The District shall not cause or permit the Leased Premises 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 or permit, 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 Leased Premises. 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, and ensure that all tenants and subtenants obtain and comply with, any and all approvals, registrations or permits required thereunder. 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 Leased Premises (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 all Federal, state and local governmental authorities, and (ii) to the extent permitted by law, 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 any 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 Leased Premises, the District shall deliver the Leased Premises free of any and all hazardous materials so that the conditions of the Leased Premises shall conform with all applicable Federal, state and local laws, ordinances, rules or regulations affecting the Leased Premises. Prior to any such delivery of the Leased Premises, the District shall pay the Trustee, from its own funds, any amounts then required to be paid under subsection (ii) above. For purposes of this paragraph, "hazardous materials" includes, without limit, any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. §§ 9601 et seq.), the hazardous materials Transportation Act, as amended (49 U.S.C. §§ 1801 et seq.), the Resource Conservation and Recovery Act, as amended (42 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, rule, or regulation.

SECTION 8.13. Issuance of Additional Bonds. The District shall cooperate in all respects with the issuance of Additional Bonds by the I-Bank pursuant to Sections 2.13 and 2.14 of the Trust Agreement. Such cooperation shall include, but not be limited to, reaffirming the District's obligation to make Rental Payments in accordance with the Rental Payment Schedule as it may be amended in connection with the issuance of the Additional Bonds.

ARTICLE IX

DISCLAIMER OF WARRANTIES; VENDOR'S WARRANTIES; USE OF THE LEASED PREMISES

SECTION 9.01. Disclaimer of Warranties. THE I-BANK MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY, FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PREMISES, OR WARRANTY WITH RESPECT THERETO. THE DISTRICT LEASES THE LEASED PREMISES AS-IS, AND AGREES THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE DISTRICT. In no event shall the I-Bank be liable for any incidental, indirect, special or

consequential damage in connection with or arising out of this Lease Agreement or the existence, furnishing, functioning or the District's use of any item or products or services provided for in this Lease Agreement.

SECTION 9.02. Vendor's Warranties. The I-Bank hereby irrevocably appoints the District its agent and attorney-in-fact during the term of this Lease Agreement, so long as the District shall not be in default hereunder, to assert from time to time whatever claims and rights, including warranties of the Leased Premises, which the I-Bank may have against the manufacturers, vendors and contractors of the Leased Premises. The District's sole remedy for the breach of any such warranty or representation shall be against the manufacturer or vendor or contractor of the Leased Premises and not against the I-Bank, nor shall such matter have any effect whatsoever on the rights and obligations of the I-Bank with respect to this Lease Agreement, including the right to receive full and timely payments hereunder. The District expressly acknowledges that the I-Bank makes, and has made, no representation or warranties whatsoever as to the existence or availability of such warranties of the manufacturer, vendor or contractor.

SECTION 9.03. Use of the Leased Premises. The District will not install, use, operate or maintain the Leased Premises improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by this Lease Agreement. The District shall provide all permits and licenses, if any, necessary for the installation and operation of the Leased Premises. In addition, the District agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of the Leased Premises) with all laws of the jurisdictions in which its operations may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Leased Premises; provided, however, that the District may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the I-Bank, adversely affect the estate of the I-Bank in and to the Leased Premises or its interest or rights under this Lease Agreement.

ARTICLE X

MISCELLANEOUS

SECTION 10.01. Law Governing. This Lease Agreement shall be construed in accordance with the Constitution and the laws of the State of California. This Lease Agreement shall be enforceable in the State of California and any action arising out of this Lease Agreement shall be filed and maintained in Sacramento County Superior Court, Sacramento, California, unless the I-Bank, in its sole discretion, waives such requirement.

SECTION 10.02. Notices. All notices, statements, demands, consents, approvals, authorizations, offers, designations, requests, agreements or promises or other communications hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States registered mail, return receipt requested, postage prepaid:

If to the District:

King City Joint Union School District
800 Broadway Street
King City, CA 93930
Attention:

If to the I-Bank:

The California Infrastructure and Economic Development Bank
P.O. Box 2830
Sacramento, CA 95812-2830
Attention: Bond Manager

or if by overnight delivery

The California Infrastructure and Economic Development Bank
980 9th Street, Suite 900
Sacramento, CA 95814
Attention: Bond Manager

or to such other addresses as the respective parties may from time to time designate by notice in writing. A copy of any such notice or other document herein referred to shall also be delivered to the Trustee at such address as provided in the Trust Agreement.

SECTION 10.03. Validity and Severability. If for any reason this Lease Agreement shall be held by a court of competent jurisdiction to be void, voidable, or unenforceable by the I-Bank or by the District, or if for any reason it is held by such a court that any of the covenants and conditions of the District hereunder, including the covenant to pay or cause to be paid on its behalf Base Rental Payments and Additional Rental Payments hereunder, is unenforceable for the full term hereof, then and in such event this Lease Agreement is and shall be deemed to be a lease under which the rentals are to be paid by or on behalf of the District annually in consideration of the right of the District to possess and use the Leased Premises, and all of the rental and other terms, provisions and conditions of this Lease Agreement, except to the extent that such terms, provisions and conditions are contrary to or inconsistent with such holding, shall remain in full force and effect.

SECTION 10.04. Net-Net-Net Lease. This Lease Agreement shall be deemed and construed to be a "net-net-net lease" and the District hereby agrees that the rentals provided for herein shall be an absolute net return to the I-Bank, free and clear of any expenses, charges or set-offs whatsoever.

SECTION 10.05. Section Headings. All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Lease Agreement.

SECTION 10.06. Amendment. The I-Bank and the District may at any time amend this Lease Agreement, including the Base Rental Payment Schedule and the Additional Rental Payment Schedule, by written amendment hereof; provided that any such amendment shall only be made or effected in accordance with and subject to the terms of the Trust Agreement. The District authorizes

the I-Bank, to the extent permitted under this Lease Agreement and the Emergency Apportionment Financing Act, to amend or supplement the Base Rental Payment Schedule and the Additional Rental Payment Schedule.

SECTION 10.07. Counterparts. This Lease Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all together shall constitute but one and the same Lease. It is also agreed that separate counterparts of this Lease Agreement may separately be executed by the I-Bank and the District, all with the same force and effect as though the same counterpart had been executed by both the I-Bank and the District.

IN WITNESS WHEREOF, the I-Bank and the District have caused this Lease Agreement to be executed by their respective officials thereunto duly authorized, all as of the day and year first above written.

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK, as Lessor

By: _____
Stanton C. Hazelroth
Executive Director

Attest:

By: _____
Roma Cristia-Plant
Secretary of the Board of Directors

KING CITY JOINT UNION HIGH SCHOOL DISTRICT, as Lessee

By: _____
State Administrator
JON C. BERNARD CU

By _____
Interim Chief Business Official
LINDA GRUNDHOFFER CU

State of California
County of Monterey

On April 12, 2010, ~~2010~~, before me Susan M. Rindermann a Notary Public, personally appeared John C Bernard and Linda Grundhoffer

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) ~~is~~/are subscribed to the within instrument and acknowledged to me that ~~he/she~~/they executed the same in ~~his/her~~/their authorized capacity(ies), and that by ~~his/her~~/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Susan M. Rindermann

(2009 notary)

SUSAN M. RINDERMANN
COMM. #1690709
Notary Public - California
Monterey County
My Comm. Expires Sep. 28, 2010

State of California
County of Sacramento

On 4/8/10, 2010, before me Jamie Fuentes a Notary Public, personally appeared Stanton C. Hazelroth and Roma Cristia-Plant

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

(2009 notary)

JAMIE FUENTES
Commission # 1856045
Notary Public - California
Sacramento County
My Comm. Expires Jun 28, 2013

EXHIBIT A

DESCRIPTION OF LEASED PREMISES

The Leased Premises consist of the following facilities constituting a portion of the Greenfield High School, which is located on the real property described in Exhibit B to the Site Lease.

Gymnasium. The Gymnasium is a one story approximately 27,447 square foot building, containing basketball/volleyball courts, two classrooms, and locker rooms used for athletics.

Multipurpose Room (Student Union). The Multipurpose Room (Student Union) is a one story approximately 17,440 square foot building containing the cafeteria and a performance stage.

Classrooms 400. The Classrooms 400 Building is a one story approximately 10,496 square foot building containing six classrooms.

Science Classrooms. The Science Classrooms Building is a one story approximately 10,120 square foot building containing six classrooms used for science classes.

Administration Building. The Administration Building is a one story approximately 6,375 square foot building containing office space for school staff.

EXHIBIT B

DESCRIPTION OF THE PROPERTY ON WHICH THE LEASED PREMISES IS LOCATED

EXHIBIT B

LEGAL DESCRIPTION OF PROPERTY

The following is a description of the land constituting the entire Greenfield High School campus, on which the Leased Premises is located.

Certain real property situate in Rancho Poso De Los Ositos, County of Monterey, State of California, particularly described as follows:

Commencing at the intersection of the southwesterly boundary of Lot 4, as said lot is shown and so designated on that certain map entitled, "Partition Map - Espinosa Portion of the Rancho Poso Del Los Ositos - - -" filed for record in Volume 2 of Surveys, at Page 30, Records of Monterey, Records of Monterey County, with the southeasterly line of Elm Avenue (a county road shown as Arroyo Seco County Road in said map), as said line is described in deed recorded February 13, 1980 in Reel 1389, Page 1168, Official Records of Monterey County, California; thence leaving said boundary and running along said line

(a) N. 55° 23' 45" E., 800.00 feet thence leaving said line and running along a line drawn parallel with and northeasterly of said boundary

(b) S. 34° 36' 15" E., 1082.52 feet to the true point of beginning; thence continuing along said parallel line

(1) S. 34° 36' 15" E., 785.13 feet; thence leaving said parallel line

(2) N. 58° 09' 57" E., 2528.65 feet to a point on the southwesterly line of "El Camino Real', a county road (formerly State Highway 101), as said line and road are described in deed recorded February 13, 1980 in Reel 1389, Page 1164, Official Records of Monterey County, California; thence along said road line

(3) N. 46° 38' W., 811.12 feet; thence leaving said road line and running along a line drawn parallel with and northwesterly of the hereinabove said Course No. (2)

(4) S. 58° 09' 57" W., 2359.41 feet to the true point of beginning.

APN: 024-261-045

EXHIBIT C-1
BASE RENTAL PAYMENT SCHEDULE

Intercept Period (July 1-June 30)	July	August	September	October	November	December	January	February	March	April	May	June	TOTAL
2010-11	$311,521.91	$311,521.91	$311,521.91	$311,521.90	$0	$0	$0	$0	$0	$0	$0	$0	$1,246,087.63
2011-12	311,285.94	311,285.94	311,285.94	311,285.94	0	0	0	0	0	0	0	0	1,245,143.76
2012-13	311,135.94	311,135.94	311,135.94	311,135.94	0	0	0	0	0	0	0	0	1,244,543.76
2013-14	310,785.94	310,785.94	310,785.94	310,785.94	0	0	0	0	0	0	0	0	1,243,143.76
2014-15	311,485.94	311,485.94	311,485.94	311,485.94	0	0	0	0	0	0	0	0	1,245,943.76
2015-16	311,935.94	311,935.94	311,935.94	311,935.94	0	0	0	0	0	0	0	0	1,247,743.76
2016-17	311,379.69	311,379.69	311,379.69	311,379.69	0	0	0	0	0	0	0	0	1,245,518.76
2017-18	311,004.69	311,004.69	311,004.69	311,004.69	0	0	0	0	0	0	0	0	1,244,018.76
2018-19	311,092.19	311,092.19	311,092.19	311,092.19	0	0	0	0	0	0	0	0	1,244,368.76
2019-20	311,970.32	311,970.32	311,970.32	311,970.30	0	0	0	0	0	0	0	0	1,247,881.26
2020-21	311,073.44	311,073.44	311,073.44	311,073.44	0	0	0	0	0	0	0	0	1,244,293.76
2021-22	311,207.82	311,207.82	311,207.82	311,207.80	0	0	0	0	0	0	0	0	1,244,831.26
2022-23	310,829.69	310,829.69	310,829.69	310,829.69	0	0	0	0	0	0	0	0	1,243,318.76
2023-24	311,189.07	311,189.07	311,189.07	311,189.05	0	0	0	0	0	0	0	0	1,244,756.26
2024-25	310,971.88	310,971.88	310,971.88	310,971.86	0	0	0	0	0	0	0	0	1,243,887.50
2025-26	311,209.38	311,209.38	311,209.38	311,209.36	0	0	0	0	0	0	0	0	1,244,837.50
2026-27	311,906.25	311,906.25	311,906.25	311,906.25	0	0	0	0	0	0	0	0	1,247,625.00
2027-28	311,740.63	311,740.63	311,740.63	311,740.61	0	0	0	0	0	0	0	0	1,246,962.50
2028-29*	311,962.50	311,962.50	311,962.50	311,962.50	0	0	0	0	0	0	0	0	1,247,850.00
TOTAL													$23,662,756.51

***Pursuant to Section 4.03 of the Trust Agreement, amounts on deposit in the Reserve Fund shall be applied to payment of the final Base Rental Payments to be made by or on behalf of the District.**

EXHIBIT C-2

ADDITIONAL RENTAL PAYMENT SCHEDULE*

Additional Rental Payments	Amount/Formula	Frequency
Trustee	$1,000.00	Annually
Infrastructure Bank	5,000.00	Annually
Tax/Rebate Consultant	TBD	TBD
Investment Advisor	TBD	TBD
Other	TBD	TBD
Total	$6,000.00	

END OF DOCUMENT

* Subject to change pursuant to Section 3.01(b) of the Lease Agreement