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TO BE RECORDED AND WHEN RECORDED  
RETURN TO:

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

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## **LEASE AND SUBLEASE AGREEMENT**

### **(Refinancing of 2005 Lease Agreement and Related 2005 Certificates of Participation)**

This LEASE AND SUBLEASE AGREEMENT (this "Lease"), dated as of July 28, 2015, is between PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"), as lessee and sublessor, and the SOLEDAD UNIFIED SCHOOL DISTRICT, a unified school district duly organized and existing under the laws of the State of California, which acquired property as Soledad Union School, Soledad Union School District of Monterey County, and Soledad Union Grammar School District (the "District"), as lessor and sublessee.

#### *BACKGROUND:*

1. On May 12, 2005, the District, together with the California School Boards Association Finance Corporation (the "2005 Financing Corporation"), caused the execution and delivery of \$5,765,000 original principal amount of Certificates of Participation (2005 Financing Project) (the "2005 Certificates") in order to provide financing for construction at Jack Francioni Elementary School (the "Project") and to refinance on an advance basis outstanding 1999 Certificates.

2. The 2005 Certificates represent interests in lease payments (the "2005 Lease Payments") to be made by the District to the 2005 Financing Corporation pursuant to a Lease/Purchase Agreement, dated as of May 1, 2005, a memorandum of which was recorded as Document No. 20055047193 on May 11, 2005 in the Monterey County Recorder's office (the "2005 Lease Agreement"), by and between the District and the Corporation, with respect to the site known as Rose Ferrero Elementary School.

3. The District has determined by resolution adopted on June 24, 2015 to refinance the 2005 Certificates and the 2005 Lease Payments and thereby terminate the 2005 Lease Agreement and related financing documents.

4. In order to raise funds in the principal amount of \$4,343,692 for that purpose, the District has proposed to lease Main Street Middle School, as such property is more particularly described in Appendix A attached hereto and by this reference incorporated herein (the "Leased Property"), to the Corporation for an upfront rental payment which is sufficient for that purpose.

5. The Corporation has proposed to lease the Leased Property back to the District in consideration of the payment by the District of semiannual lease payments which reflect the interest rate savings which are realized as a result of the refinancing of the 2005 Lease Payments and the 2005 Certificates.

6. The District and the Corporation have agreed to enter into this Lease for the purpose of implementing the financing transactions described above.

#### AGREEMENT:

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

### ARTICLE I

#### DEFINITIONS; RULES OF INTERPRETATION

SECTION 1.1. *Definitions.* All terms defined in this Section 1.1 have the meanings herein specified for all purposes of this Lease.

"Assignee" means (a) initially, City National Bank, as assignee of certain rights of the Corporation hereunder, and (b) any other entity to whom the rights of the Corporation hereunder are assigned.

"Assignment of Lease" means the Assignment of Lease Agreement dated as of July 28, 2015, and recorded concurrently herewith, between the Corporation as assignor and the Assignee as assignee, as originally executed or as thereafter amended under any duly authorized and executed amendments thereto.

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

"Business Day" means a day other than a Saturday, Sunday or legal holiday, on which banking institutions are not closed in the State of California.

"Closing Date" means the date of execution and delivery of this Lease by the parties hereto, being July 28, 2015.

"Corporation" means Public Property Financing Corporation of California, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California.

"District" means the Soledad Unified School District, a unified school district organized and existing under the laws of the State of California.

"Escrow Agreement" means the Escrow Agreement, dated the Closing Date, by and between the District and the 2005 Trustee, relating to the payment and prepayment of the 2005 Certificates.

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

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

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

"Lease" means this Lease Agreement dated as of July 28, 2015, between the Corporation and the District, with respect to \$4,343,692 aggregate principal amount of Lease Payments.

"Lease Payment" means all payments required to be paid by the District under Section 4.5, including any prepayment thereof under Sections 9.2 or 9.3.

"Lease Payment Date" means May 1 and November 1 in each year, commencing November 1, 2015, and continuing to and including the date on which the Lease Payments are paid in full.

"Leased Property" means the real property which is more particularly described in Appendix A, known as Main Street Middle School. In the event of the release of any property under Section 4.7, the description of the Leased Property shall be modified to reflect such release.

"Net Proceeds" means any eminent domain award (including any proceeds of sale to a governmental entity under threat of the exercise of eminent domain powers), paid with respect to the Leased Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

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

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

"Rental Period" means each period during the Term of the Lease commencing on and including July 1 in each year and extending to and including the next succeeding June 30. The first Rental Period begins on the Closing Date and ends on June 30, 2016.

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

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

"2005 Certificates" means the Certificates of Participation executed and delivered in the aggregate principal amount of \$5,765,000 under the Trust Agreement dated as of May 1, 2005, among the District, the 2005 Financing Corporation and the 2005 Trustee.

"2005 Financing Corporation" means the California School Boards Association Finance Corporation, a nonprofit corporate and politic organized and existing under the laws of the State of California.

"2005 Lease Agreement" means the Lease/Purchase Agreement dated as of May 1, 2005, between the 2005 Financing Corporation as lessor and the District as lessee of the Leased Property.

"2005 Lease Payments" means the lease payments which are payable by the District under Section 4.4 of the 2005 Lease Agreement, including prepayments thereof under Article X of the 2005 Lease Agreement.

"2005 Project" means construction at Jack Franscioni Elementary School and refinancing on an advance basis outstanding 1999 Certificates of Participation.

"2005 Trustee" means The Bank of New York Trust Company, N.A., as trustee for the 2005 Certificates.

#### SECTION 1.2. *Interpretation.*

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

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

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

## ARTICLE II

### COVENANTS, REPRESENTATIONS AND WARRANTIES

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

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

would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease or the financial condition, assets, properties or operations of the District.

- (e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the District or of the voters of the District, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Lease, or the consummation of any transaction herein contemplated, except as have been obtained or made and as are in full force and effect.
- (f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the District after reasonable investigation, threatened against or affecting the District or the assets, properties or operations of the District which, if determined adversely to the District or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Lease or upon the financial condition, assets, properties or operations of the District, and the District is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease, or the financial condition, assets, properties or operations of the District.
- (g) Essential Facilities. The Leased Property represents essential school district facilities.

SECTION 2.2. *Covenants, Representations and Warranties of the Corporation.*

The Corporation makes the following covenants, representations and warranties to the District as of the date of the execution and delivery of this Lease:

- (a) Due Organization and Existence. The Corporation is a corporation duly organized and existing under the laws of the State of California, has full legal right, power and authority to enter into this Lease and the Assignment of Lease and to carry out and consummate all transactions contemplated hereby and thereby, and by proper action the Corporation has duly authorized the execution and delivery of this Lease and the Assignment of Lease.
- (b) Due Execution. The representatives of the Corporation executing this Lease and the Assignment of Lease are fully authorized to execute the same under official action taken by the Board of Trustees of the Corporation.

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

## ARTICLE III

### DEPOSIT AND APPLICATION OF FUNDS

SECTION 3.1. *Deposit of and Application of Funds.* On the Closing Date, the Corporation shall cause the amount of \$4,182,691.07 to be deposited with the 2005 Trustee to be held and administered under the Escrow Agreement (together with other available funds) for the purpose of providing for the payment and prepayment of the 2005 Certificates and the 2005 Lease Payments through and including August 27, 2015. Such amount shall be derived from amounts paid by the Assignee under the Assignment of Lease. In addition, a portion of the amounts paid by the Assignee under the Assignment of Lease shall be applied to pay financing costs of the transaction in the amount of \$161,000.93 pursuant to an Agreement for Services as Cost Administrator entered into between the District and the 2005 Trustee, in its capacity as custodian thereunder.

SECTION 3.2. *Refunding of 2005 Certificates.* The District shall cause the amount deposited with the 2005 Trustee under Section 3.1, together with other amounts held by the 2005 Trustee with respect to the 2005 Certificates, to be applied to the payment and prepayment of the 2005 Lease Payments through and including August 27 2015, and thereby pay and prepay the related lease payment obligations of the District under the 2005 Lease Agreement, in accordance with the Escrow Agreement.

SECTION 3.3. *Termination of 2005 Lease Agreement.* As a result of the deposit pursuant to the Escrow Agreement, the 2005 Lease Agreement has been discharged and terminated in accordance with its terms, including specifically Article X thereunder. On the Closing Date, the District shall enter into an agreement with the 2005 Financing Corporation and the 2005 Trustee which terminates the 2005 Lease Agreement and related financing documents, and shall cause an executed copy of said agreement to be recorded in the office of the Monterey County Recorder.

## ARTICLE IV

### LEASE OF LEASED PROPERTY; LEASE PAYMENTS

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

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

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

#### SECTION 4.4. *Lease Payments.*

(a) Obligation to Pay. Subject to the provisions of Section 6.2 and the provisions of Article IX, the District agrees to pay to the Corporation, its successors and assigns, the Lease Payments (denominated into components of principal and interest) in the respective amounts specified in Appendix B attached hereto and by this reference incorporated herein, to be due and payable in immediately available funds on each of the respective Lease Payment Dates specified in Appendix B. The Lease Payments payable in any Rental Period with respect to the Leased Property shall be for the use of the Leased Property during such Rental Period. The aggregate principal components of the Lease Payments shall be equal to \$4,343,692, and the interest components of the Lease Payments have been calculated based on an interest rate of 3.100% per annum, on the basis of a 360-day year of twelve 30-day months.

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

(c) Rate on Overdue Payments. If the District fails to make any of the payments required in this Section 4.4, the payment in default will continue as an

obligation of the District until the amount in default has been fully paid, and the District agrees to pay the same with interest thereon, from the date of default to the date of payment at the rate of 8% per annum.

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

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

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

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

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

Upon the termination of this Lease (other than under Section 8.2(b) hereof), all right, title and interest of the Corporation in and to the Leased Property shall be

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

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

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

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

**ARTICLE V  
MAINTENANCE; TAXES; INSURANCE; AND  
OTHER MATTERS**

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

The District will pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Corporation or the District affecting the Leased Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District is obligated to pay only such installments as are required to be paid during the Term of this Lease as and when the same become due.

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

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

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

SECTION 5.4. *Casualty Insurance.* The District will procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease, casualty insurance against loss or damage to all buildings situated on the Leased Property and owned by the District, in an amount at least equal to the replacement value of the insured buildings. Such insurance must, as nearly as practicable, cover loss or damage by all "special form" perils. Such insurance shall be subject to a deductible of not to exceed \$250,000. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of the participation by the District in a joint powers authority or other program providing pooled insurance. The District will apply the Net Proceeds of such insurance as provided in Section 6.1.

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

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

SECTION 5.7. *Recordation Hereof; Title Insurance.* On or before the Closing Date, the District shall, at its expense, (a) cause this Lease, or a memorandum hereof or thereof in form and substance approved by Bond Counsel, to be recorded in the office of the Monterey County Recorder with respect to the Leased Property, and (b) obtain a CLTA title insurance policy insuring the Assignee's interests in the leasehold estate

established hereunder in the Leased Property, subject only to Permitted Encumbrances, in an amount equal to the original principal components of the Lease Payments. The District will apply the Net Proceeds received under such title insurance policy to prepay the remaining Lease Payments under Section 9.3.

SECTION 5.8. *Insurance Net Proceeds; Form of Policies.* All insurance policies (or riders) required by this Article V shall be taken out and maintained with responsible insurance companies organized under the laws of one of the states of the United States and qualified to do business in the State of California, and shall contain a provision that the insurer shall not cancel or revise coverage thereunder without giving written notice to the insured parties at least ten days before the cancellation or revision becomes effective. Each insurance policy or rider required by Sections 5.3, 5.4 and 5.5 shall name the District and the Assignee as insured parties and the Assignee as loss payee and shall include a lender's loss payable endorsement for the benefit of the Assignee. Prior to the Closing Date, the District will provide a signed certification to the Assignee stating that all policies (and riders and endorsements, if any) are in full force and effect. Before the expiration of any such policy (or rider), the District will furnish to the Assignee a certification stating that the policy has been renewed or replaced by another policy conforming to the provisions of this Article V unless such insurance is no longer obtainable, in which event the District shall notify the Assignee of such fact.

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

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

SECTION 5.11. *Advances.* If the District fails to perform any of its obligations under this Article V, the Corporation may take such action as may be necessary to cure such failure, including the advancement of money, and the District shall be obligated to repay all such advances as additional rental hereunder, with interest at the rate set forth in Section 4.4(c).

## ARTICLE VI

### DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

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

In the event that the Leased Property becomes destroyed or damaged beyond repair at any time during the Term of this Lease, or in the event the Leased Property or any portion thereof is taken in eminent domain proceedings at any time during the Term of this Lease, the District shall as soon as practicable after such event, with the prior written consent of the Corporation, apply the Net Proceeds resulting therefrom either to: (a) repair the Leased Property to full use; (b) replace the Leased Property, at the District's sole cost and expense, with property of equal or greater value to the Leased Property immediately prior to the time of the such destruction or damage, such replacement Leased Property to be subject to the Corporation's reasonable approval, whereupon such replacement shall be substituted in this Lease by appropriate endorsement; or (c) prepay the Lease Payments in accordance with Section 9.3. The District shall notify the Corporation of which course of action it desires to take within fifteen (15) days after the occurrence of such destruction or damage. The Corporation may (but is not required to) in its own name or in the District's name execute and deliver proofs of claim, receive all such moneys, endorse checks and other instruments representing payment of such moneys, and adjust, litigate, compromise or release any claim against the issuer of any such policy, and the District hereby grants to the Corporation a power of attorney coupled with an interest to accomplish all or any of the foregoing. The Net Proceeds of all insurance payable with respect to the Leased Property shall be available to the District and shall be used to discharge the District's obligations under this Section.

SECTION 6.2. *Termination or Abatement Due to Eminent Domain.* If the Leased Property shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of this Lease shall cease with respect thereto as of the day possession shall be so taken. If less than all of the Leased Property shall be taken permanently, or if the Leased Property shall be taken temporarily, under the power of eminent domain, (a) this Lease shall continue in full force and effect with respect thereto and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (b) there shall be a partial abatement of Lease Payments allocated thereto, in an amount to be determined by the District with the prior written consent of the Corporation, such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property.

SECTION 6.3. *Abatement Due to Damage or Destruction.* The amount of Lease Payments shall be abated during any period in which by reason of damage or

destruction (other than by eminent domain which is hereinbefore provided for) there is substantial interference with the use and occupancy by the District of the Leased Property or any portion thereof. The amount of such abatement shall be determined by the District, with the prior written consent of the Corporation, such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Leased Property not damaged or destroyed. 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. In the event of any such damage or destruction, this Lease shall continue in full force and effect and the District waives any right to terminate this Lease by virtue of any such damage and destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments under this Section 5.3 to the extent that the proceeds of hazard insurance or rental interruption insurance are available to pay Lease Payments which would otherwise be abated under this Section 6.3, it being hereby declared that such proceeds and amounts constitute a special fund for the payment of the Lease Payments.

## ARTICLE VII

### OTHER COVENANTS OF THE DISTRICT

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

SECTION 7.2. *Access to the Leased Property.* The District agrees that the Corporation, and the Corporation's successors or assigns, has the right at all reasonable times, following at least 48 hours' written notice provided to the District, to enter upon and to examine and inspect the Leased Property or any part thereof. The District further agrees that the Corporation, and the Corporation's successors or assigns shall have such rights of access to the Leased Property or any component thereof, following at least 48 hours' written notice provided to the District, as may be reasonably necessary to cause the proper maintenance of the Leased Property if the District fails to perform its obligations hereunder. Neither the Corporation nor any of its assigns has any obligation to cause such proper maintenance.

SECTION 7.3. *Release and Indemnification Covenants.* The District hereby indemnifies the Corporation, the Assignee and their respective officers, agents, successors and assigns against all claims, losses and damages, including legal fees and

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

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

The Corporation and the Assignee may make additional assignments of their interests herein, but no such assignment will be effective as against the District unless and until the Corporation or the Assignee has filed with the District written notice thereof. The District shall pay all Lease Payments hereunder under the written direction of the Corporation or the assignee named in the most recent assignment or notice of assignment filed with the District. During the Term of this Lease, the District will keep a complete and accurate record of all such notices of assignment.

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

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

SECTION 7.6. *Amendment of Lease Agreement.* This Lease may be amended with the prior written consent of the Corporation (which may not unreasonably be withheld). Prior to the effective date of any such amendment, and as a condition precedent to the effectiveness thereof, the District at its expense shall obtain an opinion of Bond Counsel stating that such amendment will not adversely affect the exclusion from gross income of the interest component of the Lease Payments.

SECTION 7.7. *Tax Covenants.*

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

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

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

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

(e) Small Issuer Exemption from Bank Nondeductibility Restriction. The District hereby designates the Lease Payments as "qualified tax-exempt obligations" for purposes of paragraph (3) of Section 265(b) of the Tax Code and represents that not more than \$10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Tax Code) from gross income for federal income tax purposes (excluding (i) private activity bonds, as defined in Section 141 of the Tax Code, except qualified 501(c)(3) bonds as defined in Section 145 of the Tax Code and (ii) current refunding obligations to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligation), including the Lease Payments, has been or will be issued by the District, including all subordinate entities of the District, during the calendar year 2015.

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

SECTION 7.8. *Records and Accounts.* The District will keep proper books of record and accounts, in which complete and correct entries shall be made of all transactions relating to the general fund of the District in each Fiscal Year during the Term of this Lease. The District shall cause the books and accounts to be audited

annually by an independent accountant and will file a copy of the report of such independent accountant with the Assignee within 270 days following the close of each Fiscal Year. Such report may be part of a combined financial audit or report covering all or part of the District's finances.

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES

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

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

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

during the continuance of any Event of Default, the Corporation may exercise any one or more of the following remedies:

- (a) Enforcement of Payments Without Termination. If the Corporation does not elect to terminate this Lease in the manner hereinafter provided for in subparagraph (b) hereof, the District agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions herein contained and shall reimburse the Corporation for any deficiency arising out of the re-leasing of the Leased Property, or, if the Corporation is unable to re-lease the Leased Property, then for the full amount of all Lease Payments to the end of the Term of this Lease, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments hereunder, notwithstanding such entry or re-entry by the Corporation or any suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Leased Property or the exercise of any other remedy by the Corporation. The District hereby irrevocably appoints the Corporation as the agent and attorney-in-fact of the District to enter upon and re-lease the Leased Property upon the occurrence and continuation of an Event of Default and to remove all personal property whatsoever situated upon the Leased Property, to place such property in storage or other suitable place in the County of Monterey for the account of and at the expense of the District, and the District hereby exempts and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Leased Property and the removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions herein contained. The District agrees that the terms of this Lease constitute full and sufficient notice of the right of the Corporation to re-lease the Leased Property in the event of such re-entry without effecting a surrender of this Lease, and further agrees that no acts of the Corporation in effecting such re-leasing shall constitute a surrender or termination of this Lease irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the District the right to terminate this Lease shall vest in the Corporation to be effected in the sole and exclusive manner hereinafter provided for in subparagraph (b) hereof. The District agrees to surrender and quit possession of the Leased Property upon demand of the Corporation for the purpose of enabling the Leased Property to be re-let under this paragraph, and the District further waives the right to any rental obtained by the Corporation in excess of the Lease Payments and hereby conveys and releases such excess to the Corporation as compensation to the Corporation for its services in re-leasing the Leased Property.

- (b) Termination of Lease. If an Event of Default occurs and is continuing hereunder, the Corporation at its option may terminate this Lease and re-lease all or any portion of the Leased Property. If the Corporation terminates this Lease at its option and in the manner hereinafter provided due to a default by the District (and notwithstanding any re-entry upon the Leased Property by the Corporation in any manner whatsoever or the re-leasing of the Leased Property), the District nevertheless agrees to pay to the Corporation all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is herein provided in the case of payment of Lease Payments and Additional Payments. Any surplus received by the Corporation from such re-leasing shall be applied by the Corporation to Lease Payments due under this Lease. Neither notice to pay rent or to deliver up possession of the premises given under law nor any proceeding in unlawful detainer taken by the Corporation shall of itself operate to terminate this Lease, and no termination of this Lease on account of default by the District shall be or become effective by operation of law, or otherwise, unless and until the Corporation shall have given written notice to the District of the election on the part of the Corporation to terminate this Lease. The District covenants and agrees that no surrender of the Leased Property, or of the remainder of the Term hereof or any termination of this Lease shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Corporation by such written notice.
- (c) Proceedings at Law or In Equity. If an Event of Default occurs and continues hereunder, the Corporation may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due hereunder or to enforce any other of its rights hereunder.

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

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

reasonable fees of such attorneys (including allocable costs and expenses of in-house legal counsel, if any) and such other expenses so incurred by the nondefaulting party.

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

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

## ARTICLE IX

### PREPAYMENT OF LEASE PAYMENTS

SECTION 9.1. *Security Deposit.* Notwithstanding any other provision of this Lease, the District may on any date secure the payment of the Lease Payments in whole or in part by depositing with a fiduciary, in trust, an amount of cash which is either (a) sufficient to pay such Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule set forth in Appendix B, or (b) invested in whole in non-callable Federal Securities in an amount which is sufficient, in the opinion of an independent certified public accountant, together with interest to accrue thereon and together with any cash which is so deposited, to pay such Lease Payments when due under Section 4.4(a) or when due on any optional prepayment date under Section 9.2, as the District instructs at the time of said deposit. In the event of a security deposit under this Section with respect to all unpaid Lease Payments, (a) the Term of this Lease shall continue, (b) all obligations of the District under this Lease, and all security provided by this Lease for said obligations, shall thereupon cease and terminate, excepting only the obligation of the District to make, or cause to be made all of the Lease Payments from such security deposit, and (c) under Section 4.6, title to the Leased Property will vest in the District on the date of said deposit automatically and without further action by the District or the Corporation. The District hereby grants a first priority security interest in and the lien on said security deposit and all proceeds thereof in favor of the Corporation and the Assignee. Said security deposit shall be deemed to be and shall constitute a special fund for the payment of Lease Payments in accordance with the provisions of this Lease.

SECTION 9.2. *Optional Prepayment.* The District may prepay the unpaid principal components of the Lease Payments in whole or in part, on any date on or after May 1, 2025, by paying a prepayment price equal to the principal components of the Lease Payments to be prepaid, together with the interest required to be paid on such Lease Payment Date, without premium. The District shall give the Corporation notice of its intention to exercise its option not less than 30 days in advance of the date of exercise.

SECTION 9.3. *Mandatory Prepayment From Net Proceeds of Insurance or Eminent Domain.* The District shall be obligated to prepay the unpaid principal

components of the Lease Payments in whole or in part on any date, from and to the extent of any proceeds of insurance award or condemnation award with respect to the Leased Property to be used for such purpose under Section 6.1. The District and the Corporation hereby agree that such proceeds, to the extent remaining after payment of any delinquent Lease Payments, shall be credited towards the District's obligations under this Section 9.3.

## ARTICLE X

### MISCELLANEOUS

SECTION 10.1. *Notices.* Any notice, request, complaint, demand or other communication under this Lease shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by facsimile transmission or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, (b) 48 hours after deposit in the United States of America first class mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Corporation, the District and the Assignee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the District:                      Soledad Unified School District  
1261 Metz Road  
Soledad, California 93960  
Attention: Superintendent  
Fax: (831) 678-2866

If to the Corporation:                  Public Property Financing Corporation of California  
2945 Townsgate Road, Suite 200  
Westlake Village, California 91361  
Attention: President  
Fax: (805) 267-7142

If to the Assignee:                      City National Bank  
555 South Flower Street, 25th Floor  
Los Angeles, California 90071  
Attention: Credit Management  
Fax: (213) 637-3919

SECTION 10.2. *Binding Effect.* This Lease inures to the benefit of and is binding upon the Corporation, the District and their respective successors and assigns.

SECTION 10.3. *Severability.* If any provision of this Lease is held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

SECTION 10.4. *Net-net-net Lease.* This Lease is a "net-net-net lease" and the District hereby agrees that the Lease Payments are an absolute net return to the Corporation, free and clear of any expenses, charges or set-offs whatsoever.

SECTION 10.5. *Further Assurances and Corrective Instruments.* The Corporation 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 reasonably be required for correcting any inadequate or incorrect description of the Leased Property hereby leased or intended so to be or for carrying out the expressed intention of this Lease.

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

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

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

**SOLEDAD UNIFIED SCHOOL DISTRICT,**  
*as Lessor and Sublessee*

By Marie Berlanga  
President of the Board  
Marie Berlanga

Attest:

RLK A  
Superintendent

**PUBLIC PROPERTY FINANCING  
CORPORATION OF CALIFORNIA,**  
*as Lessee and Sublessor*

By Signed in Counterpart  
Secretary/Treasurer



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

**SOLEDAD UNIFIED SCHOOL DISTRICT,**  
*as Lessor and Sublessee*

By Signed in counterpart  
President of the Board

Attest:

\_\_\_\_\_  
Superintendent

**PUBLIC PROPERTY FINANCING  
CORPORATION OF CALIFORNIA,**  
*as Lessee and Sublessor*

By   
Secretary/Treasurer

William A. Morton

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California  
County of Monterey

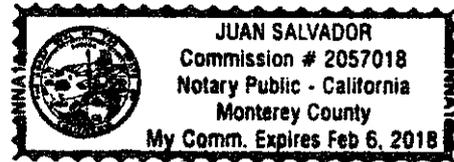
On July 20, 2015 before me, Juan Salvador (Notary)  
(insert name and title of the officer) NPAC

personally appeared Marie Berlanga  
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.

Signature [Handwritten Signature] (Seal)



Monterey County  
My Comm. Expires Feb 6, 2018

## ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California  
County of Los Angeles )

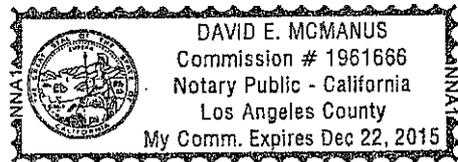
On July 15, 2015 before me, DAVID E. MCMANUS - NOTARY PUBLIC  
(insert name and title of the officer)

personally appeared William A. Morton  
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.

Signature David E. McManus (Seal)



## APPENDIX A

### DESCRIPTION OF THE LEASED PROPERTY

The Leased Property consists of the land located in the County of Monterey, State of California, City of Soledad which is described as follows, including all buildings, improvements and facilities at any time situated thereon.

#### PARCEL ONE

A PART OF SUBDIVISION B IN LOT 2, IN THE RANCHO SAN VICENTE, COUNTY OF MONTEREY, STATE OF CALIFORNIA, BEING A PART OF THAT CERTAIN 140 ACRE TRACT OF LAND CONVEYED BY E.W. AND L.R. BINGAMAN TO PETER SCATTINI, REGINA SCATTINI AND SEVERINO MOCATTINI BY DEED DATED FEBRUARY 19, 1920, RECORDED IN VOLUME 170 OF DEEDS AT PAGE 283, RECORDS OF MONTEREY COUNTY, CALIFORNIA, AND BEING PARTICULARLY DESCRIBED AS FOLLOWS, TO WIT:

BEGINNING AT A THREE-QUARTER INCH DIAMETER PIPE SET IN THE GROUND IN THE SOUTHWESTERLY BOUNDARY OF THE ABOVE MENTIONED 140 ACRE TRACT OF LAND (SAID BOUNDARY BEING ALSO THE NORTHEASTERLY LINE OF NORTH STREET IN THE TOWN OF SOLEDAD), SAID PIPE AND POINT OF BEGINNING BEING ALSO AT THE INTERSECTION OF THE SAID LINE OF NORTH STREET WITH THE NORTHEASTERLY PRODUCTION OF THE SOUTHEASTERLY LINE OF BENITO STREET; THENCE ALONG BOUNDARY OF SAID 140 ACRE TRACT FOLLOWING THE SAID LINE OF NORTH STREET,

- (1) SOUTH 51° 31' EAST 450.0 FEET TO A 3/4" DIAMETER IRON PIPE SET IN THE GROUND; THENCE LEAVE SAID BOUNDARY AND STREET LINE AND RUNNING
- (2) NORTH 38° 29' EAST 425.0 FEET TO A 1/2" DIAMETER PIPE SET IN THE GROUND; THENCE
- (3) NORTH 51° 31' WEST 450.0 FEET TO A THREE-QUARTER INCH DIAMETER PIPE SET IN THE GROUND; THENCE
- (4) SOUTH 38° 29' WEST 425.0 FEET TO THE PLACE OF BEGINNING.

#### PARCEL TWO

BEING IN THE RANCHO VICENTE, IN THE COUNTY OF MONTEREY, STATE OF CALIFORNIA, BEING A PART OF THAT CERTAIN 6.00 ACRE TRACT OF LAND CONVEYED BY PETER SCATTINI, ET UX., TO CARLO GILARDONI, BY DEED DATED MAY 14, 1945 AND RECORDED IN VOLUME 868 OF OFFICIAL RECORDS AT PAGE 148, MONTEREY COUNTY RECORDS, SAID PART BEING PARTICULARLY DESCRIBED AS FOLLOWS, TO WIT:

BEGINNING AT A POINT IN THE CENTERLINE OF NORTH STREET FROM WHICH THE MOST EASTERLY CORNER OF BLOCK P, AS SAID BLOCK AND STREET ARE SHOWN AND DESIGNATED ON "MAP OF SOLEDAD, MONTEREY COUNTY, CAL.", REFILED FOR RECORD FEBRUARY 1, 1877 IN VOLUME 1 OF CITIES AND TOWNS AT PAGE 16, MONTEREY COUNTY RECORDS, BEARS SOUTH 38° 29' WEST 40.0 FEET DISTANT; AND RUNNING THENCE FROM SAID PLACE OF BEGINNING ALONG SAID STREET CENTERLINE AND ALSO THE BOUNDARY OF SAID 6.00 ACRE TRACT OF LAND,

- (1) NORTH 51° 31' WEST 230.0 FEET; THENCE
- (2) NORTH 38° 29' EAST 465.0 FEET, AT 40.0 FEET A 3/4" DIAMETER IRON PIPE STANDING IN THE NORTHEASTERLY LINE OF SAID NORTH STREET AT THE MOST SOUTHERLY CORNER OF THAT CERTAIN 4.39 ACRE TRACT OF LAND CONVEYED BY PETER SCATTINI, ET AL TO SOLEDAD UNION SCHOOL DISTRICT BY DEED DATED SEPTEMBER 7, 1937 AND RECORDED IN VOLUME 544 OF OFFICIAL RECORDS AT PAGE 63, MONTEREY COUNTY RECORDS, 465.0 FEET TO A 1/2"

DIAMETER IRON PIPE STANDING AT THE MOST EASTERLY CORNER OF SAID 4.39 ACRE TRACT OF LAND; THENCE

(3) SOUTH 51° 31' EAST 240.0 FEET, AT 47.18 FEET LEAVE THE BOUNDARY OF SAID 6.00 ACRE TRACT OF LAND 240.0 FEET TO A STATION; THENCE RUNNING ALONG A LINE PARALLEL TO AND 10.0 FEET SOUTHEASTERLY FROM THE NORTHEASTERLY PRODUCTION OF THE NORTHWESTERLY LINE OF MAIN STREET (100.0 FEET WIDE),

(4) SOUTH 38°29' WEST 425.0 FEET TO A POINT IN SAID NORTHEASTERLY LINE OF NORTH STREET; THENCE RUNNING ALONG SAID STREET LINE,

(5) NORTH 51° 31' WEST 10.0 FEET; THENCE LEAVE SAID STREET LINE AND RUNNING,

(6) SOUTH 38° 29' WEST 40.0 FEET TO THE PLACE OF BEGINNING.

#### PARCEL THREE

LOTS ONE (1), TWO (2), THREE (3), FOUR (4), FIVE (5) SIX (6), SEVEN (7), EIGHT (8), NINE (9), TEN (10), ELEVEN (11), TWELVE (12), THIRTEEN (13), FOURTEEN (14), FIFTEEN (15), SIXTEEN (16), SEVENTEEN (17), EIGHTEEN (18), NINETEEN (19), TWENTY (20), TWENTY-ONE (21), TWENTYTWO (22), TWENTY-THREE (23), TWENTY-FOUR (24), TWENTY-FIVE (25), TWENTY-SIX (26), TWENTY-SEVEN (27) AND TWENTY-EIGHT (28), IN BLOCK "P" IN THE TOWN OF SOLEDAD, COUNTY OF MONTEREY, STATE OF CALIFORNIA, AS PER MAP OF SAID TOWN ON FILE IN THE OFFICE OF THE COUNTY RECORDER OF SAID MONTEREY COUNTY, CALIFORNIA.

#### PARCEL FOUR

LOTS ONE (1), TWO (2), THREE (3), FOUR (4), FIVE (5) SIX (6), SEVEN (7), EIGHT (8), NINE (9), TEN (10), ELEVEN (11), TWELVE (12), THIRTEEN (13), FOURTEEN (14), FIFTEEN (15), SIXTEEN (16), SEVENTEEN (17), EIGHTEEN (18), NINETEEN (19), TWENTY (20), TWENTY-ONE (21), TWENTYTWO (22), TWENTY-THREE (23), TWENTY-FOUR (24), TWENTY-FIVE (25), TWENTY-SIX (26), TWENTY-SEVEN (27) AND TWENTY-EIGHT (28), IN BLOCK "Q", AS SHOWN ON THE "MAP OF SOLEDAD", FILED FEBRUARY 1, 1877 IN THE OFFICE OF THE COUNTY RECORDER OF THE COUNTY OF MONTEREY, STATE OF CALIFORNIA, IN MAP BOOK ONE, CITIES AND TOWNS, AT PAGE 16.

#### PARCEL FIVE

ALL THAT PORTION OF NORTH STREET IN THE TOWN OF SOLEDAD AS PER MAP THEREOF, FILED JUNE 9, 1874, AND LOST BY FIRE ON JANUARY 7, 1877, AND RE-FILED FEBRUARY 1, 1877 IN VOLUME 1 OF CITIES AND TOWNS AT PAGE 16, RECORDS OF MONTEREY COUNTY, CALIFORNIA, LYING BETWEEN THE NORTHEASTERLY PROLONGATION OF THE NORTHWESTERLY LINE OF MAIN STREET, 100 FEET WIDE, AND THE NORTHEASTERLY PROLONGATION OF THE SOUTHEASTERLY LINE OF BENITO STREET (80 FEET WIDE), AND BEING A STRIP OF LAND 80 FEET WIDE AND 680 FEET LONG.

SAID STREET IS THE SAME AS WAS DESCRIBED IN RESOLUTION 131 TO CLOSE THE STREET, FROM THE COUNCIL OF THE CITY OF SOLEDAD, RECORDED SEPTEMBER 25, 1944 IN BOOK 840, PAGE 398, OFFICIAL RECORDS.

#### PARCEL SIX

ALL THAT PORTION OF ENCINAL STREET EXTENDING BETWEEN BLOCKS P AND Q, AND EXTENDING BETWEEN MARKET STREET AND NORTH STREET, AS THE SAME ARE SHOWN ON THAT CERTAIN MAP ENTITLED, "MAP OF SOLEDAD", FILED FEBRUARY 1, 1877 IN THE OFFICE OF THE COUNTY RECORDER OF THE COUNTY OF MONTEREY, STATE OF CALIFORNIA, AND NOW ON FILE IN SAID OFFICE IN MAP BOOK ONE, "CITIES AND TOWNS", AT PAGE 16.

SAID STREET IS THE SAME AS WAS SHOWN IN ORDINANCE NO. 175 ENACTING AN ORDER OF VACATION OF A PORTION OF ENCINAL STREET, RECORDED MAY 17, 1955 IN BOOK 1617, PAGE 1, OFFICIAL RECORDS.

APN: 022-102-001 (End of Legal Description)

## APPENDIX B

### SCHEDULE OF LEASE PAYMENTS

<u>Lease Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Aggregate Lease Payment</u>
November 1, 2015	-	\$34,785.73	\$34,785.73
May 1, 2016	\$279,516	67,327.23	346,843.23
November 1, 2016	-	62,994.73	62,994.73
May 1, 2017	252,619	62,994.73	315,613.73
November 1, 2017	-	59,079.13	59,079.13
May 1, 2018	262,262	59,079.13	321,341.13
November 1, 2018	-	55,014.07	55,014.07
May 1, 2019	271,802	55,014.07	326,816.07
November 1, 2019	-	50,801.14	50,801.14
May 1, 2020	280,951	50,801.14	331,752.14
November 1, 2020	-	46,446.40	46,446.40
May 1, 2021	284,758	46,446.40	331,204.40
November 1, 2021	-	42,032.65	42,032.65
May 1, 2022	303,452	42,032.65	345,484.65
November 1, 2022	-	37,329.15	37,329.15
May 1, 2023	311,540	37,329.15	348,869.15
November 1, 2023	-	32,500.28	32,500.28
May 1, 2024	324,407	32,500.28	356,907.28
November 1, 2024	-	27,471.97	27,471.97
May 1, 2025	331,763	27,471.97	359,234.97
November 1, 2025	-	22,329.64	22,329.64
May 1, 2026	343,933	22,329.64	366,262.64
November 1, 2026	-	16,998.68	16,998.68
May 1, 2027	355,808	16,998.68	372,806.68
November 1, 2027	-	11,483.66	11,483.66
May 1, 2028	362,345	11,483.66	373,828.66
November 1, 2028	-	5,867.31	5,867.31
May 1, 2029	378,536	5,867.31	384,403.31
<b>TOTALS:</b>	<b>\$4,343,692</b>	<b>\$1,042,810.58</b>	<b>\$5,386,502.58</b>

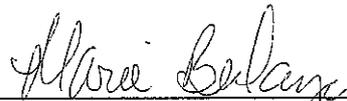
**\$4,343,692**  
**LEASE AND SUBLEASE AGREEMENT**  
dated as of July 28, 2015, between the  
**SOLEDAD UNIFIED SCHOOL DISTRICT**  
and the  
**Public Property Financing Corporation**  
**OF CALIFORNIA**

**CERTIFICATE OF ACCEPTANCE**

This is to certify that the interest in real property conveyed by the Lease and Sublease Agreement, dated as of July 28, 2015, from the Public Property Financing Corporation, as lessee and sublessor, to the Soledad Unified School District, as lessor and sublessee (the "District"), is hereby accepted by the undersigned officer on behalf of the District pursuant to authority conferred by resolution of the Board of Trustees of the District adopted on June 24, 2015, and the sublessee consents to recordation thereof by its duly authorized officer.

Dated as of July 28, 2015

**SOLEDAD UNIFIED SCHOOL DISTRICT**

By   
President of the Board



JONES HALL

July 28, 2015

Board of Trustees  
Soledad Unified School District  
1261 Metz Road  
Soledad, California 93960

City National Bank  
555 South Flower Street, 24<sup>th</sup> Floor  
Los Angeles, California 90071

475 Sansome Street  
Suite 1700  
San Francisco, CA 94111  
t. 415.391.5780  
f. 415.276.2088

Public Property Financing Corporation  
of California  
2945 Townsgate Road, Suite 200  
Westlake Village, California 91361

**OPINION:** \$4,343,692 aggregate principal amount of Lease Payment obligations of the Soledad Unified School District under that certain Lease and Sublease Agreement dated July 28, 2015, between the Soledad Unified School District and Public Property Financing Corporation of California

Ladies and Gentlemen:

We have acted as bond counsel to the Soledad Unified School District (the "District") in connection with the delivery by the District of the Lease and Sublease Agreement dated July 28, 2015 (the "Lease"), between the District, as lessor and sublessee and Public Property Financing Corporation of California (the "Corporation"), as lessee and sublessor. Certain rights of the Corporation under the Lease have been assigned to City National Bank, as assignee (the "Assignee") under the Assignment of Lease Agreement dated July 28, 2015 (the "Assignment Agreement"), between the Corporation and the Assignee. We have examined the executed Lease, the executed Assignment Agreement, and such other documents and matters of law as we have deemed necessary in connection with the following opinions.

As to questions of fact material to our opinion, we have relied upon representations of the District and the Corporation contained in the Lease and the Assignment Agreement, and in certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The District is duly established and validly existing as a unified school district under the laws of the State of California, with the power to enter into the Lease and perform the obligations on its part to be performed contained therein.



2. The Lease has been duly authorized, executed and delivered by the District and is a valid and binding obligation of the District, enforceable against the District in accordance with its terms.

3. Subject to the terms and provisions of the Lease, the Lease Payments are payable from general funds of the District lawfully available therefor.

4. The portion of the Lease Payments designated as and comprising interest and received by the Assignee is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on such corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The Lease is a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986 (the "Tax Code") and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Tax Code), a deduction is allowed for eighty percent (80%) of that portion of such financial institutions' interest expense allocable to interest payable with respect to the Lease. The opinions set forth in the preceding sentences are subject to the condition that the District comply with all requirements of the Tax Code that must be satisfied subsequent to the delivery of the Lease in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of delivery of the Lease, or may cause the Lease not to be "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Tax Code. We express no opinion regarding other federal tax consequences arising with respect to the ownership, sale or disposition of the Lease Payments, or the amount, accrual or receipt of interest on the Lease Payments.

5. The portion of the Lease Payments designated as and comprising interest is exempt from personal income taxation imposed by the State of California.

The rights of the Corporation and the Assignee and the enforceability of the Lease may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

A Professional Law Corporation