

LEASE/PURCHASE AGREEMENT

Dated as of May 1, 2019

between the

PERRIS VALLEY SCHOOLS CAPITAL FACILITIES CORPORATION,
as Lessor

and the

PERRIS UNION HIGH SCHOOL DISTRICT
as Lessee

Relating to

\$[_____]

2019 Certificates of Participation
(School Financing Project)

LEASE/PURCHASE AGREEMENT

THIS LEASE/PURCHASE AGREEMENT, dated as of May 1, 2019, by and between the PERRIS VALLEY SCHOOLS CAPITAL FACILITIES CORPORATION, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California, including without limitation Section 5110 *et seq.* of the Corporations Code of the State of California, as lessor (the “Lessor”), and the PERRIS UNION HIGH SCHOOL DISTRICT, a school district duly organized and existing under the Constitution and laws of said State, as lessee (the “District” or the “Lessee”);

W I T N E S S E T H :

WHEREAS, the District may enter into leases and agreements relating to real property and buildings to be used by the District; and

WHEREAS, the Lessor and the District desire to finance the Project (as defined in the Trust Agreement defined below) by entering into this Lease/Purchase Agreement (the “Lease”) and authorizing and directing the execution and delivery of certificates of participation designated as the “Perris Union High School District 2019 Certificates of Participation (School Financing Project)” (the “Certificates”), evidencing fractional interests in Lease Payments (as defined in the Trust Agreement) to be made by the District under this Lease; and

WHEREAS, the District has entered into a Site Lease of even date herewith (the “Site Lease”) with the Lessor under which the District has agreed to lease the site and improvements known as [_____] and more fully described in Exhibit B hereto (the “Property”) to the Lessor, and which Site Lease provides that the title to the Property shall vest in the District at the termination of the Site Lease (as provided in Section 8 thereof), and contains other terms and conditions as the governing board of the District deems to be in the best interest of the District; and

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

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND EXHIBITS

Section 1.1. Definitions and Rules of Construction. Unless the context otherwise requires, the capitalized terms used herein shall, for all purposes of this Lease, have the meanings specified in the Trust Agreement related to the Certificates (the “Trust Agreement”), dated as of the date hereof, by and among U.S. Bank National Association, as Trustee thereunder, the Lessor, and the District, together with any amendments thereof or supplements thereto permitted to be made thereunder; and the additional terms defined in this Section shall, for all purposes of this Lease, have the meanings herein specified. Unless the context otherwise indicates, words importing the singular number shall

include the plural number and vice versa. The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this Lease, refer to this Lease as a whole.

“Asbestos Containing Materials” shall mean material in friable form containing more than one percent (1%) of the asbestiform varieties of (a) chrysotile (serpentine); (b) crocidolite (ricbeckite); (c) amosite (cummington-itegrinerite); (d) anthophyllite; (e) tremolite; and (f) actinolite.

“Environmental Regulations” shall mean all Laws and Regulations, now or hereafter in effect, with respect to Hazardous Materials, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended (42 U.S.C. Section 9601, et seq.) (together with the regulations promulgated thereunder, “CERCLA”), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Section 6901, et seq.) (together with the regulations promulgated thereunder, “RCRA”), the Emergency Planning and Community Right-to-Know Act, as amended (42 U.S.C. Section 11001, et seq.) (together with the regulations promulgated thereunder, “Title III”), the Clean Water Act, as amended (33 U.S.C. Section 1321, et seq.) (together with the regulations promulgated thereunder, “CWA”), the Clean Air Act, as amended (42 U.S.C. Section 7401, et seq.) (together with the regulations promulgated thereunder, “CAA”) and the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601 et seq.) (together with the regulations promulgated thereunder, “TSCA”), and any state or local similar laws and regulations and any so-called local, state or federal “superfund” or “superlien” law.

“Independent Insurance Consultant” means a nationally recognized independent actuary, insurance company or broker that has actuarial personnel experienced in the area of insurance for which the District is to self-insured, as may from time to time be designated by the District.

“Laws and Regulations” means any applicable law, regulation, code, order, rule, judgment or consent agreement, including, without limitation, those relating to zoning, building, use and occupancy, fire safety, health, sanitation, air pollution, ecological matters, environmental protection, hazardous or toxic materials, substances or wastes, conservation, parking, architectural barriers to the handicapped, or restrictive covenants or other agreements affecting title to the Property.

“Permitted Encumbrances” means, as of any particular time: (i) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the District may, pursuant to provisions of Section 7.7 hereof, permit to remain unpaid; (ii) the Assignment Agreement; (iii) this Lease; (iv) the Site Lease; (v) any contested right or claim of any mechanic, laborer, materialman, supplier or vendor filed or perfected in the manner prescribed by law to the extent permitted under Section 7.8(b) hereof; (vi) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date and which the District certifies will not materially impair the use of the Property by the District; and (vii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of this Lease and to which the Lessor and the District (with the consent of the Insurer) consent in writing.

“Project” means the Project described in Exhibit C hereto, and any and all substitutions thereto made as provided in Section 3.5 hereof.

“Property” means the site or sites described in Exhibit B hereto and the school facilities located thereon.

“Reserve Replenishment Rent” means Reserve Replenishment Rent payable pursuant to Section 4.4(d) hereof.

“Vendors” or “Contractors” means the persons with whom the Lessor, or the District as agent of the Lessor, has contracted for completion of the Project.

Section 1.2. Exhibits. The following Exhibits are attached to, and by reference made a part of, this Lease:

Exhibit A: Schedule of Lease Payments to be paid by the District to the Lessor, showing the Lease Payment Date and amount of each Lease Payment.

Exhibit B: Legal Description of the Property.

Exhibit C: General Description of the Project.

Exhibit D: Lease Supplement Form.

Exhibit E: Form of Certificate of Substitution or Addition of Project Component.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1. Representations, Covenants and Warranties of the District. The District represents, covenants and warrants to the Lessor and Insurer as follows:

(a) Due Organization and Existence. The District is a school district duly organized and existing under the Constitution and laws of the State.

(b) Authorization; Enforceability. The Constitution and laws of the State authorize the District to enter into this Lease, the Site Lease, and the Trust Agreement, and to enter into the transactions contemplated by and to carry out its obligations under all of the aforesaid leases and agreements; the District has duly authorized and executed all of the aforesaid leases and agreements. This Lease, the Site Lease and the Trust Agreement, assuming the due authorization, execution and delivery by the other parties thereto, constitute the legal, valid and binding obligations of the District enforceable in accordance with their respective terms, except to the extent limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting the rights of creditors generally.

(c) No Conflicts or Default; No Liens or Encumbrances. Neither the execution and delivery of this Lease, the Site Lease, or the Trust Agreement, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the District is now a party or by which the District is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the District, or upon the Property except for Permitted Encumbrances and the pledges contained in the Trust Agreement.

(d) Execution and Delivery. The District has duly authorized and executed this Lease in accordance with the Constitution and laws of the State.

(e) Indemnification of Lessor. The District covenants to defend, indemnify and hold harmless the Lessor and its directors, officers, employees, agents, successors and assigns (collectively, the “Indemnified Party”) against any and all losses, claims, damages or liabilities, joint or several, including fees and expenses incurred in connection therewith, to which such Indemnified Party may become subject under any statute or at law or in equity or otherwise in connection with the transactions contemplated by this Lease, and shall reimburse any such Indemnified Party for any legal or other expenses incurred by it in connection with investigating any claims against it and defending any actions, insofar as such losses, claims, damages, liabilities or actions arise out of the transactions contemplated by this Lease. In particular, without limitation, the District shall and hereby agrees to indemnify and save the Indemnified Party harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on the Property or the Project by the District, (ii) any breach or default on the part of the District in the performance of any of its obligations under this Lease, (iii) any act of negligence of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Property or the Project, (iv) any act of negligence of any assignee or sublessee of the District with respect to the Property, or (v) the completion of the Project or the authorization of payment of the Project Costs by the District. No indemnification is made under this Section or elsewhere in this Lease for claims, losses or damages, including legal fees and expenses arising out of the willful misconduct or negligence under this Lease by the Lessor, its directors, officers, agents, employees, successors or assigns.

(f) General Tax and Arbitrage Covenant. The District hereby covenants that, notwithstanding any other provision of this Lease, it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest with respect to the Certificates under Section 103 of the Code. The District shall not, directly or indirectly, use or permit the use of proceeds of the Certificates or the Project, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest with respect to the Certificates.

The District shall not take any action, or fail to take any action, if any such action or failure to take action would cause the Certificates to be “private activity bonds” within the meaning of Section 141 of the Code, and in furtherance thereof, shall not make any use of the proceeds of the Certificates or the Project, or any portion thereof, or any other funds of the District, that would cause the Certificates to be “private activity bonds” within the meaning of Section 141 of the Code. To that end, so long as any Certificates are outstanding, the District, with respect to such proceeds and the Project and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder and under Section 103 of the Code, to the extent such requirements are, at the time, applicable and in effect.

The District shall not, directly or indirectly, use or permit the use of any proceeds of any Certificates, or of the Project, or other funds of the District, or take or omit to take any action, that would cause the Certificates to be “arbitrage bonds” within the meaning of Section 148 of the Code. To that end, the District shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the Certificates.

The District shall not make any use of the proceeds of the Certificates or any other funds of the District, or take or omit to take any other action, that would cause the Certificates to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(g) Essentiality of Property. The District hereby represents that the components of the Property being leased hereunder are essential school district facilities.

(h) Floodplain. [The District hereby represents that the Property is not in a 100 year floodplain.]

(i) Zoning, Environmental and Safety Ordinance Compliance. The District hereby represents that the Property complies in all respects with applicable zoning, environmental and safety ordinances.

(j) Title Insurance. The District hereby represents that the Property is the same property which is the subject of the CLTA title insurance policy issued by [_____] pursuant to Section 5.5 hereof.

Section 2.2. Representations, Covenants and Warranties of the Lessor. The Lessor represents, covenants and warrants to the District and Insurer as follows:

(a) Due Organization and Existence; Enforceability. The Lessor is a nonprofit public benefit corporation duly organized, existing and in good standing under and by virtue of the laws of the State, has the power to enter into this Lease, the Assignment Agreement, the Site Lease and the Trust Agreement; is possessed of full power to own and hold real and personal property, and to lease and sell the same; and has duly authorized the execution and delivery of all of the aforesaid leases and agreements. This Lease, the Assignment Agreement, the Site Lease and the Trust Agreement, assuming the due authorization, execution and delivery by the other parties thereto, constitute the legal, valid and binding obligations of the Lessor, enforceable in accordance with their respective terms, except to the extent limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting the rights of creditors generally.

(b) No Conflicts or Defaults; No Liens or Encumbrances. Neither the execution and delivery of this Lease, the Assignment Agreement, the Site Lease or the Trust Agreement, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of the Articles of Incorporation or Bylaws of the Lessor or any restriction or any agreement or instrument to which the Lessor is now a party or by which the Lessor is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Lessor, or upon the Property except by Permitted Encumbrances and by the pledge contained in the Trust Agreement.

(c) Execution and Delivery. The Lessor has duly authorized and executed this Lease in accordance with the laws of the State.

(d) Maintenance of Corporate Existence. To the extent permitted by law, the Lessor agrees that during the term hereof it will maintain its existence as a corporation and will not dissolve.

(e) Qualification in California. The Lessor agrees that throughout the term hereof it will be qualified to do business in the State.

(f) General Tax and Arbitrage Covenant. To the extent that the Lessor may control the Project or the proceeds of the Certificates, the Lessor covenants that, notwithstanding any other provision of this Lease, it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Certificates under Section 103 of the Code. To the extent that the Lessor may control the Project or the proceeds of the Certificates, the Lessor shall not, directly or indirectly, use or permit the use of proceeds of the Certificates or the Project, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest with respect to the Certificates.

To the extent that the Lessor may control the Project or the proceeds of the Certificates, the Lessor shall not take any action, or fail to take any action, if any such action or failure to take action would cause the Certificates to be “private activity bonds” within the meaning of Section 141 of the Code. In furtherance thereof, to the extent that the Lessor may control the Project or the proceeds of the Certificates, the Lessor shall not make any use of the proceeds of the Certificates or the Project, or any portion thereof, or any other funds of the District, that would cause the Certificates to be “private activity bonds” within the meaning of Section 141 of the Code. To that end, so long as any Certificates are outstanding, the Lessor, with respect to such proceeds and the Project and such other funds, to the extent of its control thereof will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder and under Section 103 of the Code, to the extent such requirements are, at the time, applicable and in effect.

To the extent that the Lessor may control the Project or the proceeds of the Certificates, the Lessor shall not, directly or indirectly, use or permit the use of any proceeds of any Certificates, or of the Project, or other funds of the District, or take or omit to take any action, that would cause the Certificates to be “arbitrage bonds” within the meaning of Section 148 of the Code. To that end, the Lessor shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the Certificates.

To the extent that the Lessor may control the proceeds of the Certificates, the Lessor shall not make any use of the proceeds of the Certificates or any other funds of the District, or take or omit to take any other action, that would cause the Certificates to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

ARTICLE III

ACQUISITION, CONSTRUCTION AND INSTALLATION OF THE PROJECT

Section 3.1. Deposit of Certificate Proceeds. On the Closing Date, the Lessor agrees to pay or cause to be paid to the District moneys to be deposited with the Trustee as provided in Section 2.06 of the Trust Agreement.

Section 3.2. Completion of the Project. The District shall arrange for, supervise and provide for, or cause to be supervised and provided for, the construction and completion of the

Project. The District shall enter into one or more contracts or purchase orders providing for completion of the Project.

Section 3.3. Payment of Project and Delivery Costs. Payment of the Project Costs and Delivery Costs shall be made from the moneys deposited with the Trustee in the Project Fund as provided in Section 3.1 hereof and Section 2.06 of the Trust Agreement, which shall be disbursed in accordance and upon compliance with Article III of the Trust Agreement.

Section 3.4. Completion Certification. Upon completion of all portions of the Project, satisfactory to the District, the District shall deliver to the Trustee a Certificate of Completion with respect thereto. On the date of filing the Certificate of Completion, as indicated therein, all excess moneys remaining in the Project Fund shall be transferred by the Trustee in accordance with Section 3.04 of the Trust Agreement.

Section 3.5. Substitution of or Addition to the Project. The District shall have the right to substitute alternate items for any portion of the Project listed in Exhibit C hereto or provide for additional components of the Project by providing the Trustee with a written certificate in the form contained in Exhibit E hereto and so long as such substitution or addition does not cause, in and of itself, the interest represented by the Certificates to be included in gross income for federal income tax purposes.

Section 3.6. Compliance with Law.

(a) Public Bidding. The District shall comply with all applicable provisions for bids and contracts prescribed by law, including, without limitation, the Public Contract Code, the Education Code, and the Government Code of the State.

(b) Wage Rates and Working Hours. The District shall comply with all applicable provisions relating to prevailing wage rates and working hours, as applicable, required by the Education Code of the State.

(c) Field Act Compliance. If applicable, the District shall acquire, construct and install the Project in such manner as to comply with the Field Act.

(d) Plans and Specifications. If applicable, the District shall prepare and adopt plans and specifications for the acquisition, construction and installation of the Project or portions thereof pursuant to the Education Code of the State.

Section 3.7. Further Assurances and Corrective Instruments. The Lessor 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 Property hereby leased or intended so to be or for carrying out the expressed intention of this Lease.

ARTICLE IV

AGREEMENT TO LEASE; TERM OF LEASE; LEASE PAYMENTS

Section 4.1. Lease. The Lessor hereby leases the Property to the District, and the District hereby leases the Property from the Lessor, upon the terms and conditions set forth herein. This

Lease shall not operate as a merger of the District's leasehold estate in the Property pursuant to this Lease and its fee estate in the Property and shall not cause the extinguishment of the leasehold interest granted to the Lessor under the Site Lease.

Section 4.2. Term. The Term of this Lease shall commence on the date of execution hereof and shall end on October 1, 20__, unless extended pursuant to Section 4.3, or unless terminated prior thereto upon the earliest of any of the following events:

(a) Default and Termination. A default by the District and the election of the Lessor (or its assignee) to terminate this Lease under Section 9.2(b) hereof;

(b) Payment of All Lease Payments. The payment by the District of all Lease Payments and Reserve Replenishment Rent required under Section 4.4 hereof and any Additional Payments required under Section 4.11 hereof; or

(c) Prepayment. The deposit of funds or Government Obligations with the Trustee in amounts sufficient to pay all Lease Payments as the same shall become due, as provided by Section 10.1 hereof and as provided by Section 14.01 of the Trust Agreement; or

(d) Purchase. Upon the exercise by the District of its option to purchase all of the Lessor's interest in the Property as provided in Section 7.3 hereof; provided, however, that upon exercise by the District of its option to purchase the Lessor's interest in a portion of the Property, as provided in Section 7.3, the Lease shall be terminated only with respect to that portion of the Property.

Section 4.3. Extension of Lease Term. If on October 1, 20__, the Certificates shall not be fully paid, or if the Lease Payments hereunder shall have been abated at any time and for any reason, or amounts shall be due to the Insurer with respect to the Insurance Policy or Reserve Policy, respectively, then the Term shall be extended until all such Certificates, Lease Payments or amounts due to the Insurer shall be fully paid, except that the Term shall in no event be extended beyond October 1, 20__.

Section 4.4. Lease Payments.

(a) Time and Amount. Subject to the provisions of Section 4.10 (regarding abatement in event of loss of use of any portion of the Property), Section 7.3 (regarding option to purchase) and Article X (regarding prepayment of Lease Payments), the District agrees to pay to the Lessor, its successors and assigns, as annual rental for the use and possession of the Property, the Lease Payments (denominated into components of principal and interest, the interest component being paid semiannually) in the amounts specified in Exhibit A, to be due and payable on the fifteenth (15th) day of the month (or if such day is not a Business Day, the next succeeding Business Day) immediately preceding the respective Certificate Payment Dates as specified in Exhibit A (the "Lease Payment Date") which are sufficient in both time and amount to pay when due the annual principal and semiannual interest represented by the Certificates.

In the event the District does not pay a Lease Payment due on the respective Lease Payment Date, the Trustee shall provide prompt written notice to the District and the Insurer of such failure to pay; provided, however, that failure to give such notice shall not excuse any event of default under such Section 9.1 hereof.

(b) Credits. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than accrued and capitalized interest, which shall be credited in accordance with Section 5.04 of the Trust Agreement, and other than amounts resulting from the prepayment of the Lease Payments in part but not in whole pursuant to Section 10.2 hereof and other amounts required for payment of principal with respect to any Certificates not presented for payment or interest) shall be credited towards the Lease Payment then due and payable. No Lease Payment need be made on any Lease Payment Date if the amounts then held in the Lease Payment Fund are at least equal to the Lease Payment then required to be paid.

(c) Rate on Overdue Payments. In the event the District should fail to make any of the Lease Payments required in this Section, the Lease Payment in default shall continue as an obligation of the District until the amount in default shall have been fully paid, and the District agrees to pay the same with interest thereon, to the extent permitted by law, from the date such amount was originally payable at the rate equal to the original interest rate payable with respect to each Certificate then Outstanding.

(d) Reserve Replenishment Rent. If

(i) funds have been withdrawn from the Reserve Fund or there has been a draw on a Reserve Facility held therein in order to pay interest or principal represented by the Certificates or if there shall be a deficiency in the Reserve Fund resulting from a decrease of 10% or more in the market value of the Permitted Investments in the Reserve Fund determined as provided in Section 8.05(a) of the Trust Agreement, and

(ii) Lease Payments are not then in abatement pursuant to Section 4.10 hereof, and

(iii) the amount of such Lease Payments is less than the fair rental value of the Property, and

(iv) the amount on deposit in the Reserve Fund is less than the Reserve Requirement, or the amount on deposit in the Lease Payment Fund is less than the amount required to be on deposit therein corresponding to the cumulative gross Lease Payments,

then the District shall pay from its first legally available moneys after payment of Lease Payments, to the Trustee, Reserve Replenishment Rent in the amount of the deficiency, or, in the case of a draw on the Reserve Policy, in an amount necessary to reimburse the Insurer for the repayment of the amount drawn on the Reserve Policy, including interest thereon at the Late Payment Rate, consistent in each case with such fair rental value --

(A) (1) over a period of not more than four months, in four (4) substantially equal payments, in the event of a deficiency from a decrease in the market value of the Permitted Investments on deposit in the Reserve Fund or the Lease Payment Fund, or (2) over a period extending not more than 12 months, in substantially equal monthly payments, in the event of a deficiency from a withdrawal of amounts from the Reserve Fund to pay principal and interest with respect to the Certificates or to repay any required amounts drawn from a Reserve Facility, and

(B) from the first moneys legally available therefor provided that such payment is consistent with the fair market rental value of the Property, or

(C) if such payments prescribed in clause (A) or (B) are inconsistent with fair market rental value, in such maximum amounts as shall be consistent with fair rental value on each Lease Payment Date until the amount of such Reserve Replenishment Rent paid equals the amount of funds withdrawn from the Reserve Fund or drawn upon the Reserve Policy (including in such amount interest in respect of such drawing at the Late Payment Rate) or upon any other Reserve Facility, to pay interest or principal represented by the Certificates or the decrease in value of Permitted Investments in the Reserve Fund or the Lease Payment Fund.

Section 4.5. No Withholding. Notwithstanding any dispute between the Lessor and the District, including a dispute as to the failure of any portion of the Property in use by or possession of the District to perform the task for which it is leased, the District shall make all Lease Payments, Reserve Replenishment Rent and Additional Payments when due and shall not withhold any Lease Payments, Additional Payments or Reserve Replenishment Rent pending the final resolution of such dispute.

Section 4.6. Fair Rental Value. The Lease Payments shall be paid by the District in consideration of the right of possession of, and the continued quiet use and enjoyment of, the Property during each such period for which said Lease Payments are to be paid. The parties hereto have agreed and determined that such total rental represents the fair rental value of the Property. In making such determination, consideration has been given to the insured replacement value of the Property, other obligation of the parties under this Lease (including but not limited to costs of maintenance, taxes and insurance), the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the District and the general public, and the transfer of the Lessor's leasehold interest in the Property at the end of the Term. In the event that the District and the Trustee, as assignee of the Lessor, agree subsequent to the date hereof that Lease Payments hereunder are less than the fair rental value of the Property, the District and the Trustee may mutually agree that the District shall increase the Lease Payments payable hereunder to reflect such fair rental value.

Section 4.7. Budget and Appropriation.

(a) The District covenants to take such action as may be necessary to include in its annual budget and to make all necessary annual appropriations for all Lease Payments, Reserve Replenishment Rent and Additional Payments (to the extent the amounts of such Reserve Replenishment Rent and Additional Payments are known to the District at the time its annual budget is proposed), and to maintain such items to the extent unpaid for that Fiscal Year in its budget throughout such Fiscal Year. To the extent the amount of such payments becomes known after the adoption of the annual budget, such amounts shall be included and maintained in such budget as amended. During the Term of this Lease, the District will furnish annually, on or before June 30 of each year, to the Trustee a certificate of the District Representative stating that all Lease Payments, Additional Payments and Reserve Replenishment Rent due hereunder for the applicable Fiscal Year have been included in its annual budget and the amount so included.

(b) Reserved.

(c) The covenants on the part of the District herein contained shall be deemed to be and shall be construed to be duties imposed by law and it shall be the ministerial 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.

Section 4.8. Assignment of Lease Payments. Certain of the Lessor's rights under this Lease, including the right to receive and enforce payment of the Lease Payments, Additional Payments, Reserve Replenishment Rent and Prepayments, to be made by the District hereunder, have been assigned to the Trustee, subject to certain exceptions, pursuant to the Assignment Agreement, to which assignment the District hereby consents. The Lessor hereby directs the District, and the District hereby agrees, to pay to the Trustee at the Trustee's corporate trust office in St. Paul, Minnesota, or to the Trustee at such other place as the Trustee shall direct in writing, all Lease Payments, Additional Payments, Reserve Replenishment Rent or Prepayments thereof payable by the District hereunder. The Lessor will not assign or pledge the Lease Payments or other amounts derived from the Property and from its other rights under this Lease except as provided under the terms of this Lease, the Assignment Agreement and the Trust Agreement, or its duties and obligations except as provided under this Lease, and any assignments in contravention hereof shall be void.

Section 4.9. Use and Possession. The total Lease Payments due in any Fiscal Year shall be for the District's right to use and possession of the Property for such Fiscal Year.

Section 4.10. Abatement of Lease Payments in Event of Loss of Use.

(a) Period. The obligation of the District to pay Lease Payments, Additional Payments and Reserve Replenishment Rent shall be abated during any period in which by reason of damage, destruction or taking by eminent domain or condemnation with respect to any portion of the Property there is substantial interference with the District's right to use and possession of such portion of the Property.

(b) Amount. The amount of such abatement shall be determined by the District such that the resulting Lease Payments and Reserve Replenishment Rent represent fair consideration for the District's right to use and possession of the portion of the Property not damaged, destroyed or taken. The District shall calculate such abatement and shall provide the Trustee and the Insurer with a certificate setting forth such calculations and the basis therefor. Such abatement shall commence with such damage, destruction or taking and end with the substantial completion of the replacement or work or repair; provided, however, that during abatement, available moneys on deposit in the Reserve Fund and the Lease Payment Fund, and other special sources of money, including without limitation proceeds of rental interruption insurance, shall be applied to pay the Lease Payments.

(c) Repair or Replacement. In the event of such abatement, the District will use its best efforts to repair or replace the damaged or destroyed or taken portion of the Property, as the case may be, from Net Proceeds, subject to the requirements of Section 6.1 hereof, or special funds of the District or other moneys the application of which would not result in the obligations of the District hereunder constituting indebtedness of the District in contravention of the Constitution and laws of the State.

Section 4.11. Additional Payments. In addition to the Lease Payments, the District shall also pay such amounts (“Additional Payments”) as shall be required for the payment of all administrative costs of the Lessor relating to the Property or the Certificates, including without limitation, amounts due by the District to the Insurer, including all amounts due pursuant to the Trust Agreement (and excepting for Reserve Replenishment Rent due pursuant to Section 4.4(d) hereof), all expenses, compensation and indemnification of the Trustee payable by the District under the Trust Agreement, all fees and expenses owed to the Lessor under this Lease, taxes of any sort whatsoever payable by the Lessor as a result of its interest in the Property or undertaking of the transactions contemplated herein or in the Trust Agreement, fees of auditors, accountants, attorneys or engineers, and all other necessary administrative costs of the Lessor or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Certificates or of the Trust Agreement including premiums or insurance maintained pursuant to Article V hereof or to indemnify the Lessor and its employees, officers and directors, the Lessor and its agents, successors and assigns and the Trustee.

Section 4.12. Net-Net-Net Lease. This Lease shall be deemed and construed to be a “net-net-lease” and the District hereby agrees that the Lease Payments shall be an absolute net return to the Lessor, free and clear of any expenses, charges or set-offs whatsoever, except as expressly provided herein.

ARTICLE V

INSURANCE

Section 5.1. Public Liability and Property Damage.

(a) Coverage. The District shall maintain or cause to be maintained, throughout the Term hereof, a standard comprehensive general public liability and property damage insurance policy or policies in protection of the District, the Lessor and their officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the use or operation of any District property or portion thereof.

(b) Limits. [Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$150,000 (subject to a deductible clause of not to exceed \$50,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy covering all such risks in an amount equal to the liability limits set forth herein.]

(c) Joint or Self-Insurance. Such liability insurance, including the deductible, may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and, subject to compliance with Section 5.6(e) hereof, may be maintained in the form of self-insurance by the District.

(d) Payment of Net Proceeds. The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

Section 5.2. Workers' Compensation. The District shall also maintain workers' compensation insurance issued by a responsible 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.

Section 5.3. Casualty and Theft Insurance.

(a) Casualty and Theft Insurance: Coverage. The District shall procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease, insurance against loss or damage to any portion of the Property caused by fire and lightning, with extended coverage and theft, vandalism and malicious mischief insurance but excluding earthquake and flood insurance to the extent not commercially available at a reasonable cost in the judgment of the District. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance.

(b) Amount. [Such insurance shall be in an amount (except that such insurance may be subject to deductible clauses of not to exceed \$100,000 for any one loss) not less than the greater of (i) replacement cost of the Property and (ii) the aggregate principal amount of the Certificates at the time Outstanding.]

(c) Joint or Self-Insurance. Such insurance may be maintained as part of or in conjunction with any other insurance carried or required to be carried by the District, and, subject to compliance with Section 5.6(e) hereof, may be maintained in the form of self-insurance by the District.

(d) Payment of Net Proceeds. The Net Proceeds of such insurance shall be paid to the Trustee and deposited in the Net Proceeds Fund and applied as provided in Section 6.1.

Section 5.4. Rental Interruption Insurance.

(a) Coverage and Amount. The District shall maintain or cause to be maintained rental income or use and occupancy insurance in an amount not less than the maximum remaining scheduled Lease Payments in any future 24-month period, to insure against loss of rental income from the Property caused by perils covered by the insurance required to be maintained as provided in Section 5.3 hereof. Notwithstanding the foregoing, rental interruption insurance will not be provided in connection with earthquake or flood events unless commercially available at a reasonable cost in the judgment of the District. Such rental interruption insurance shall name the Trustee and the Lessor as additionally secured parties and may not be provided in the form of self-insurance.

(b) Joint Insurance. Such insurance may be maintained as part of or in conjunction with any other rental income insurance carried by the District.

(c) Payment of Net Proceeds. The Net Proceeds of such rental interruption insurance shall be paid to the Trustee and deposited (1) in the Reserve Fund to make up any deficiencies therein or to reimburse draws on a Reserve Facility, and thereafter (2) deposited in the Lease Payment Fund, to be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable.

Section 5.5. Title Insurance. The District shall obtain and, throughout the Term of this Lease, maintain or cause to be maintained title insurance on the Property, in the form of a CLTA title policy acceptable to the Insurer, in an amount equal to the aggregate principal amount of the Certificates Outstanding, issued by a company of recognized standing, duly authorized to issue the same, payable to the Trustee for the benefit of the Owners, subject only to Permitted Encumbrances. Said policy or policies shall insure (a) the fee interest of the District in the Property, (b) the Lessor's ground leasehold estate in the Property under the Site Lease, and (c) the District's leasehold estate hereunder in the Property, subject only to Permitted Encumbrances. All Net Proceeds received under said policy or policies shall be deposited with the Trustee and applied as provided in Section 7.02 of the Trust Agreement. So long as any of the Certificates remain Outstanding, each policy of the title insurance obtained pursuant hereto or required hereby shall provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Certificate Owners.

Section 5.6. General Insurance Provisions.

(a) Form of Policies. All policies of insurance required to be procured and maintained pursuant to this Lease and any statements of self-insurance shall be in a form certified by an insurance agent, broker or consultant to the District to comply with the provisions hereof. All such policies shall provide that the District shall give the Trustee and the Insurer thirty (30) days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby and shall be provided by carriers rated in the two highest rating categories without regard to modifiers by S&P or Moody's or at least "A" by A.M. Best Company, Inc. Each policy of insurance required to be procured and maintained pursuant to Section 5.3 (regarding casualty and theft insurance), Section 5.4 (regarding rental interruption insurance) and Section 5.5 (regarding title insurance) shall provide that the Trustee and the Lessor are additional insureds and all proceeds thereunder shall be payable to the Trustee for the benefit of the Owners.

(b) Payment of Premiums. The District shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease, and shall promptly furnish or cause to be furnished to the Trustee a certificate to such effect, as described in paragraph (d) below.

(c) Protection of the Trustee. The Trustee shall not be responsible for the sufficiency or adequacy of any insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the District.

(d) Evidence of Insurance. The District shall cause to be delivered to the Trustee and the Insurer annually on or before [September] 1 a certificate stating that the insurance policies required by this Lease are in full force and effect.

(e) Self Insurance. Subject to the written consent of the Insurer (so long as the Insurer is not in default of its payment obligations under the Policy), the District may only elect to self-insure pursuant to Sections 5.1 and 5.2 and, with the consent of the Insurer, Section 5.3 hereof, if and to the extent such self-insurance method or plan of protection shall afford reasonable protection to the Lessor and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by other school districts in the State other than the District. Any self-insurance maintained by the District pursuant to this Article V shall comply with the following terms:

(i) The self-insurance program shall be approved in writing by an Independent Insurance Consultant;

(ii) The self-insurance program shall include an actuarially sound claims reserve fund out of which each self-insured claim shall be paid; the adequacy of such fund shall be evaluated on an annual basis by an Independent Insurance Consultant; and any deficiencies in any self-insured claims reserve fund shall be remedied in accordance with the recommendation of such Independent Insurance Consultant;

(iii) The self-insured claims reserve fund shall be held in a separate trust fund by an independent trustee, which may be the Trustee; and

(iv) In the event the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund, as determined by an Independent Insurance Consultant, shall be maintained.

Section 5.7. Cooperation. The Lessor shall cooperate fully with the District at the expense of the District in filing any proof of loss with respect to any insurance policy maintained pursuant to this Article and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Property or any portion thereof.

ARTICLE VI

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

Section 6.1. Application of Net Proceeds.

(a) Deposit in Net Proceeds Fund. The District shall remit promptly to the Trustee any Net Proceeds received by the District and the Trustee, pursuant to Section 7.01 of the Trust Agreement, shall deposit such Net Proceeds of insurance which it receives in the Net Proceeds Fund as provided in Section 5.3 (regarding casualty and theft insurance) and Section 5.5 (regarding title insurance) promptly upon receipt thereof. The District and/or the Lessor shall transfer to the Trustee any other Net Proceeds received by the District and/or Lessor in the event of any accident, destruction, theft or taking by eminent domain or condemnation with respect to the Project, for deposit in the Net Proceeds Fund.

(b) Disbursement for Replacement or Repair of the Property. Upon receipt of the certification described in paragraph (i) below, the requisition described in paragraph (ii) below, and the prior written consent of the Insurer (so long as the Insurer is not in default of its payment obligations under the Insurance Policy) the Trustee shall disburse moneys in the Net Proceeds Fund to the person, firm or corporation named in the requisition as provided in Section 7.02 of the Trust Agreement.

(i) Certification. The District Representative must certify to the Lessor and the Trustee that:

(A) Sufficiency of Net Proceeds. The Net Proceeds available for such purpose, together with any other funds supplied by the District to the Trustee in a subaccount of the Net Proceeds Fund for such purpose, are

expected to equal at least 110% of the projected costs of replacement or repair (or such lesser percentage as may be consented to by the Insurer) as demonstrated in an attached reconstruction budget, and

(B) Timely Completion. In the event that damage, destruction or taking results or is expected to result in an abatement of Lease Payments, such replacement or repair can be fully completed within a period not in excess of the period in which rental interruption insurance proceeds, as described in Section 5.4 together with other identified available moneys, will be available to pay in full all Lease Payments coming due during such period as demonstrated in an attached reconstruction schedule.

(ii) Requisition. The District Representative must state with respect to each payment to be made (1) the requisition number, (2) the name and address of the person, firm or corporation to whom payment is due, (3) the amount to be paid and (4) that each obligation mentioned therein has been properly incurred, is a proper charge against the Net Proceeds Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation. Each such requisition signed by the District Representative shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

Any balance of the Net Proceeds remaining after such replacement or repair has been completed and after payment or provision for payment of all Certificates as provided in Section 7.02 of the Trust Agreement shall be paid to the District after payment of amounts due the Trustee pursuant to Section 9.06 and 9.07 of the Trust Agreement, and any amounts due to the Insurer.

(c) Disbursement for Prepayment. If the District Representative notifies the Trustee in writing of the District's determination that the certification provided in Section 6.1(b)(i) cannot be made or that replacement or repair of any portion of the Property is not economically feasible or in the best interest of the District, then the Trustee shall, with the prior written consent of the Insurer, promptly transfer the Net Proceeds to the Prepayment Fund as provided in Section 7.02 of the Trust Agreement and apply them to prepayment of the Certificates as provided in Section 4.02 of the Trust Agreement and prepayment of Lease Payments as provided in Section 10.2 hereof; provided that in the event of damage or destruction in whole of the Property and in the event such Net Proceeds, together with funds then on hand in the Lease Payment Fund and Reserve Fund are not sufficient to prepay all the Certificates then Outstanding, then the District shall not be permitted to certify that repair, replacement or improvement of all of the Property is not economically feasible or in the best interest of the District. In such event, the District shall proceed to repair, replace or improve the Property as described herein from legally available funds in the then-current Fiscal Year and shall make the required notification to the Trustee pursuant to Section 7.02 of the Trust Agreement and the Trustee shall disburse moneys in the Net Proceeds Fund to the person, firm, or corporation named in the requisition as provided therein.

ARTICLE VII

COVENANTS WITH RESPECT TO THE PROPERTY

Section 7.1. Use of the Property. The District represents and warrants that it has an immediate need for, and expects to make immediate use of, all of the Property, which need is not temporary or expected to diminish in the foreseeable future.

Section 7.2. Interest in the Property and the Lease.

(a) Lessor Holds Leasehold Interest During Term. During the Term of this Lease, the Lessor does and shall hold a leasehold interest in the Property pursuant to the Site Lease. The District shall take any and all actions reasonably required, including but not limited to executing and filing any and all documents reasonably required, to maintain and evidence such title and interest at all times during the Term of this Lease.

(b) Title Transferred to the District at End of Term. Upon expiration of the Term as provided in Section 4.2(b) or 4.2(c) hereof, all right, title and interest of the Lessor in and to all of the Property shall be transferred to and vest in the District, without the necessity of any additional document of transfer.

Section 7.3. Option to Purchase. The District may exercise an option to purchase the Lessor's interest under the Site Lease and this Lease in the Property by depositing with the Trustee cash and/or Government Obligations as provided in Section 14.01 of the Trust Agreement. In such event, all or a portion of the obligations of the District under this Lease, and the security provided by this Lease for said obligations or said portion of the obligations, shall cease and terminate as provided in Section 4.2 hereof, excepting in the case all of the Lessor's interest has been purchased, only the obligation of the District to make, or cause to be made, such Lease Payments from such deposit. In the event Lease Payments, Reserve Replenishment Rent and Additional Payments under this Lease, and any other amounts owed to the Insurer, have been paid in full, on the date of said deposit, the Lessor's interest in the Property shall revert and transfer to the District automatically and without further action by the District or the Lessor, and the Lessor shall execute and deliver such further instruments and take such further action as may reasonably be requested by the District for carrying out the reversion and transfer of the Lessor's interests in the Property. In the event Lease Payments under this Lease have been paid in part only, on the date of said deposit, the District shall, with consent of the Insurer, specify a discrete portion of the Lessor's interest in the Property for reversion and transfer to the District and the Lessor shall execute and deliver such further instruments and take such further action as may reasonably be requested by the District for carrying out the reversion and transfer of such portion of the Lessor's interest in the Property; provided, that such portion shall revert and transfer to the District only if the reduction in the fair rental value of the Property effected by such reversion and transfer at the time of such reversion and transfer is proportionately less than or equal to the reduction in the maximum annual Lease Payments under this Lease effected by such purchase. Any such deposit shall be deemed to be and shall constitute a special fund for the payment of Lease Payments in accordance with Section 4.4 hereof.

Section 7.4. Quiet Enjoyment. During the Term, the Lessor shall provide the District with quiet use and enjoyment of the Property, and the District shall during such Term peaceably and quietly have and hold and enjoy the Property, without suit, trouble or hindrance from the Lessor, or any person or entity claiming under or through the Lessor except as expressly set forth in this Lease.

The Lessor will, at the request of the District, join in any legal action in which the District asserts its right to such possession and enjoyment to the extent the Lessor may lawfully do so. Notwithstanding the foregoing, the Lessor shall have the right to inspect the Property as provided in Section 7.6 hereof.

Section 7.5. Installation of the 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 any portion of the Property. All such items shall remain the sole personal property of the District, regardless of the manner in which the same may be affixed to such portion of the Property, in which neither the Lessor nor the Trustee shall have any interest, and may be modified or removed by the District at any time; provided that the District shall repair and restore any and all damage to such portion of the Property resulting from the installation, modification or removal of any such items of equipment. Nothing in this Lease shall prevent the District from purchasing items to be installed pursuant to this Section, provided that no lien or security interest shall attach to any part of the Property.

Section 7.6. Access to the Property. The District agrees that the Lessor, any Corporation Representative and the Lessor's successors, assigns or designees shall have the right at all reasonable times to enter upon the Property or any portion thereof to examine and inspect the Property. The District further agrees that the Lessor, any such Corporation Representative, and the Lessor's successors, assigns or designees shall have such rights of access to the Property as may be reasonably necessary to cause the proper maintenance of the Property in the event of failure by the District to perform its obligations hereunder.

Section 7.7. Maintenance, Utilities, Taxes and Assessments.

(a) Maintenance; Repair and Replacement. Throughout the Term of this Lease, as part of the consideration for the rental of the Property, all repair and maintenance of the Property shall be the responsibility of the District, and the District shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the District or any sublessee thereof. In exchange for the Lease Payments herein provided, the Lessor agrees to provide only the Property, as hereinbefore more specifically set forth. The District waives the benefits of subsections 1 and 2 of Section 1932 of the California Civil Code, but such waiver shall not limit any of the rights of the District under the terms of this Lease.

(b) Tax and Assessments; Utility Charges. The District shall also pay or cause to be paid all taxes and assessments, including but not limited to utility charges, of any type or nature charged to the Lessor or the District or levied, assessed or charged against any portion of the 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 shall be 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.

(c) Contests. The District may, upon notice to the Insurer, at its 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; provided that prior to such nonpayment it shall furnish the Insurer, the Lessor and the Trustee with the opinion of an

Independent Counsel acceptable to the Insurer, the Lessor and the Trustee, to the effect that, by nonpayment of any such items, the interest of the Lessor in such portion of the Property will not be materially endangered and that the Property will not be subject to loss or forfeiture. Otherwise, the District shall promptly pay such taxes, assessments or charges or make provisions for the payment thereof in form satisfactory to the Lessor and the Insurer. The Lessor will cooperate fully in such contest, upon the request and at the expense of the District.

Section 7.8. Modification of the Property.

(a) Additions, Modifications and Improvements. Following the completion of the Project, the District shall, at its own expense, have the right to make additions, modifications, and improvements to any portion of the Property if such improvements are necessary or beneficial for the use of such portion of the Property. Unless otherwise specifically contracted for, all such additions, modifications and improvements shall thereafter comprise part of the Property and be subject to the provisions of this Lease. Such additions, modifications and improvements shall not in any way damage any portion of the Property or cause it to be used for purposes other than those authorized under the provisions of State and federal law or in any way which would impair the State tax-exempt status or the exclusion from gross income for federal income tax purposes of the interest components of the Lease Payments; and the Property, upon completion of any additions, modifications and improvements made pursuant to this Section, shall be of a value which is not substantially less than the value of the Property immediately prior to the making of such additions, modifications and improvements.

(b) No Liens. Except for Permitted Encumbrances, the District will not permit any mechanic's or other lien to be established or remain against the Property for labor or materials furnished in connection with any additions, modifications or improvements made by the District pursuant to this Section; provided that if any such lien is established and the District shall first notify or cause to be notified the Lessor of the District's intention to do so, the District may in good faith contest any lien filed or established against the Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Lessor with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Trustee (as assignee of the Lessor). The Lessor will cooperate fully in any such contest, upon the request and at the expense of the District.

(c) Replacements, Redevelopment and Renovation. Following completion of the Project, the District shall, at its own expense (and with the consent of the Insurer, so long as the Insurer is not in default of its payment obligations under the Insurance Policy), have the right to make replacements, redevelop or renovate of all or a portion of the Property if the following conditions precedent are satisfied:

(i) The District receives an opinion of Special Counsel, a copy of which the District shall furnish to the Lessor, the Insurer and the Trustee, that (1) such replacement does not adversely affect the federal income tax exclusion or the State tax-exempt status of the interest components of the Lease Payments, and (2) the Lease will remain the legal, valid, binding and enforceable obligation of the District;

(ii) In the event such replacement, redevelopment or renovation would result in the temporary abatement of Lease Payments as provided in Section 4.10

hereof, the District shall deposit moneys with the Trustee in advance for payment of Lease Payments from special funds of the District or other moneys, the application of which would not, in the opinion of Special Counsel (a copy of which shall have been delivered to the Insurer and the Trustee), result in such Lease Payments constituting indebtedness of the District in contravention of the Constitution and laws of the State;

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

(iv) In the case of replacement or redevelopment, the District certifies to the Insurer and the Trustee that the annual fair rental value of the replacements will be at least equal to the lesser of (1) the annual fair rental value of the Property immediately prior to such replacement or redevelopment, or (2) 150% of the maximum annual Lease Payments under this Lease.

Section 7.9. Encumbrances; Alternative Financing Methods.

(a) Encumbrances. Except as provided in this Article VII (including without limitation Section 7.8 hereof and this Section 7.9), the District shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, liens, charges, encumbrances or claims, as applicable, on or with respect to the Property, other than Permitted Encumbrances and other than the respective rights of the Lessor and the District as herein provided. Except as expressly provided in this Article VII, the District shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time; provided that the District may contest such liens if it desires to do so. The District shall reimburse the Lessor for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

(b) Alternative Financing Methods. Notwithstanding the foregoing, the District, with the prior written consent of the Insurer, may create or suffer to create any mortgage, pledge, liens, charges, encumbrances or claims upon the Property or any improvements thereto, provided that (1) any such mortgage, pledge, liens, charges, encumbrances or claims shall at any time while any of the Certificates remain Outstanding be and remain subordinate in all respects to the Site Lease and this Lease and any security interest given to the Trustee for the benefit of the Owners and (2) the District shall have first delivered to the Trustee and the Insurer an opinion of Special Counsel substantially to the effect that such mortgage, pledge, liens, charges, encumbrances or claims would not, in and of themselves, result in the inclusion of the interest portion of any Lease Payments in the gross income of the owners of the Certificates for purposes of federal income taxation or impair the State tax-exempt status of such payments.

Section 7.10. Lessor's Disclaimer of Warranties. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE DISTRICT OF THE PROPERTY, OR ANY PORTION THEREOF. THE DISTRICT ACKNOWLEDGES THAT THE LESSOR IS NOT A MANUFACTURER OF PORTIONS OF THE PROPERTY, AND THAT THE DISTRICT IS LEASING THE PROPERTY AS IS. In no event shall the Lessor be liable for incidental, indirect, special or consequential damages, in connection with or arising out of this Lease,

the Site Lease, the Assignment Agreement or the Trust Agreement for the existence, furnishing, functioning or the District's use and possession of the Property.

Section 7.11. The District's Right to Enforce Warranties of Vendors or Contractors. The Lessor hereby irrevocably appoints the District its agent and attorney-in-fact during the Term of this Lease, so long as the District shall not be in default hereunder, to assert from time to time whatever claims and rights, including without limitation, warranty claims, claims for indemnification and claims for breach of any representations, respecting the Property which the Lessor may have against any vendor or contractor. The District's sole remedy for the breach of any such warranty, indemnification or representation shall be against the vendor or contractor with respect thereto, and not against the Lessor, nor shall such matter have any effect whatsoever on the rights and obligations of the Lessor with respect to this Lease, including the right to receive full and timely Lease Payments and all other payments due hereunder. The District shall be entitled to retain any and all amounts recovered as a result of the assertion of any such claims and rights. The Lessor shall, upon the District's request and at the District's expense, do all things and take all such actions as the District may request in connection with the assertion of any such claims and rights.

Section 7.12. Substitution or Release of the Property. The District shall, with the prior written consent of the Insurer, have the right to substitute alternate real property for any portion of the Property described in Exhibit B hereto or to release a portion of the Property from the lien of this Lease by providing the Trustee with a supplement to this Lease substantially in the form attached as Exhibit D hereto. All costs and expenses incurred in connection with such substitution or release shall be borne by the District. Notwithstanding any substitution pursuant to this Section, there shall be no reduction in or abatement of the Lease Payments due from the District hereunder as a result of such substitution. No substitution or release shall be permitted hereunder unless:

(a) the District finds that the substituted real property (i) has a fair rental value greater than or equal to the fair rental value of the Property to be released so that the Lease Payments secured by the Property to be released being payable by the District pursuant to the Lease will not be reduced and (ii) has an equivalent or greater useful life as the Property to be released and that the useful life of the substituted real property exceeds the remaining term of the Lease Payments hereunder;

(b) the District obtains or causes to be obtained a CLTA title insurance policy with endorsement so as to be payable to the Trustee for the benefit of the Owners. Such policy shall comply with Section 5.5 hereof, shall be in a form satisfactory to the Insurer and the Lessor, shall be in the amount equal to the principal component of Lease Payments attributable to the substituted real property, and shall insure the leasehold interest or the fee simple interest of the Lessor or the District, as applicable, to the substituted real property;

(c) the District provides the Lessor, the Insurer and the Trustee with an opinion of Special Counsel that such substitution or release does not cause, in and of itself, the interest evidenced and represented by the Certificates to be included in gross income for federal income tax purposes;

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

(e) upon the substitution of any real property and improvements thereon for all or a portion of the Property then existing, the District, the Lessor and the Trustee shall execute and the District shall record with the office of the County Recorder, Riverside County, California, any document necessary to reconvey to the District the portion of the Property being substituted and to include the substituted real property and/or improvements thereon as all or a portion of the Property;

(f) the District shall certify to the Trustee and the Insurer that the substituted real property is of approximately the same degree of essentiality to the District as the portion of the Property being replaced; and

(g) if the District releases a portion of the Property, the District shall certify that the remaining portion of the Property has a sufficient fair rental value so that Lease Payments payable by the District pursuant to the Lease will not be reduced.

Section 7.13. Compliance with Law, Regulations, Etc.

(a) The District has, after due inquiry, no knowledge and has not given or received any written notice indicating that the Property or the past or present use thereof or any practice, procedure or policy employed by it in the conduct of its business materially violates any Laws and Regulations. Without limiting the generality of the foregoing, neither the District nor to the best of its knowledge, after due inquiry, any prior or present owner, tenant or subtenant of the Property has, other than as set forth in subsections (a) and (b) of this Section or as may have been remediated in accordance with Laws and Regulations, (i) used, treated, stored, transported or disposed of any material amount of flammable explosives, polychlorinated biphenyl compounds, heavy metals, chlorinated solvents, cyanide, radon, petroleum products, asbestos or any Asbestos Containing Materials, methane, radioactive materials, pollutants, hazardous materials, hazardous wastes, hazardous, toxic, or regulated substances or related materials, as defined in CERCLA, RCRA, CWA, CAA, TSCA and Title III, and the regulations promulgated pursuant thereto, and in all other Environmental Regulations applicable to the District, the Property or the business operations conducted by the District thereon (collectively, "Hazardous Materials") on, from or beneath the Property, (ii) pumped, spilled, leaked, disposed of, emptied, discharged or released (hereinafter collectively referred to as "Release") any material amount of Hazardous Materials on, from or beneath the Property, or (iii) stored any material amount of petroleum products at the Property in underground storage tanks.

(b) Excluded from the representations and warranties in subsection (a) hereof with respect to Hazardous Materials are those Hazardous Materials in those amounts ordinarily found in the inventory of, or used in the maintenance of school and school-related buildings, the use, treatment, storage, transportation and disposal of which has been and shall be in compliance with all Laws and Regulations.

(c) No portion of the Property located in an area of high potential incidence of radon has an unventilated basement or subsurface portion which is occupied or used for any purpose other than the foundation or support of the improvements to the Property.

Section 7.14. Environmental Compliance.

(a) The District shall not use or permit the Property or any part thereof to be used to generate, manufacture, refine, treat, store, handle, transport or dispose of, transfer, produce or

process Hazardous Materials, except, and only to the extent, if necessary to maintain the improvements on the Property and then, only in compliance with all Environmental Regulations, and any state equivalent laws and regulations, nor shall it permit, as a result of any intentional or unintentional act or omission on its part or by any tenant, subtenant, licensee, guest, invitee, contractor, employee and agent, the storage, transportation, disposal or use of Hazardous Materials or the Release or threat of Release of Hazardous Materials on, from or beneath the Property or onto any other property excluding, however, those Hazardous Materials in those amounts ordinarily found in the inventory of a school district, the use, storage, treatment, transportation and disposal of which shall be in compliance with all Environmental Regulations. Upon the occurrence of any Release or threat of Release of Hazardous Materials, the District shall promptly commence and perform, or cause to be commenced and performed promptly, without cost to the Trustee, all investigations, studies, sampling and testing, and all remedial, removal and other actions necessary to clean up and remove all Hazardous Materials so released, on, from or beneath the Property or other property, in compliance with all Environmental Regulations. Notwithstanding anything to the contrary contained herein, underground storage tanks shall only be permitted subject to compliance with subsection (d) and only to the extent necessary to maintain the improvements on the Property.

(b) The District shall comply with, and shall cause all tenants, subtenants, licensees, guests, invitees, contractors, employees and agents on the Property to comply with, all Environmental Regulations, and shall keep the Property free and clear of any liens imposed pursuant thereto; provided, however, that notwithstanding that a portion of this covenant is limited to the District's use of its best efforts, the District shall remain solely responsible for ensuring such compliance and such limitation shall not diminish or affect in any way the District's obligations contained in subsection (c) hereof as provided in subsection (c) hereof. Upon receipt of any notice from any person with regard to the Release of Hazardous Materials on, from or beneath the Property, the District shall give prompt written notice thereof to the Trustee and the Insurer prior to the expiration of any period in which to respond to such notice under any Environmental Regulation.

(c) Irrespective of whether any representation or warranty contained in Section 7.13 is not true or correct, the District shall, to the extent permitted by law, defend, indemnify and hold harmless, the Lessor, the Trustee, the Insurer, the Owners, their partners, depositors and each of their respective employees, agents, officers, directors, trustees, successors and assigns, from and against any claims, demands, penalties, fines, attorneys' fees (including, without limitation, attorneys' fees incurred to enforce the indemnification contained in this Section 7.14, consultants' fees, investigation and laboratory fees, liabilities, settlements (five Business Days' prior notice of which the Trustee shall have delivered to the District and the Insurer), court costs, damages, losses, costs or expenses of whatever kind or nature, known or unknown, contingent or otherwise, occurring in whole or in part, arising out of, or in any way related to, (i) the presence, disposal, release, threat of release, removal, discharge, storage or transportation of any Hazardous Materials on, from or beneath the Property, (ii) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials, (iii) any lawsuit brought or threatened, settlement reached (five Business Days' prior notice of which the Lessor or the Trustee, as appropriate, shall have delivered to the District), or governmental order relating to Hazardous Materials on, from or beneath the Property, (iv) any violation of Environmental Regulations or subsection (a) or (b) hereof by it or any of its agents, tenants, employees, contractors, licensees, guests, subtenants or invitees, and (v) the imposition of any governmental lien for the recovery of environmental cleanup or removal costs. To the extent that the District is strictly liable under any Environmental Regulation, its obligation to the Owners and the other indemnitees under the foregoing indemnification shall likewise be without regard to fault on its part with respect to the

violation of any Environmental Regulation which results in liability to any indemnitee. The obligations and liabilities under this Section 7.14(c) shall survive the payment and satisfaction of all Certificates and the resignation or removal of the Trustee.

(d) The District shall conform to and carry out a reasonable program of maintenance and inspection of all underground storage tanks, and shall maintain, repair, and replace such tanks only in accordance with Laws and Regulations, including but not limited to Environmental Regulations.

Section 7.15. Condemnation of Property. The District hereby covenants and agrees, to the extent it may lawfully do so, that so long as any of the Certificates remain outstanding and unpaid, the District will not exercise the power of condemnation with respect to the Property. The District further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the District shall fail or refuse to abide by such covenant and condemns the Property, then the value of the Property shall not be less than the greater of: (i) if the Certificates are then subject to prepayment, the principal and interest components of the Certificates outstanding through the date of their prepayment, or (ii) if the Certificates are not then subject to prepayment, the amount necessary to defease the Certificates to the first available prepayment date in accordance with the Trust Agreement.

ARTICLE VIII

ASSIGNMENT, SUBLEASING AND AMENDMENT

Section 8.1. Assignment by the Lessor. Except as provided herein, in the Trust Agreement and the Assignment Agreement, the Lessor will not assign this Lease to any other person, firm or corporation so as to impair or violate the representations, covenants and warranties contained in Section 2.2 hereof and any assignment in contravention hereof shall be void.

Section 8.2. Assignment and Subleasing by the District.

(a) Assignment. This Lease may be assigned by the District, with the prior written consent of the Insurer, so long as such assignment does not, in the opinion of Special Counsel, in and of itself, adversely affect the State tax-exempt status or the exclusion from gross income for federal income tax purposes of the interest component of the Lease Payments or affect the validity of this Lease. In the event that this Lease is assigned by the District, the obligation to make Lease Payments hereunder shall remain the obligation of the District.

(b) Sublease. The District may, with the prior written consent of the Insurer, sublease all or any portion of the Property, with the consent of the Trustee (as assignee of the Lessor), subject to all of the following conditions:

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

(ii) The District shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Lessor, each Rating Agency, the Trustee, and the Insurer a true and complete copy of such sublease;

(iii) No sublease by the District shall cause the Property to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the laws of the State; and

(iv) No sublease shall cause the interest component of the Lease Payments due with respect to the Property to become includable in gross income for federal income tax purposes or subject to State personal income taxes.

Section 8.3. Amendments and Modifications. This Lease may be amended or any of its terms modified in accordance with Article X of the Trust Agreement.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1. Events of Default Defined. The following shall be “events of default” under this Lease and the terms “events of default” and “default” shall mean, whenever they are used in this Lease, any one or more of the following events:

(a) Payment Default.

(i) Lease Payments. Failure by the District to pay any Lease Payment required to be paid hereunder (other than Reserve Replenishment Rent) by the corresponding Lease Payment Date; and

(ii) Reserve Replenishment Rent. Failure by the District to timely pay any Reserve Replenishment Rent, if and when required by Section 4.4(d) hereof.

In determining whether a default has occurred under paragraphs (i) or (ii) above, no effect shall be given to payments made under the Insurance Policy.

(b) Covenant Default. Failure by the District to observe and perform any warranty, covenant, condition or agreement on its part to be observed or performed herein or otherwise with respect hereto or in the Trust Agreement or in the Site Lease, other than as referred to in clause (a) of this Section, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Lessor, the Trustee, the Insurer or the Owners of not less than twenty percent (20%) in aggregate principal amount of Certificates then Outstanding (with a copy to the Insurer); provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Lessor, the Insurer or such Owners, as the case may be, shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected, except that such grace period shall not exceed 30 days without the prior written consent of the Insurer.

(c) Bankruptcy or Insolvency. The filing by the District of a case in bankruptcy, or the subjection of any right or interest of the District under this Lease to 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 act which may hereafter be enacted.

Section 9.2. Remedies on Default. Whenever any event of default referred to in Section 9.1 hereof shall have happened and be continuing, it shall be lawful for the Lessor to exercise any and all remedies available pursuant to law or granted pursuant to this Lease including writs of mandamus. Notwithstanding anything herein or in the Trust Agreement to the contrary, THERE SHALL BE NO RIGHT UNDER ANY CIRCUMSTANCES TO ACCELERATE THE LEASE PAYMENTS OR OTHERWISE DECLARE ANY LEASE PAYMENTS NOT THEN IN DEFAULT TO BE IMMEDIATELY DUE AND PAYABLE. After the occurrence of an event of default hereunder, the District will surrender possession of the Property to the Lessor, if requested to do so by the Lessor, the Insurer, the Trustee or the Owners, in accordance with the provisions of the Trust Agreement. So long as the Insurer is not in default of its payment obligations under the Insurance Policy, the Insurer shall control all remedies upon an event of default hereunder. The Owners' and Lessor's direction of remedies upon default are subject to the prior written consent of the Insurer.

(a) No Termination: Repossession and Re-Lease on Behalf of District. In the event the Lessor does not elect to terminate this Lease in the manner hereinafter provided for in subparagraph (b) hereof, the Lessor may, with the consent of the District, which consent is hereby irrevocably given, repossess the Property and re-lease it for the account of the District, in which event the District's obligation will accrue from year to year in accordance with this Lease and the District will continue to receive the value of the use of the Property from year to year in the form of credits against its obligation to pay Lease Payments. The obligations of the District shall remain the same as prior to such default, to pay Lease Payments, Reserve Replenishment Rent and Additional Payments whether the Lessor re-enters or not. The District agrees to and shall remain liable for the payment of all Lease Payments, Reserve Replenishment Rent and Additional Payments and the performance of all conditions contained herein and shall reimburse the Lessor for any deficiency arising out of the re-leasing of the Property, or, in the event the Lessor is unable to re-lease the Property, then for the full amount of all Lease Payments, Reserve Replenishment Rent and Additional Payments to the end of the Term of this Lease, but said Lease Payments, Reserve Replenishment Rent and Additional Payments and/or deficiency shall be payable only at the same time and in the same manner as provided above for the payment of Lease Payments, Reserve Replenishment Rent and Additional Payments hereunder, notwithstanding such repossession by the Lessor or any suit brought by the Lessor for the purpose of effecting such repossession of the Property or the exercise of any other remedy by the Lessor.

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

The District agrees that the terms of this Lease constitute full and sufficient notice of the right of the Lessor to re-lease the Property in the event of such repossession without effecting a surrender of this Lease, and further agrees that no acts of the Lessor 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 Lessor to be effected in the sole and exclusive manner provided for in subparagraph (b) below.

The District shall retain the portion of rental obtained by the Trustee, as assignee of the Lessor, that is in excess of the Lease Payments, Reserve Replenishment Rent and Additional Payments, the fees, expenses and costs of the Trustee of re-leasing the Property, and all amounts payable by the District under this Lease and the Trust Agreement.

In the event that the liability of the District under this subsection (a) is held to constitute indebtedness or liability in any year exceeding in any year the income and revenue provided for such year, the Lessor, or the Trustee or the Owners, as assignees of the Lessor, shall not exercise the remedies provided in this subsection (a).

(b) Termination: Repossession and Re-Lease. In the event of the termination of this Lease by the Lessor at its option and in the manner hereinafter provided on account of default by the District (and notwithstanding any repossession of the Property by the Lessor in any manner whatsoever or the re-leasing of the Property), the District nevertheless agrees to pay to the Lessor all costs, losses or damages howsoever arising or occurring payable at the same time and in the same manner as is provided herein in the case of payment of Lease Payments, Reserve Replenishment Rent and Additional Payments. Any proceeds of the re-lease or other disposition of the Property by the Lessor shall be deposited into the Lease Payment Fund and be applied in accordance with the provisions of Section 5.04 of the Trust Agreement. Any surplus received by the Trustee, as assignee of the Lessor, from such re-leasing over total Lease Payments, Reserve Replenishment Rent and Additional Payments that would have been due hereunder and the fees, expenses and costs of the Trustee as assignee of the Lessor on re-leasing the Property shall be remitted to the District. Neither notice to pay rent or to deliver up possession of the Property given pursuant to law nor any proceeding taken by the Lessor to recover possession of the Property 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 Lessor shall have given written notice to the District of the election on the part of the Lessor to terminate this Lease. The District covenants and agrees that no surrender of the Property for 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 Lessor by such written notice. No such termination shall be effected either by operation of law or act of the parties hereto, except only in the manner herein expressly provided.

(c) Opinion of Special Counsel. The re-leasing of the Property as provided herein shall be subject to the opinion of Special Counsel that such re-leasing, in and of itself, will not cause the interest component of the Lease Payments to be subject to State personal income tax or adversely affect the exclusion from gross income for federal income tax purposes.

Section 9.3. No Remedy Exclusive. No remedy conferred herein upon or reserved to the Lessor 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 any default shall impair any such

right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Lessor to exercise any remedy reserved to it in this Article it shall not be necessary to give any notice, other than such notice as may be required in this Article or by law.

Section 9.4. Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Lease should default under any of the provisions hereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party contained herein, the defaulting party agrees that it will pay on demand to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

Section 9.5. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Lease should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 9.6. Application of the Proceeds from the Re-Lease of the Property. All amounts received by the Lessor under this Article IX shall, subject to Section 13.03 of the Trust Agreement, be deposited by the Trustee in the Lease Payment Fund and credited towards the Lease Payments in order of Lease Payment Dates.

Section 9.7. Trustee and Owners to Exercise Rights. Such rights and remedies as are given to the Lessor under this Article IX have been assigned by the Lessor to the Trustee under the Assignment Agreement, to which assignment the District hereby consents. Such rights and remedies shall be exercised by the Trustee, the Insurer and the Owners as provided in the Trust Agreement. To the extent that this Lease confers upon or gives or grants the Trustee any right, remedy or claim under or by reason of this Lease, the Trustee is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

ARTICLE X

PREPAYMENT OF LEASE PAYMENTS

Section 10.1. Security Deposit. Notwithstanding any other provision of this Lease, the District may, on any date, secure the payment of all or a portion of Lease Payments and Additional Payments by a deposit by it with the Trustee of cash and/or Government Obligations as provided in Section 14.01 of the Trust Agreement. In such event, and provided that the District has paid any other amounts due and owing under this Lease and the Trust Agreement, all obligations of the District under this Lease, and all security provided by this Lease for said obligations, shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, Lease Payments and Additional Payments from such deposit. On the date of said deposit title to the Property shall vest in the District automatically and without further action by the District or the Lessor (except as provided herein). Said 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. The Lessor shall execute and deliver such further instruments and take such further action as may reasonably be requested by the District for carrying out the title transfer of the Property.

Section 10.2. Extraordinary Prepayment From Net Proceeds. The District shall be obligated to prepay the Lease Payments in whole or in part on any date, from and to the extent of any Net Proceeds or other moneys theretofore deposited in the Prepayment Fund (at least 45 days prior to the date fixed for prepayment of the Certificates) pursuant to Section 4.02 of the Trust Agreement. The District and the Lessor hereby agree that such Net Proceeds or other moneys shall be credited towards the District's obligations hereunder (except in the case of such prepayment of the Lease Payments in whole) pro rata among Lease Payments so that following Prepayment, the remaining annual Lease Payments will be proportional to the initial annual Lease Payments.

Section 10.3. Prepayment. Subject to the terms and conditions of this Section, the Lessor hereby grants an option to the District to prepay in whole or in part, on the dates and at the prepayment prices set forth in Section 4.03 of the Trust Agreement. The District and the Lessor agree that such prepayments shall be credited toward the District's obligations hereunder corresponding to the resulting prepayment of the Certificates in accordance with Section 4.03 of the Trust Agreement on the dates and at the prepayment prices provided therein.

The District shall execute said option by giving written notice to the Trustee thereof at least thirty (30) days' prior to the date of prepayment and depositing with said notice (1) accrued interest on the principal amount to be prepaid to the date of prepayment, plus (2) any Lease Payments then due but unpaid, plus (3) the prepayment premium described in said Section 4.03. In lieu of depositing the amounts set forth in (1), (2) and (3) above, the District can provide written certification to the Trustee that the optional prepayment amounts can be satisfied on the designated prepayment date.

Section 10.4. Credit for Amounts on Deposit. In the event of prepayment of the principal components of the Lease Payments in full under this Article X such that the Trust Agreement shall be discharged by its terms as a result of such prepayment, all amounts then on deposit in the Lease Payment Fund and the Reserve Fund shall be credited toward the amounts then required to be so prepaid.

Section 10.5. Effect of Prepayment.

(a) In Whole. In the event that the District prepays all remaining Lease Payments either by making a security deposit with the Trustee as provided in Section 10.1 hereof or from Net Proceeds as provided in Section 10.2 hereof or from cash or other legally available moneys deposited by the District as provided in Section 10.3, and the District has paid all Additional Payments required hereunder, the District's obligations under this Lease shall thereupon cease and terminate, including but not limited to the District's obligation to continue to pay Lease Payments under this Article X (except as provided in Section 10.1 hereof).

(b) In Part. In the event the District prepays less than all of the remaining principal components of the Lease Payments pursuant to Section 10.3 hereof (from cash or other legally available moneys deposited by the District), the amount of such prepayment shall be applied to reduce the principal components of the remaining Lease Payments in a manner that corresponds to the resulting prepayment of principal with respect to the Certificates as determined in the Trust Agreement.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed to have been received on the earlier of the day of actual receipt or five Business Days after deposit in the United States mail in first-class or certified form, postage prepaid, to the District, the Insurer or the Lessor, as the case may be, at the addresses indicated in Section 14.05 of the Trust Agreement. The Lessor, the District, the Insurer, and the Trustee, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 11.2. Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Lessor and the District and their respective successors and assigns.

Section 11.3. Severability. In the event any provision of this Lease shall be held invalid or unenforceable by a court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.4. Execution in Counterparts. This Lease may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.5. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State.

Section 11.6. Third-Party Beneficiaries. The Lessor and Lessee acknowledge that the Lessor has assigned its right, title and interest in and to this Lease to the Trustee pursuant to the Assignment Agreement. The Lessee consents to such assignment. The Lessee consents to the Trust Agreement and acknowledges and agrees to the rights of the Trustee as set forth therein. As a material inducement to the Trustee, the Lessor and the Lessee agree that the Trustee and the Insurer shall be third party beneficiaries to this Lease.

[REMAINDER OF PAGE LEFT BLANK]

IN WITNESS WHEREOF, the Lessor has caused this Lease to be executed in its name by its duly authorized officer, and the District has caused this Lease to be executed in its name by its duly authorized officer, as of the date first above written.

PERRIS UNION HIGH SCHOOL DISTRICT

By: _____
Candace Reines
Deputy Superintendent of Business Service

PERRIS VALLEY SCHOOLS CAPITAL
FACILITIES CORPORATION

By: _____

EXHIBIT A
SEMI-ANNUAL LEASE PAYMENT SCHEDULE

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Semi-Annual Payments</u>	<u>Annual Payments</u>
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EXHIBIT B

LEGAL DESCRIPTION OF THE PROPERTY

(See Exhibit A to Memorandum of Lease Agreement)

EXHIBIT C

GENERAL DESCRIPTION OF THE PROJECT

[DESCRIPTION TO COME]

EXHIBIT D

LEASE SUPPLEMENT FORM

There is hereby subjected to the terms of that certain Lease/Purchase Agreement, dated as of May 1, 2019, by and between the Perris Valley Schools Capital Facilities Corporation (the “Lessor”), and the Perris Union High School District (the “District”) the following items which shall comprise a portion of the Property, as defined therein:

Description of Substituted Property

[Insert Description]

Cost

I, the District Representative, hereby certify that:

- (1) the fair rental value and the useful life of the above-described portion of the Property at least equals the fair rental value and the useful life of the portion of the Property for which it was substituted;
- (2) the above-described portion of the Property will be used by the District for authorized public purposes and can be leased under the provisions of the Lease and the Education Code;
- (3) the above-described portion of the Property is currently owned by the District; and
- (4) the above-described portion of the Property will be acquired, constructed or improved no later than the date on which the portion of the Property for which it was substituted would have been acquired, constructed or improved.

I, the District Representative, hereby certify that the portion of the Property being acquired, constructed or improved will be owned by the Lessor free and clear of all liens or claims of others, except for the lien of the Trust Agreement referred to in the Lease and the rights of the District under the Lease, and that the Lessor will not encumber title to the substituted portion of the Property while the Certificates remain outstanding.

PERRIS UNION HIGH SCHOOL DISTRICT

By [signature] _____
District Representative

EXHIBIT E

FORM OF CERTIFICATE OF SUBSTITUTION
OR ADDITION OF PROJECT COMPONENT

I, _____, _____ of the Perris Union High School District (the “District”) hereby certify that _____ project is to become a part of the Project as defined under the Lease/Purchase Agreement, dated as of May 1, 2019 (the “Lease”), by and between the District and the Perris Valley Schools Capital Facilities Corporation (the “Corporation”) in addition to the components of the Project as defined in the Lease or in substitution for a component of the Project as defined in the Lease. This Certificate shall be filed with the Trustee under the Trust Agreement, dated as of May 1, 2019, by and among the District, the Corporation and U.S. Bank National Association, as trustee thereunder, until such time as the Lease is terminated.

District Representative

Table of Contents

Page

ARTICLE I

DEFINITIONS AND EXHIBITS

SECTION 1.1. DEFINITIONS AND RULES OF CONSTRUCTION1
SECTION 1.2. EXHIBITS3

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

SECTION 2.1. REPRESENTATIONS, COVENANTS AND WARRANTIES OF THE DISTRICT3
SECTION 2.2. REPRESENTATIONS, COVENANTS AND WARRANTIES OF THE LESSOR5

ARTICLE III

ACQUISITION, CONSTRUCTION AND INSTALLATION OF THE PROJECT

SECTION 3.1. DEPOSIT OF CERTIFICATE PROCEEDS6
SECTION 3.2. COMPLETION OF THE PROJECT6
SECTION 3.3. PAYMENT OF PROJECT AND DELIVERY COSTS7
SECTION 3.4. COMPLETION CERTIFICATION7
SECTION 3.5. SUBSTITUTION OF OR ADDITION TO THE PROJECT7
SECTION 3.6. COMPLIANCE WITH LAW7
SECTION 3.7. FURTHER ASSURANCES AND CORRECTIVE INSTRUMENTS7

ARTICLE IV

AGREEMENT TO LEASE; TERM OF LEASE; LEASE PAYMENTS

SECTION 4.1. LEASE7
SECTION 4.2. TERM8
SECTION 4.3. EXTENSION OF LEASE TERM8
SECTION 4.4. LEASE PAYMENTS8
SECTION 4.5. NO WITHHOLDING10
SECTION 4.6. FAIR RENTAL VALUE10
SECTION 4.7. BUDGET AND APPROPRIATION10
SECTION 4.8. ASSIGNMENT OF LEASE PAYMENTS11
SECTION 4.9. USE AND POSSESSION11
SECTION 4.10. ABATEMENT OF LEASE PAYMENTS IN EVENT OF LOSS OF USE11
SECTION 4.11. ADDITIONAL PAYMENTS12
SECTION 4.12. NET-NET-NET LEASE12

ARTICLE V

INSURANCE

SECTION 5.1. PUBLIC LIABILITY AND PROPERTY DAMAGE12
SECTION 5.2. WORKERS' COMPENSATION13
SECTION 5.3. CASUALTY AND THEFT INSURANCE13
SECTION 5.4. RENTAL INTERRUPTION INSURANCE13
SECTION 5.5. TITLE INSURANCE14
SECTION 5.6. GENERAL INSURANCE PROVISIONS14
SECTION 5.7. COOPERATION15

Table of Contents
(continued)

Page

ARTICLE VI

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

SECTION 6.1. APPLICATION OF NET PROCEEDS	15
--	----

ARTICLE VII

COVENANTS WITH RESPECT TO THE PROPERTY

SECTION 7.1. USE OF THE PROPERTY	17
SECTION 7.2. INTEREST IN THE PROPERTY AND THE LEASE.....	17
SECTION 7.3. OPTION TO PURCHASE	17
SECTION 7.4. QUIET ENJOYMENT	17
SECTION 7.5. INSTALLATION OF THE DISTRICT’S PERSONAL PROPERTY	18
SECTION 7.6. ACCESS TO THE PROPERTY	18
SECTION 7.7. MAINTENANCE, UTILITIES, TAXES AND ASSESSMENTS	18
SECTION 7.8. MODIFICATION OF THE PROPERTY	19
SECTION 7.9. ENCUMBRANCES; ALTERNATIVE FINANCING METHODS	20
SECTION 7.10. LESSOR’S DISCLAIMER OF WARRANTIES	20
SECTION 7.11. THE DISTRICT’S RIGHT TO ENFORCE WARRANTIES OF VENDORS OR CONTRACTORS	21
SECTION 7.12. SUBSTITUTION OR RELEASE OF THE PROPERTY	21
SECTION 7.13. COMPLIANCE WITH LAW, REGULATIONS, ETC.....	22
SECTION 7.14. ENVIRONMENTAL COMPLIANCE	22
SECTION 7.15. CONDEMNATION OF PROPERTY.....	24

ARTICLE VIII

ASSIGNMENT, SUBLEASING AND AMENDMENT

SECTION 8.1. ASSIGNMENT BY THE LESSOR	24
SECTION 8.2. ASSIGNMENT AND SUBLEASING BY THE DISTRICT.....	24
SECTION 8.3. AMENDMENTS AND MODIFICATIONS	25

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

SECTION 9.1. EVENTS OF DEFAULT DEFINED	25
SECTION 9.2. REMEDIES ON DEFAULT	26
SECTION 9.3. NO REMEDY EXCLUSIVE.....	27
SECTION 9.4. AGREEMENT TO PAY ATTORNEYS’ FEES AND EXPENSES	28
SECTION 9.5. NO ADDITIONAL WAIVER IMPLIED BY ONE WAIVER	28
SECTION 9.6. APPLICATION OF THE PROCEEDS FROM THE RE-LEASE OF THE PROPERTY	28
SECTION 9.7. TRUSTEE AND OWNERS TO EXERCISE RIGHTS	28

ARTICLE X

PREPAYMENT OF LEASE PAYMENTS

SECTION 10.1. SECURITY DEPOSIT	28
SECTION 10.2. EXTRAORDINARY PREPAYMENT FROM NET PROCEEDS.....	29
SECTION 10.3. PREPAYMENT	29
SECTION 10.4. CREDIT FOR AMOUNTS ON DEPOSIT.....	29
SECTION 10.5. EFFECT OF PREPAYMENT	29

Table of Contents
(continued)

Page

ARTICLE XI

MISCELLANEOUS

SECTION 11.1. NOTICES	30
SECTION 11.2. BINDING EFFECT	30
SECTION 11.3. SEVERABILITY	30
SECTION 11.4. EXECUTION IN COUNTERPARTS	30
SECTION 11.5. APPLICABLE LAW	30
SECTION 11.6. THIRD-PARTY BENEFICIARIES	30
EXHIBIT A SEMI-ANNUAL LEASE PAYMENT SCHEDULE	A-1
EXHIBIT B LEGAL DESCRIPTION OF THE PROPERTY	B-1
EXHIBIT C GENERAL DESCRIPTION OF THE PROJECT	C-1
EXHIBIT D LEASE SUPPLEMENT FORM	D-1
EXHIBIT E FORM OF CERTIFICATE OF SUBSTITUTION OR ADDITION OF PROJECT COMPONENT	E-1