
LEASE AGREEMENT

by and between

COUNTY OF MONTEREY

and

**COUNTY OF MONTEREY
PUBLIC IMPROVEMENT CORPORATION**

Dated as of _____ 1, 2015

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LEASE AGREEMENT

THIS LEASE AGREEMENT (this "Lease Agreement"), dated as of _____ 1, 2015, is by and between the COUNTY OF MONTEREY, a county and political subdivision of the State of California organized and existing under and by virtue of the laws of the State of California (the "County"), as lessee, and the COUNTY OF MONTEREY PUBLIC IMPROVEMENT CORPORATION, a nonprofit public benefit corporation organized and existing under the laws of the State of California (the "Corporation"), as lessor.

RECITALS

WHEREAS, the County desires to finance a portion of the costs of the acquisition, construction, rehabilitation and installation of certain administration, court and court related facilities (the "Project");

WHEREAS, in order to finance the Project, the County will lease certain real property and the improvements thereto (the "Property") to the Corporation pursuant to a Ground Lease, dated as of the date hereof, and the County will sublease the Property back from the Corporation pursuant to this Lease Agreement;

WHEREAS, the County and the Corporation have determined that it would be in the best interests of the County and the Corporation to provide the funds necessary to finance the Project through the sale and delivery of County of Monterey Certificates of Participation (2015 Public Facilities Financing), evidencing direct, fractional undivided interests in the base rental payments to be made by the County under this Lease Agreement; 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 this Lease Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Lease Agreement;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements and covenants contained herein and for other valuable consideration, the parties hereto do hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Lease Agreement, have the meanings herein specified, which meanings shall be equally applicable to both the singular and plural forms of any of the terms herein defined. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

“Additional Rental Payments” means all amounts payable by the County as Additional Rental Payments pursuant to Section 3.03 hereof.

“Assignment Agreement” means the Assignment Agreement, dated as of _____ 1, 2015, by and between the Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee.

“Authorized County Representative” means the County Administrative Officer of the County, the Auditor-Controller of the County, the Treasurer of the County, the Deputy Auditor-Controller, County Debt Manager, of the County, and any other Person authorized by the Board of Supervisors of the County to act on behalf of the County under or with respect to this Lease Agreement.

“Base Rental Deposit Date” means the second Business Day next preceding each Interest Payment Date.

“Base Rental Payment Schedule” means the schedule of Base Rental Payments payable by the County pursuant to Section 3.02 hereof and attached hereto as Exhibit C.

“Base Rental Payments” means all amounts payable to the Corporation from the County as Base Rental Payments pursuant to Section 3.02 hereof.

“Certificates” means the County of Monterey Certificates of Participation (2015 Public Facilities Financing) executed and delivered by the Trustee pursuant to the Trust Agreement.

“Code” means the Internal Revenue Code of 1986.

“Corporation” means the County of Monterey Public Improvement Corporation, a nonprofit public benefit corporation organized and existing under the laws of the State, and its successors.

“County” means the County of Monterey, a county and political subdivision of the State organized and existing under the laws of the State, and its successors.

“Courthouse Project” means the acquisition, construction, rehabilitation and installation of the facilities described under the caption “Courthouse Project” in Exhibit B hereto.

“Delivery Date” means _____, 2015.

“Event of Default” means, with respect to this Lease Agreement, any event or circumstance specified in 7.01 hereof as an Event of Default.

“Fair Rental Value” means, with respect to the Property, the annual fair rental value thereof.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the County.

“Ground Lease” means the Ground Lease, dated as of _____ 1, 2015, by and between the County and the Corporation, as originally executed and as it may from time to time be amended in accordance with the provisions thereof and of the Lease Agreement.

“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 County is to be self-insured, as may from time to time be designated by the County.

“Interest Payment Date” means February 1 and August 1 of each year commencing February 1, 2016.

“Lease Agreement” means this Lease Agreement, dated as of _____ 1, 2015, by and between the County and the Corporation, as the same may be amended or supplemented pursuant to the provisions hereof.

“Net Proceeds” means any insurance proceeds or condemnation award in excess of \$50,000, paid with respect to any of the Property, remaining after payment therefrom of all reasonable expenses incurred in the collection thereof.

“Other Property” means the real property described under the caption “Other Property” in Exhibit A hereto, and any improvements thereto.

“Outstanding” has the meaning ascribed to such term in the Trust Agreement.

“Permitted Encumbrances” means with respect to the Property, as of any particular time (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the County may, pursuant to provisions of Section 6.06 hereof, permit to remain unpaid, (b) this Lease Agreement, (c) the Ground Lease, (d) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law as normally exist with respect to properties similar to the Property for the purposes for which it was acquired or is held by the County, (e) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Delivery Date, and (f) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the Delivery Date which the County certifies in writing do not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the Owners of the Certificates by the Trust Agreement.

“Project” means, collectively, the Courthouse Project and the Schilling Complex Project.

“Property” means the real property described in Exhibit A hereto, and any improvements thereto, subject to the provisions of Section 2.02 hereof relating to the termination of the term of this Lease Agreement with respect to portions of such real property and improvements thereto.

“Rental Payments” means, collectively, the Base Rental Payments and the Additional Rental Payments.

“Rental Period” means the period from the Delivery Date through June 30, 2016 and, thereafter, the twelve-month period commencing on July 1 of each year during the term of this Lease Agreement.

“Scheduled Termination Date” means August 1, 20__.

“Schilling Complex Project” means the acquisition, construction, rehabilitation and installation of the facilities described under the caption “Schilling Complex Project” in Exhibit B hereto.

“State” means the State of California.

“Trust Agreement” means the Trust Agreement, dated as of _____ 1, 2015, by and among The Bank of New York Mellon Trust Company, N.A., as Trustee, the Corporation and the County, as originally executed and as it may from time to time be modified or amended by any Supplemental Trust Agreement.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., as trustee under the Trust Agreement, or any successor thereto as trustee thereunder, substituted in its place as provided therein.

“Written Certificate” and **“Written Request”** of the County mean, respectively, a written certificate or written request signed in the name of the County by an Authorized County Representative. Any such request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

ARTICLE II

LEASE OF PROPERTY; TERM

Section 2.01. Lease of Property. (a) The Corporation hereby leases to the County and the County hereby leases from the Corporation the Property, on the terms and conditions hereinafter set forth, and subject to all Permitted Encumbrances.

(b) The leasing of the Property by the County to the Corporation pursuant to the Ground Lease shall not effect or result in a merger of the County's leasehold estate in the Property as lessee under this Lease Agreement and its leasehold or fee estate, as applicable, in the Property as lessor under the Ground Lease, and the Corporation shall continue to have a leasehold estate in the Property pursuant to the Ground Lease throughout the term thereof and hereof. This Lease Agreement shall constitute a sublease with respect to the Property. The leasehold interest in the Property granted by the County to the Corporation pursuant to the Ground Lease is and shall be independent of this Lease Agreement; this Lease Agreement shall not be an assignment or surrender of the leasehold interest in the Property granted to the Corporation under the Ground Lease.

Section 2.02. Occupancy; Term. (a) The County shall take possession of the Property on the Delivery Date.

(b) The term of this Lease Agreement shall commence on the Delivery Date and shall end on the Scheduled Termination Date, unless such term is extended or sooner terminated as hereinafter provided; provided, however, that, so long as no Event of Default shall have occurred and be continuing hereunder, upon the filing of a Written Certificate of the County stating that the Courthouse Project has been completed and that all costs of the Courthouse Project have been paid, the term of this Lease Agreement with respect to the Other Property shall terminate, unless such term is sooner terminated as hereinafter provided, and, from and after the date of such termination, the description of the Other Property set forth in Exhibit A hereto shall be deemed to have been deleted therefrom and the term "Property" shall, for all purposes hereof, be deemed not to include the Other Property.

(c) If all of the Property shall be taken under the power of eminent domain, and the County does not elect to cause alternate real property to be substituted for all or a portion of the Property pursuant to, and in accordance with the provisions of, Section 8.03 hereof, as provided in clause (i) of Section 5.07(c) hereof but, rather, elects to deliver or cause to be delivered any award made in eminent domain proceedings for such taking to the Trustee for the application to the prepayment, pursuant to Section 4.01(a) of the Trust Agreement, of all or a portion of the Outstanding Certificates, as provided in clause (ii) of Section 5.07(c) hereof, then, on the date that possession thereof shall be so taken, the term of this Lease Agreement shall terminate.

(d) If, prior to the Scheduled Termination Date, all Certificates shall be fully paid, or deemed paid in accordance with Article X of the Trust Agreement, then, on the date of such payment or deemed payment, the term of this Lease Agreement shall terminate.

(e) If on the Scheduled Termination Date, the Rental Payments payable hereunder shall have been abated at any time and for any reason, then the term of this Lease Agreement shall be extended until the date upon which all such Rental Payments shall have been paid in full, except that the term of this Lease Agreement shall in no event be extended more than ten years beyond the Scheduled Termination Date.

(f) Upon the termination of the term of this Lease Agreement (other than as provided in Section 7.01 hereof), and the first date upon which the Certificates are no longer Outstanding, all right, title and interest in and to the Property shall vest in the County. Upon any such termination or expiration, the Corporation shall execute such conveyances, deeds and other documents as may be necessary to effect such vesting of record.

ARTICLE III

RENTAL PAYMENTS

Section 3.01. Rental Payments. (a) Rental Payments, consisting of Base Rental Payments and Additional Rental Payments, shall be paid by the County to the Corporation for and in consideration of the right to use and occupy the Property and in consideration of the continued right to the quiet use and enjoyment thereof during each Rental Period for which such Rental Payments are to be paid.

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

(c) If the term of this Lease Agreement shall have been extended pursuant to Section 2.02 hereof, the obligation of the County to pay Rental Payments shall continue to and including the Base Rental Deposit Date preceding the date of termination of this Lease Agreement, as so extended.

Section 3.02. Base Rental Payments. (a) The County, subject to the provisions of Section 3.07 hereof, shall pay Base Rental Payments to the Corporation in the amounts at the times specified in the Base Rental Payment Schedule. A portion of the Base Rental Payments shall constitute principal components and a portion of the Base Rental Payments shall constitute interest components, as specified in the Base Rental Payment Schedule. The interest components of the Base Rental Payments shall be paid by the County as and constitute interest paid on the principal components of the Base Rental Payments.

(b) If the term of this Lease Agreement shall have been extended pursuant to Section 2.02 hereof, the obligation of the County to pay Rental Payments shall continue to and including the date of termination of this Lease Agreement as so extended. Upon such extension, the principal and interest components of the Base Rental Payments shall be established so that the principal components will in the aggregate be sufficient to pay all extended and unpaid principal components and the interest components will in the aggregate be sufficient to pay all extended and unpaid interest components; provided, however, that the Rental Payments payable in any Rental Period shall not exceed the annual fair rental value of the Property.

Section 3.03. Additional Rental Payments. (a) The County shall also pay, as Additional Rental Payments, such amounts as shall be required for the payment of the following:

(i) all taxes and assessments of any type or nature charged to the Corporation or the County or affecting the Property or the respective interests or estates of the Corporation or the County therein;

(ii) insurance premiums for all insurance required pursuant to Article V hereof; and

(iii) all other payments not constituting Base Rental Payments required to be paid by the County pursuant to the provisions of this Lease Agreement.

(b) Amounts constituting Additional Rental Payments payable hereunder shall be paid by the County directly to the person or persons to whom such amounts shall be payable. The County shall pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 60 days after notice in writing from the Trustee to the County stating the amount of Additional Rental Payments then due and payable and the purpose thereof.

Section 3.04. Fair Rental Value. The parties hereto have agreed and determined that the Fair Rental Value of the Property is not less than \$_____ as of the Delivery Date. In making such determination of Fair Rental Value, consideration has been given to the uses and purposes which may be served by the Property and the benefits therefrom that will accrue to the County and the general public. Payments of the Rental Payments for the Property during each Rental Period shall constitute the total rental for said Rental Period.

Section 3.05. Payment Provisions. Each installment of Base Rental Payments payable hereunder shall be paid in lawful money of the United States of America to or upon the order of the Corporation at the Principal Office of the Trustee, or such other place or entity as the Corporation shall designate. Each Base Rental Payment shall be deposited with the Trustee no later than the Base Rental Deposit Date preceding the Interest Payment Date on which such Base Rental Payment is due. Any Base Rental Payment which shall not be paid by the County when due and payable under the terms of this Lease Agreement shall bear interest from the date when the same is due hereunder until the same shall be paid a rate equal to the highest rate of interest evidenced by any of the Outstanding Certificates. Notwithstanding any dispute between the Corporation and the County, the County shall make all Rental Payments when due without deduction or offset of any kind and shall not withhold any Rental Payments pending the final resolution of such dispute. In the event of a determination that the County was not liable for said Rental Payments or any portion thereof, said payments or excess of payments, as the case may be, shall be credited against subsequent Rental Payments due hereunder or refunded at the time of such determination. Amounts required to be deposited by the County with the Trustee pursuant to this Section on any date shall be reduced to the extent of available amounts on deposit in the Base Rental Payment Fund, the Interest Fund or the Principal Fund.

Section 3.06. Appropriations Covenant. The County shall take such action as may be necessary to include all Rental Payments due hereunder as a separate line item in its annual budgets and to make necessary annual appropriations for all such Rental Payments. The covenants on the part of the County herein contained shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the County 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 County to carry out and perform the covenants and agreements in this Lease Agreement agreed to be carried out and performed by the County.

Section 3.07. Rental Abatement. (a) Except as otherwise specifically provided in this Section, during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial

interference with the County's right to use and occupy any portion of the Property, Rental Payments shall be abated proportionately, and the County waives the benefits of California Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate this Lease Agreement by virtue of any such interference, and this Lease Agreement shall continue in full force and effect. The County and the Corporation shall, in a reasonable manner and in good faith, determine the amount of such abatement; provided, however, that the Rental Payments due for any Rental Period shall not exceed the annual fair rental value of that portion of the Property available for use and occupancy by the County during such Rental Period. The County and the Corporation shall provide the Trustee with a certificate setting forth the amount of abatement and the basis therefor. Such abatement shall continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed.

(b) Notwithstanding the foregoing, to the extent that Net Proceeds of rental interruption insurance are available for the payment of Rental Payments, Rental Payments shall not be abated as provided in subsection (a) of this Section but, rather, shall be payable by the County as a special obligation payable solely from such Net Proceeds.

Section 3.08. Prepayment. (a) The County may prepay all or a portion of the Base Rental Payments which are payable on or after August 1, 20__, from any source of available funds, on any date on or after August 1, 20__, by paying (i) all or a portion, as elected by the County, of the principal components of such Base Rental Payments, and (ii) the accrued but unpaid interest component of such Base Rental Payments to be prepaid to the date of such prepayment.

(b) The County may prepay, from any source of available funds, all or any portion of the Base Rental Payments by depositing with the Trustee moneys or securities as provided, and subject to the terms and conditions set forth, in Article X of the Trust Agreement sufficient to make such Base Rental Payments when due or to make such Base Rental payments through a specified date on which the County has a right to prepay such Base Rental Payments pursuant to subsection (a) of this Section, and to prepay such Base Rental Payments on such prepayment date, at a prepayment price determined in accordance with subsection (a) of this Section.

(c) If less than all of the Base Rental Payments are prepaid pursuant to this Section then, as of the date of such prepayment pursuant to subsection (a) of this Section, or the date of a deposit pursuant to subsection (b) of this Section, the principal and interest components of the Base Rental Payments shall be recalculated in order to take such prepayment into account. The County agrees that if, following a partial prepayment of Base Rental Payments, the Property is damaged or destroyed or taken by eminent domain, or a defect in title to the Property is discovered, the County shall not be entitled to, and by such prepayment waives the right of, abatement of such prepaid Base Rental Payments and the County shall not be entitled to any reimbursement of such Base Rental Payments.

(d) If all of the Base Rental Payments are prepaid in accordance with the provisions of this Lease Agreement then, as of the date of such prepayment pursuant to subsection (a) of

this Section, or deposit pursuant to subsection (b) of this Section, the term of this Lease Agreement shall be terminated.

(e) Prepayments of Base Rental Payments made pursuant to this Section shall be applied to the redemption of Bonds as provided in Section 4.02 of the Trust Agreement.

(f) Before making any prepayment pursuant to this Article, the County shall give written notice to the Corporation and the Trustee specifying the date on which the prepayment will be made, which date shall be not less than 45 days prior to the prepayment date, unless such notice shall be waived by the Corporation and the Trustee.

ARTICLE IV

QUIET ENJOYMENT; MAINTENANCE; ALTERATIONS; LIENS

Section 4.01. Quiet Enjoyment. The parties hereto mutually covenant that the County, by keeping and performing the covenants and agreements herein contained, shall at all times during the term of this Lease Agreement peaceably and quietly have, hold and enjoy the Property without suit, trouble or hindrance from the Corporation.

Section 4.02. Net-Net-Net Lease. This Lease Agreement shall be deemed and construed to be a “net-net-net lease” and the County hereby agrees that the Rental Payments shall be an absolute net return to the Corporation, free and clear of any expenses, charges or set-offs whatsoever and notwithstanding any dispute between the County and the Corporation.

Section 4.03. Right of Entry. The Corporation shall have the right to enter upon and to examine and inspect the Property during reasonable business hours (and in emergencies at all times) for any purpose connected with the Corporation’s rights or obligations under this Lease Agreement, and for all other lawful purposes.

Section 4.04. Maintenance and Utilities. Throughout the term of this Lease Agreement, as part of the consideration for rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the County, and the County shall pay for or otherwise arrange for the payment of all utility services supplied to the Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, ventilation, air conditioning, water and all other utility services, and shall pay for or otherwise arrange for payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the County or any assignee or sublessee thereof. In exchange for the Rental Payments, the Corporation agrees to provide only the Property.

Section 4.05. Additions to Property. Subject to Section 4.07 hereof, the County and any sublessee shall, at its own expense, have the right to make additions, modifications and improvements to the Property. To the extent that the removal of such additions, modifications or improvements would not cause material damage to the Property, such additions, modifications and improvements shall remain the sole property of the County or such sublessee, and neither the Corporation nor the Trustee shall have any interest therein. Such additions, modifications and improvements shall not in any way damage the Property or cause it to be used for purposes other than those authorized under the provisions of state and federal law; and the Property, upon completion of any additions, modifications and improvements made pursuant to this Section, shall be of a value which is at least equal to the value of the Property immediately prior to the making of such additions, modifications and improvements.

Section 4.06. Installation of County’s Equipment. The County and any sublessee may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed items of equipment or other personal property in or upon the Property. All such items shall remain the sole property of the County or such sublessee, and neither the Corporation nor the Trustee shall have any interest therein. The County or such sublessee may remove or

modify such equipment or other personal property at any time, provided that such party shall repair and restore any and all damage to the Property resulting from the installation, modification or removal of any such items; and the Property, upon completion of any installations, modifications or removals made pursuant to this Section, shall be of a value which is at least equal to the value of the Property immediately prior to the making of such installations, modifications or removals. Nothing in this Lease Agreement shall prevent the County or any sublessee from purchasing items to be installed pursuant to this Section under a conditional sale or lease purchase contract, or subject to a vendor's lien or security agreement as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Property.

Section 4.07. Mechanics', Etc. Liens. In the event the County shall at any time during the term of this Lease Agreement cause any changes, alterations, additions, improvements, or other work to be done or performed or materials to be supplied, in or upon the Property, the County shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the County in, upon or about the Property and which may be secured by a mechanics', materialmen's or other lien against the Property or the Corporation's interest therein, and will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that, if the County desires to contest any such lien, it may do so as long as such contest is in good faith. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the County shall forthwith pay and discharge said judgment.

Section 4.08. Other Liens. The County shall keep the Property and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, and free from any claim or liability which materially impairs the County in conducting its business or utilizing the Property, and the Trustee at its option (after first giving the County ten days' written notice to comply therewith and failure of the County to so comply within such ten-day period) may defend against any and all actions or proceedings, or may pay or compromise any claim or demand asserted in any such actions or proceedings; provided, however, that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee shall not in any event be deemed to have waived or released the County from liability for or on account of any of its agreements and covenants contained herein, or from its obligation hereunder to perform such agreements and covenants. The Trustee shall have no liability with respect to any determination made in good faith to proceed or decline to defend, pay or compromise any such claim or demand.

ARTICLE V

INSURANCE; NET PROCEEDS; EMINENT DOMAIN

Section 5.01. Public Liability and Property Damage Insurance; Workers' Compensation Insurance. (a) The County shall maintain or cause to be maintained, throughout the term of this Lease Agreement, a standard comprehensive general liability insurance policy or policies in protection of the County, the Corporation and their respective board members, 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 ownership of the Property. 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 a single accident or event, and in a minimum amount of \$500,000 for damage to property (subject to a deductible clause of not to exceed \$100,000) resulting from a single accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried or required to be carried by the County. The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the Net Proceeds of such insurance shall have been paid. The County's obligations under this subsection may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of Section 5.04 hereof.

(b) The County shall maintain or cause to be maintained casualty insurance insuring the Property against fire, lightning and all other risks covered by an extended coverage endorsement (excluding earthquake and flood) to the full insurable value of the Property, subject to a \$100,000 loss deductible provision. Full insurable value shall not be less than the aggregate amount of principal evidenced by the Outstanding Certificates. The Net Proceeds of such casualty insurance shall be applied as provided in Section 5.05 hereof. The County's obligations under this subsection may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of Section 5.04 hereof.

(c) The County shall maintain rental interruption insurance to cover the Corporation's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Property as a result of any of the hazards required to be covered pursuant to subsection (b) of this Section in an amount not less than the product of two times the maximum amount of Base Rental Payments scheduled to be paid during any Rental Period. The Net Proceeds of such rental interruption insurance shall be applied to the payment of Rental Payments during the period in which, as a result of the damage or destruction to the Property that resulted in the receipt of such Net Proceeds, there is substantial interference with the County's right to the use or occupancy of the Property. The County's obligations under this subsection may not be satisfied by self-insurance.

(d) The insurance required by this Section shall be provided by reputable insurance companies with claims paying abilities determined, in the reasonable opinion of the County's

professionally certified risk manager or an Independent Insurance Consultant, to be adequate for the purposes hereof.

Section 5.02. Title Insurance. The County shall provide, at its own expense, one or more CLTA title insurance policies for the Property, in the aggregate amount of not less than the aggregate amount of principal evidenced by the Outstanding Certificates. Said policy or policies shall insure (a) the fee interest of the County in the Property (b) the Corporation's ground leasehold estate in the Property under the Ground Lease, and (c) the County's leasehold estate hereunder in the Property, subject only to Permitted Encumbrances; provided, however, that one or more of said estates may be insured through an endorsement to such policy or policies. The Net Proceeds of such title insurance shall be applied as provided as provided in Section 5.06 hereof.

Section 5.03. Additional Insurance Provision; Form of Policies. (a) The County shall pay or cause to be paid when due the premiums for all insurance policies required by Section 5.01 hereof, and shall promptly furnish or cause to be furnished evidence of such payments to the Trustee. All such policies shall contain a standard lessee clause in favor of the Trustee and the general liability insurance policies shall be endorsed to show the Trustee, as an additional insured. All such policies shall provide that the Trustee shall be given 30 days' notice of the expiration thereof, any intended cancellation thereof or any reduction in the coverage provided thereby. The Trustee shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee.

(b) The County shall cause to be delivered to the Trustee, on or before August 15 of each year, commencing August 15, 2016, a schedule of the insurance policies being maintained in accordance herewith and a Written Certificate of the County stating that such policies are in full force and effect and that the County is in full compliance with the requirements of this Article. The Trustee shall be entitled to rely upon said Written Certificate of the County as to the County's compliance with this Article. The Trustee shall not be responsible for the sufficiency of coverage or amounts of such policies.

Section 5.04. Self-Insurance. Any self-insurance maintained by the County pursuant to this Article shall comply with the following terms:

(a) the self-insurance program shall be approved in writing by the County's professionally certified risk manager or by an Independent Insurance Consultant;

(b) 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 each such fund shall be evaluated on a bi-annual basis by the County's professionally certified risk manager or by an Independent Insurance Consultant and any deficiencies in any self-insured claims reserve fund shall be remedied in accordance with the recommendation of the County's professionally certified risk manager or such Independent Insurance Consultant, as applicable; and

(c) in the event the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund, as determined by the County's professionally certified risk manager or by an Independent Insurance Consultant, shall be maintained.

Section 5.05. Damage or Destruction. (a) If the Property or any portion thereof shall be damaged or destroyed, the County shall, within 30 days of the occurrence of the event of damage or destruction, notify the Trustee in writing of the County's determination as to whether or not such damage or destruction will result in a substantial interference with the County's right to the use or occupancy of the Property and an abatement in whole or in part of Rental Payments pursuant to Section 3.07 hereof.

(b) If the County determines that such damage or destruction will not result in a substantial interference with the County's right to the use or occupancy of the Property and an abatement in whole or in part of Rental Payments pursuant to Section 3.07 hereof, the County shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof.

(c) If the County determines that such damage or destruction will result in a substantial interference with the County's right to the use or occupancy of the Property and an abatement in whole or in part of Rental Payments pursuant to Section 3.07 hereof, then the County shall (i) apply sufficient funds from the Net Proceeds of any insurance (other than Net Proceeds of rental interruption insurance), including the proceeds of any self-insurance, received on account of such damage or destruction and other legally available funds to the repair or replacement of the Property or the portions thereof which have been damaged or destroyed to the condition that existed prior to such damage or destruction, provided that, within 40 days of the occurrence of the event of damage or destruction, the County delivers to the Trustee a Written Certificate of the County (A) certifying that the County has sufficient funds to so complete such repair or replacement of the Property or such portions thereof and identifying such funds and the location thereof, and (B) stating that such funds will not be used for any other purpose until such repair or replacement is completed, (ii) within 60 days of the occurrence of the event of damage or destruction, cause alternate real property to be substituted for all or a portion of the Property pursuant to, and in accordance with the provisions of, Section 8.03 hereof, or (iii) within 60 days of the occurrence of the event of damage or destruction, deliver sufficient funds from such Net Proceeds and other legally available funds to the Trustee for the application to the prepayment, pursuant to Section 4.01(a) of the Trust Agreement (A) of all of the Outstanding Certificates, or (B) of such portion of the Outstanding Certificates as shall result in (I) the annual fair rental value of the Property after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, as certified in a Written Certificate of the County delivered to the Trustee, being at least equal to 105% of the maximum amount of the Base Rental Payments coming due in the then current Rental Period or any subsequent Rental Period, and (II) the fair replacement value of the Property after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, as certified in a Written Certificate of the County delivered to the Trustee, being at least equal to the aggregate amount of principal evidenced by the Certificates then Outstanding.

Section 5.06. Title Insurance. (a) If a defect in title to the Property results in the creation of a right to receive Net Proceeds under any policy of title insurance with respect to the

Property or any portion thereof, the County shall, within 30 days of the creation of such right, notify the Trustee in writing of the County's determination as to whether or not such title defect will result in a substantial interference with the County's right to the use or occupancy of the Property and an abatement in whole or in part of Rental Payments pursuant to Section 3.07 hereof.

(b) If the County determines that such title defect will not result in a substantial interference with the County's right to the use or occupancy of the Property and an abatement in whole or in part of Rental Payments pursuant to Section 3.07 hereof, such Net Proceeds shall be remitted to the County and used for any lawful purpose thereof.

(c) If the County determines that such title defect will result in a substantial interference with the County's right to the use or occupancy of the Property and an abatement in whole or in part of Rental Payments pursuant to Section 3.07 hereof, then the County shall (i) within 60 days of the creation of such right to receive such Net Proceeds, cause alternate real property to be substituted for all or a portion of the Property pursuant to, and in accordance with the provisions of, Section 8.03 hereof, or (ii) immediately upon receipt thereof, deliver or cause to be delivered such Net Proceeds to the Trustee for the application to the prepayment, pursuant to Section 4.01(a) of the Trust Agreement, of all or a portion of the Outstanding Certificates.

Section 5.07. Eminent Domain. (a) If all or a portion of the Property shall be taken under the power of eminent domain, the County shall, no later than 45 days prior to the day that possession thereof shall be so taken, notify the Trustee in writing of the County's determination as to whether or not such taking will result in a substantial interference with the County's right to the use or occupancy of the Property and an abatement in whole or in part of Rental Payments pursuant to Section 3.07 hereof.

(b) If the County determines that such taking will not result in a substantial interference with the County's right to the use or occupancy of the Property and an abatement in whole or in part of Rental Payments pursuant to Section 3.07 hereof, any award made in eminent domain proceedings for such taking shall be remitted to the County and used for any lawful purpose thereof.

(c) If the County determines that such taking will result in a substantial interference with the County's right to the use or occupancy of the Property and an abatement in whole or in part of Rental Payments pursuant to Section 3.07 hereof, then the County shall (i) no later than 45 days prior to the day that possession thereof shall be so taken, cause alternate real property to be substituted for all or a portion of the Property pursuant to, and in accordance with the provisions of, Section 8.03 hereof, or (ii) immediately upon receipt thereof, deliver or cause to be delivered any award made in eminent domain proceedings for such taking to the Trustee for the application to the prepayment, pursuant to Section 4.01(a) of the Trust Agreement, of all or a portion of the Outstanding Certificates.

ARTICLE VI

REPRESENTATIONS; COVENANTS

Section 6.01. Representations of the County. The County represents and warrants (a) that the County has the full power and authority to enter into, to execute and to deliver this Lease Agreement and the Trust Agreement and to perform all of its duties and obligations hereunder and thereunder, and has duly authorized the execution and delivery of this Lease Agreement and the Trust Agreement, and (b) the Property will be used in the performance of essential governmental functions.

Section 6.02. Representation of the Corporation. The Corporation represents and warrants that the Corporation has the full power and authority to enter into, to execute and to deliver this Lease Agreement and the Trust Agreement, and to perform all of its duties and obligations hereunder and thereunder, and has duly authorized the execution and delivery of this Lease Agreement and the Trust Agreement.

Section 6.03. Recordation. The County shall record, or cause to be recorded, with the appropriate county recorder, the Lease Agreement, the Ground Lease and the Assignment Agreement, or memoranda thereof.

Section 6.04. Use of the Property. The County will not use, operate or maintain the Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by this Lease Agreement. In addition, the County agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of the Property) with all laws of the jurisdictions in which its operations may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Property; provided, however, that the County may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Corporation, adversely affect the estate of the Corporation in and to any of the Property or its interest or rights under this Lease Agreement.

Section 6.05. Other Liens. The County shall keep the Property and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, and free from any claim or liability which materially impairs the County in conducting its business or utilizing the Property, and the Trustee at its option (after first giving the County ten days' written notice to comply therewith and failure of the County to so comply within such ten-day period) may defend against any and all actions or proceedings, or may pay or compromise any claim or demand asserted in any such actions or proceedings; provided, however, that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee shall not in any event be deemed to have waived or released the County from liability for or on account of any of its agreements and covenants contained herein, or from its obligation hereunder to perform such agreements and covenants. The Trustee shall have no liability with respect to any determination made in good faith to proceed or decline to defend, pay or compromise any such claim or demand.

Section 6.06. Taxes. (a) The County shall pay or cause to be paid all taxes and assessments of any type or nature charged to the Corporation or affecting the Property or the respective interests or estates therein; provided, however, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as are required to be paid during the term of this Lease Agreement as and when the same become due.

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

Section 6.07. No Liability; Indemnification. (a) The Corporation and its directors, officers, agents and employees, shall not be liable to the County or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on or about the Property. To the extent permitted by law, the County shall, at its expense, indemnify and hold the Corporation and the Trustee and all directors, members, officers and employees thereof harmless against and from any and all claims by or on behalf of Person arising from the acquisition, construction, occupation, use, operation, maintenance, possession, conduct or management of or from any work done in or about the Property or from the subletting of any part thereof, including any liability for violation of conditions, agreements, restrictions, laws, ordinances, or regulations affecting the Property or the occupancy or use thereof, but excepting the negligence or willful misconduct of the persons or entity seeking indemnity. The County also covenants and agrees, at its expense, to pay and indemnify and save the Corporation and the Trustee and all directors, officers and employees thereof harmless against and from any and all claims arising from (i) any condition of the Property and the adjoining sidewalks and passageways, (ii) any breach or default on the part of the County in the performance of any covenant or agreement to be performed by the County pursuant to this Lease Agreement, (iii) any act or negligence of licensees in connection with their use, occupancy or operation of the Property, or (iv) any accident, injury or damage whatsoever caused to any person, firm or corporation in or about the Property or upon or under the sidewalks and from and against all costs, reasonable counsel fees, expenses and liabilities incurred in any action or proceeding brought by reason of any claim referred to in this Section, but excepting the negligence or willful misconduct of the person or entity seeking indemnity. In the event that any action or proceeding is brought against the Corporation or the Trustee or any director, member, officer or employee thereof, by reason of any such claim, the County, upon notice from the Corporation or the Trustee or such director, member, officer or employee thereof, covenants to resist or defend such action or proceeding by counsel reasonably satisfactory to the Corporation or the Trustee or such director, member, officer or employee thereof.

(b) In no event shall the Corporation be liable for any incidental, indirect, special or consequential damage in connection with or arising out of this Lease Agreement or the County's use of the Property.

Section 6.08. Further Assurances. The County shall make, execute and deliver any and all such further agreements, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Lease Agreement and for the better assuring and confirming unto the Corporation of the rights and benefits provided in this Lease Agreement.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Events of Defaults and Remedies. (a) If (i) the County shall fail (A) to pay any Rental Payment payable hereunder when the same becomes due and payable, time being expressly declared to be of the essence in this Lease Agreement, or (B) to keep, observe or perform any other term, covenant or condition contained herein to be kept or performed by the County, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the County by the Trustee, the Corporation, or the Owners of not less than 5% of the aggregate amount of principal evidenced by the Certificates at the time Outstanding; provided, however, that if the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default hereunder if corrective action is instituted by the County within such 30 day period and the County shall thereafter diligently and in good faith cure such failure in a reasonable period of time, (ii) the County's interest in this Lease Agreement or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Corporation, (iii) the County or the Corporation shall commence a voluntary case under Title 11 of the United States Code or any substitute or successor statute, or (iv) the County shall fail to observe and perform any of the covenants, agreements or conditions on its part in the Trust Agreement contained, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the County by the Trustee, the Corporation or the Owners of not less than 5% of the aggregate amount of principal evidenced by the Certificates at the time Outstanding; provided, however, that if the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default hereunder if corrective action is instituted by the County within such 30 day period and the County shall thereafter diligently and in good faith cure such failure in a reasonable period of time, such failure or event shall constitute an Event of Default under this Lease Agreement.

(b) Upon the occurrence of any Event of Default hereunder, the Corporation, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following:

(i) To terminate this Lease Agreement in the manner hereinafter provided on account of such Event of Default, notwithstanding any re-entry or re-letting of the Property as hereinafter provided for in subparagraph (ii) hereof, and to re-enter the Property and remove all persons in possession thereof and all personal property whatsoever situated upon the Property and place such personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the County. In the event of such termination, the County agrees to surrender immediately possession of the Property, without let or hindrance, and to pay the Corporation all damages recoverable at law that the Corporation may incur by reason of such Event of Default, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Property and removal and storage of such property by the Corporation or its duly authorized agents in accordance

with the provisions herein contained. Neither notice to pay Rental Payments or to deliver up possession of the Property given pursuant to law nor any entry or re-entry by the Corporation nor any proceeding in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Property nor the appointment of a receiver upon initiative of the Corporation to protect the Corporation's interest under this Lease Agreement shall of itself operate to terminate this Lease Agreement, and no termination of this Lease Agreement on account of an Event of Default hereunder shall be or become effective by operation of law or acts of the parties hereto, or otherwise, unless and until the Corporation shall have given written notice to the County of the election on the part of the Corporation to terminate this Lease Agreement. The County covenants and agrees that no surrender of the Property or of the remainder of the term hereof or any termination of this Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated by the Corporation by such written notice.

(ii) Without terminating this Lease Agreement, (A) to collect each installment of Rental Payments as the same become due and enforce any other terms or provisions hereof to be kept or performed by the County, regardless of whether or not the County has abandoned the Property, or (B) to exercise any and all rights of entry and re-entry upon the Property. In the event the Corporation does not elect to terminate this Lease Agreement in the manner provided for in subparagraph (i) hereof, the County shall remain liable and agrees to keep or perform all covenants and conditions herein contained to be kept or performed by the County and, if the Property is not re-let, to pay the full amount of the Rental Payments to the end of the term of this Lease Agreement or, in the event that the Property is re-let, to pay any deficiency in Rental Payments that results therefrom; and further agrees to pay said Rental Payments and/or Rental Payment deficiency punctually at the same time and in the same manner as hereinabove provided for the payment of Rental Payments hereunder, notwithstanding the fact that the Corporation may have received in previous years or may receive thereafter in subsequent years Rental Payments in excess of the Rental Payments herein specified, and notwithstanding any entry or re-entry by the Corporation or suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Property. Should the Corporation elect to re-enter as herein provided, the County hereby irrevocably appoints the Corporation as the agent and attorney-in-fact of the County to re-let the Property, or any part thereof, from time to time, either in the Corporation's name or otherwise, upon such terms and conditions and for such use and period as the Corporation may deem advisable and to remove all persons in possession thereof and all personal property whatsoever situated upon the Property and to place such personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the County, and the County hereby indemnifies and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Property and removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions herein contained. The County agrees that the terms of this Lease Agreement constitute full and sufficient notice of the right of the Corporation to re-let the Property in the event of such re-entry without effecting a surrender of this Lease Agreement, and further agrees that no acts of the Corporation in

effecting such re-letting shall constitute a surrender or termination of this Lease Agreement irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, upon the occurrence of an Event of Default hereunder, the right to terminate this Lease Agreement shall vest in the Corporation to be effected in the sole and exclusive manner provided for in subparagraph (i) hereof. The County further agrees to pay the Corporation the cost of any alterations or additions to the Property necessary to place the Property in condition for re-letting immediately upon notice to the County of the completion and installation of such additions or alterations.

The County hereby waives any and all claims for damages caused or which may be caused by the Corporation in re-entering and taking possession of the Property as herein provided and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the County, or any other person, that may be in or upon the Property.

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

(i) *Accounting*. By action or suit in equity to require the County and its board, officers and employees and its assigns to account as the trustee of an express trust.

(ii) *Injunction*. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Corporation.

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

(d) Each and all of the remedies given to the Corporation hereunder or by any law now or hereafter enacted are cumulative and the single or partial exercise of any right, power or privilege hereunder shall not impair the right of the Corporation to the further exercise thereof or the exercise of any or all other rights, powers or privileges. The term "re-let" or "re-letting" as used in this Section shall include, but not be limited to, re-letting by means of the operation by the Corporation of the Property. If any statute or rule of law validly shall limit the remedies given to the Corporation hereunder, the Corporation nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

(e) In the event the Corporation shall prevail in any action brought to enforce any of the terms and provisions of this Lease Agreement, the County agrees to pay a reasonable amount

as and for attorney's fees incurred by the Corporation in attempting to enforce any of the remedies available to the Corporation hereunder.

(f) Notwithstanding anything to the contrary contained in this Lease Agreement, the Corporation shall have no right upon a default by the County hereunder, an Event of Default hereunder or otherwise to accelerate Rental Payments.

(g) Notwithstanding anything herein to the contrary, the termination of this Lease Agreement by the Corporation on account of an Event of Default hereunder shall not effect or result in a termination of the lease of the Property by the County to the Corporation pursuant to the Ground Lease.

Section 7.02. Waiver. Failure of the Corporation to take advantage of any default on the part of the County shall not be, or be construed as, a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering this instrument be construed to waive or to lessen the right of the Corporation to insist upon performance by the County of any term, covenant or condition hereof, or to exercise any rights given the Corporation on account of such default. A waiver of a particular default shall not be deemed to be a waiver of any other default or of the same default subsequently occurring. The acceptance of Rental Payments hereunder shall not be, or be construed to be, a waiver of any term, covenant or condition of this Lease Agreement.

ARTICLE VIII

AMENDMENTS; ASSIGNMENT AND SUBLEASING; SUBSTITUTION OR RELEASE

Section 8.01. Amendments. (a) This Lease Agreement and the Ground Lease, and the rights and obligations of the Corporation and the County hereunder and thereunder, may be amended at any time by an amendment hereto or thereto which shall become binding upon execution by the County and the Corporation, but only with the prior written consent of the Owners of a majority of the aggregate amount of principal evidenced by the Certificates then Outstanding, provided that no such amendment shall (i) extend the payment date of any Base Rental Payment or reduce any Base Rental Payment, without the prior written consent of the Owner of each Certificate so affected, or (ii) reduce the percentage of the aggregate amount of principal evidenced by the Certificates then Outstanding, the consent of the Owners of which is required for the execution of any amendment of this Lease Agreement or the Ground Lease, without the prior written consent of the Owners of all the Certificates then Outstanding.

(b) This Lease Agreement and the Ground Lease, and the rights and obligations of the County and the Corporation hereunder and thereunder, may also be amended at any time by an amendment hereto or thereto which shall become binding upon execution by the County and the Corporation, without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the agreements, conditions, covenants and terms required by the Corporation or the County to be observed or performed herein or therein other agreements, conditions, covenants and terms thereafter to be observed or performed by the Corporation or the County, or to surrender any right or power reserved herein or therein to or conferred herein or therein on the Corporation or the County;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or therein or in regard to questions arising hereunder or thereunder which the Corporation or the County may deem desirable or necessary and not inconsistent herewith or therewith, and which shall not materially adversely affect the rights or interests of the Owners;

(iii) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of interest evidenced by the Certificates;

(iv) to provide for the substitution or release of a portion of the Property in accordance with the provisions of Section 8.03 hereof; or

(v) to make such other changes herein or therein or modifications hereto or thereto as the Corporation or the County may deem desirable or necessary, and which shall not materially adversely affect the interests of the Owners.

Section 8.02. Assignment and Subleasing. Neither this Lease Agreement nor any interest of the County hereunder shall be sold, mortgaged, pledged, assigned or transferred by the

County by voluntary act or by operation of law or otherwise; provided, however, that the Property may be subleased in whole or in part by the County, provided that any such sublease shall be subject to all of the following conditions:

(a) this Lease Agreement and the obligation of the County to make all Rental Payments hereunder shall remain the primary obligation of the County;

(b) the County shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Corporation and the Trustee a true and complete copy of such sublease;

(c) any sublease of the Property by the County shall explicitly provide that such sublease is subject to all rights of the Corporation under this Lease Agreement, including, the right to re-enter and re-let the Property or terminate this Lease Agreement upon an Event of Default hereunder; and

(d) the County shall furnish the Corporation and the Trustee with an Opinion of Counsel to the effect that such sublease will not, in and of itself, cause the interest evidenced by the Certificates to be included in gross income for federal income tax purposes.

Section 8.03. Substitution or Release of the Property. The County shall have the right to substitute alternate real property for any portion of the Property or to release a portion of the Property from this Lease Agreement. All costs and expenses incurred in connection with such substitution or release shall be borne by the County. Notwithstanding any substitution or release pursuant to this Section, there shall be no reduction in or abatement of the Base Rental Payments due from the County hereunder as a result of such substitution or release. Any such substitution or release of any portion of the Property shall be subject to the following specific conditions, which are hereby made conditions precedent to such substitution or release:

(a) an independent certified real estate appraiser selected by the County shall have found (and shall have delivered a certificate to the County and the Trustee setting forth its findings) that the Property, as constituted after such substitution or release (i) has an annual fair rental value greater than or equal to 105% of the maximum amount of the Base Rental Payments coming due in the then current Rental Period or any subsequent Rental Period, (ii) has a fair replacement value at least equal to the aggregate amount of principal evidenced by the Certificates then Outstanding, and (iii) has a useful life equal to or greater than the useful life of the Property, as constituted prior to such substitution or release;

(b) the County shall have obtained or caused to be obtained a CLTA title insurance policy or policies with respect to any substituted property in the amount of the fair market value of such substituted property (which fair market value shall have been determined by an independent certified real estate appraiser), of the type and with the endorsements described in Section 5.02 hereof;

(c) the County shall have certified to the Trustee that the substituted real property is of approximately the same degree of essentiality to the County as the portion of the Property for which it is being substituted;

(d) the County shall have provided the Trustee with an Opinion of Counsel to the effect that such substitution or release will not, in and of itself, cause the interest evidenced by the Certificates to be included in gross income for federal income tax purposes; and

(e) the County, the Corporation and the Trustee shall have executed, and the County shall have caused to be recorded with the Monterey County Recorder, any document necessary to reconvey to the County the portion of the Property being substituted or released and to include any substituted real property in the description of the Property contained herein and in the Ground Lease.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Assignment to Trustee. The County understands and agrees that, upon the execution and delivery of the Assignment Agreement (which is occurring simultaneously with the execution and delivery hereof), all right, title and interest of the Corporation in and to this Lease Agreement will be sold, assigned and transferred to the Trustee for the benefit of the Owners of the Certificates. The County hereby consents to such sale, assignment and transfer. Upon the execution and delivery of the Assignment Agreement, references in the operative provisions hereof to the Corporation shall be deemed to be references to the Trustee, as assignee of the Corporation.

Section 9.02. Validity and Severability. If for any reason this Lease Agreement shall be held by a court of competent jurisdiction to be void, voidable or unenforceable by the Corporation or by the County, or if for any reason it is held by such a court that any of the covenants and conditions of the County hereunder, including the covenant to pay Rental Payments, is unenforceable for the full term hereof, then and in such event this Lease Agreement is and shall be deemed to be a Lease Agreement under which the Rental Payments are to be paid by the County annually in consideration of the right of the County to possess, occupy and use the Property, and all of the terms, provisions and conditions of this Lease Agreement, except to the extent that such terms, provisions and conditions are contrary to or inconsistent with such holding, shall remain in full force and effect.

Section 9.03. Notices. All written notices, statements, demands, consents, approvals, authorizations, offers, designations, requests or other communications hereunder shall be given to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

- | | |
|------------------------|---|
| If to the County: | County of Monterey
First Floor
168 West Alisal Street
Salinas, California 93901
Attention: Treasurer |
| If to the Corporation: | County of Monterey Public Improvement Corporation
c/o County of Monterey
Third Floor
168 West Alisal Street
Salinas, California 93901
Attention: President |
| If to the Trustee: | The Bank of New York Mellon Trust Company, N.A.

Attention: Corporate Trust Department |

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

Section 9.04. Interpretation. (a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

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

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

Section 9.05. Section Headings. All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Lease Agreement.

Section 9.06. Governing Laws. This Lease Agreement shall be governed by and construed in accordance with the laws of the State.

Section 9.07. Execution in Counterparts. This Lease Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Lease Agreement to be executed by their respective officers thereunto duly authorized, all as of the day and year first written above.

COUNTY OF MONTEREY

By: _____

**COUNTY OF MONTEREY PUBLIC
IMPROVEMENT CORPORATION**

By: _____

EXHIBIT A

DESCRIPTION OF THE PROPERTY

Courthouse and Schilling Complex Property

All that real property situated in the County of Monterey, State of California, described as follows, and any improvements thereto:

Other Property

All that real property situated in the County of Monterey, State of California, described as follows, and any improvements thereto:

EXHIBIT B
PROJECT

Courthouse Project

Schilling Complex Project

EXHIBIT C
BASE RENTAL PAYMENT SCHEDULE