
LEASE AGREEMENT

Dated as of December 1, 2007

by and between the

PLACER COUNTY PUBLIC FINANCING AUTHORITY, as Lessor

and the

COUNTY OF PLACER, CALIFORNIA, as Lessee

(2007 South Placer Justice Center Courthouse Financing Project)

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LEASE AGREEMENT

THIS LEASE AGREEMENT (the "Lease Agreement"), dated for convenience as of December 1, 2007; by and between the PLACER COUNTY PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California, as lessor (the "Authority"), and the COUNTY OF PLACER, a public body, corporate and politic, duly organized and existing under and by virtue of the laws of the State of California, as lessee (the "County");

WITNESSETH:

WHEREAS, pursuant to that certain Site and Facility Lease, dated as of December 1, 2007 (the "Site and Facility Lease"), the County has leased those certain parcels of real property situated in Placer County, State of California, more particularly described in Exhibit A attached hereto and made a part hereof (the "Site"), and those certain improvements thereon, commonly known as the Auburn Justice Center, more particularly described in Exhibit B hereto (the "Facility" and, with the Site, the "Property"), to the Authority, all for the purpose of enabling the County to finance the acquisition of an existing facility to be used as the South Placer Justice Center Courthouse (the "Project");

WHEREAS, the Authority proposes to lease the Property back to the County pursuant to this Lease Agreement and to assign its right to receive lease payments under this Lease Agreement (the "Lease Payments"), its right to enforce payment of the Lease Payments and otherwise to enforce its interest and rights under this Lease Agreement in the event of a default hereunder by the County, to The Bank of New York Trust Company, N.A., as trustee (the "Trustee"), pursuant to that certain Assignment Agreement, dated as of December 1, 2007, by and between the Authority and the Trustee;

WHEREAS, pursuant to that certain Trust Agreement, dated as of December 1, 2007, by and among the County, the Authority and the Trustee, the Trustee will execute and deliver certificates of participation (the "Certificates") in the Lease Payments; and

WHEREAS, the proceeds of the Certificates, together with other available moneys, will be applied by the County to (a) finance the Project, (b) fund a reserve fund for the Certificates, and (c) pay delivery costs incurred in connection with the execution, delivery and sale of the Certificates;

NOW, THEREFORE, for and in consideration of the premises and the material covenants hereinafter contained, the parties hereto hereby formally covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS AND EXHIBITS

Section 1.1. Definitions. Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Lease Agreement shall have the respective meanings specified in Section 1.01 of the Trust Agreement, dated as of December 1, 2007, by and among the County, the Authority and the Trustee.

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

- Exhibit A: The description of the Site.
- Exhibit B: The description of the Facility.
- Exhibit C: The schedule of Lease Payments to be paid by the County hereunder with respect to the Property, showing the Lease Payment Date and amount of each such Lease Payment.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1. Representations, Covenants and Warranties of the County. The County represents, covenants and warrants to the Authority and the Municipal Bond Insurer as follows:

(a) *Due Organization and Existence*. The County is a public body, corporate and politic, duly organized and existing under and by virtue of the laws of the State.

(b) *Authorization*. The laws of the State authorize the County to enter into the Site and Facility Lease, this Lease Agreement and the Trust Agreement and to enter into the transactions contemplated by and to carry out its obligations under all of the aforesaid agreements, and the County has duly authorized and executed all of the aforesaid agreements and such agreements constitute the legal, valid and binding agreements of the County, enforceable against the County in accordance with their respective terms.

(c) *No Violations*. Neither the execution and delivery of the Site and Facility Lease, this Lease Agreement or the Trust Agreement, 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, agreement or instrument to which the County is now a party or by which the County is bound, constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrances whatsoever upon any of the property or assets of the County, or upon the Property, except Permitted Encumbrances.

(d) *Execution and Delivery*. The County has duly authorized and executed this Lease Agreement in accordance with all applicable laws.

Section 2.2. Representations, Covenants and Warranties of Authority. The Authority represents, covenants and warrants to the County and the Municipal Bond Insurer as follows:

(a) *Due Organization and Existence*. The Authority is a joint exercise of powers authority, organized and existing under and by virtue of the laws of the State; has power to enter into the Site and Facility Lease, this Lease Agreement, the Assignment Agreement and the Trust Agreement; is possessed of full power to own and hold, improve and equip real and personal property and to lease and sell the same; has duly authorized the execution and delivery of all of the aforesaid agreements and such agreements constitute the legal, valid and binding agreements of the Authority, enforceable against the Authority in accordance with their respective terms.

(b) *No Encumbrances*. The Authority will not pledge the Lease Payments or other amounts derived from the Property and from its other rights under this Lease Agreement and will not mortgage or encumber the Property, except as provided under the terms of this Lease Agreement and the Trust Agreement.

(c) *No Violations*. Neither the execution and delivery of the Site and Facility Lease, this Lease Agreement, the Assignment Agreement or the Trust Agreement, the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which

the Authority is now a party or by which the Authority is bound, constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Authority, or upon the Property, except Permitted Encumbrances.

(d) *No Assignments.* Except as provided herein, the Authority will not assign this Lease Agreement, its right to receive Lease Payments from the County or its duties and obligations hereunder to any other person, firm or corporation so as to impair or violate the representations, covenants and warranties contained in this Section 2.2.

(e) *Execution and Delivery.* The Authority has duly authorized and executed this Lease Agreement in accordance with all applicable laws.

ARTICLE III

DEPOSIT OF MONEYS

Section 3.1. Deposit of Moneys. On the Closing Date, the Authority shall cause to be deposited with the Trustee the Proceeds of sale of the Certificates. Amounts estimated to be required to pay Delivery Costs shall be deposited in the Delivery Costs Fund, and the remaining balance of said amount required to pay Project Costs shall be deposited in the Project Fund.

Section 3.2. Payment of Project Costs. Payment of Project Costs shall be made from the moneys deposited in the Project Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with Section 3.02 of the Trust Agreement.

Section 3.3. Payment of Delivery Costs. Payment of Delivery Costs shall be made from the moneys deposited in the Delivery Costs Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with Section 3.04 of the Trust Agreement.

ARTICLE IV

AGREEMENT TO LEASE; TERM OF THIS LEASE
AGREEMENT; LEASE PAYMENTS

Section 4.1. Lease.

(a) The Authority hereby leases the Property to the County, and the County hereby leases the Property from the Authority, upon the terms and conditions set forth in this Lease Agreement.

(b) The leasing of the Property by the County to the Authority pursuant to the Site and Facility Lease shall not affect or result in a merger of the County's leasehold estate pursuant to this Lease Agreement and its fee estate as lessor under the Site and Facility Lease.

Section 4.2. Term of Agreement. The Term of the Lease Agreement shall commence on the date hereof, and shall end on December 1, 2027, unless such term is extended as hereinafter provided. If, on December 1, 2027, the Trust Agreement shall not be discharged by its terms or if the Lease Payments payable hereunder shall have been abated at any time and for any reason, then the Term of the Lease Agreement shall be extended without the need to execute any amendment to this Section 4.2 until there has been deposited with the Trustee an amount sufficient to pay all obligations due under the Lease Agreement, but in no event shall the Term of the Lease Agreement extend beyond December 1, 2037. If, prior to December 1, 2027, the Trust Agreement shall be discharged by its terms, the Term of the Lease Agreement shall thereupon end. The Trustee shall notify the Authority of the termination of this Lease Agreement pursuant to Section 14.03 of the Trust Agreement.

Notwithstanding the foregoing, the Term of the Lease Agreement shall not end so long as any amounts are owed to the Municipal Bond Insurer with respect to the Municipal Bond Insurance Policy.

Section 4.3. Possession. The County hereby agrees to accept and take possession of the Property on or prior to the date of recordation of this Lease Agreement. The first Lease Payment shall be due on May 15, 2008.

Section 4.4. Lease Payments.

(a) *Obligation to Pay.* Subject to the provisions of Articles VI and X hereof, the County agrees to pay to the Authority, its successors and assigns, as rental for the use and occupancy of the Property during each Rental Period, the Lease Payments (denominated into components of principal and interest) in the respective amounts specified in Exhibit C hereto, to be due and payable on the respective Lease Payment Dates specified in Exhibit C hereto. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole pursuant to Article X hereof and other than amounts required for payment of Certificates not yet surrendered) shall be credited towards the Lease Payment then due and payable; and 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. The Lease Payments for the Property payable in any Rental Period shall be for the use of the Property for such Rental Period.

(b) *Effect of Prepayment.* In the event that the County prepays all remaining Lease Payments and all additional payments due under Section 4.7 hereof in full pursuant to

Article X hereof, the County's obligations under this Lease Agreement shall thereupon cease and terminate including, but not limited to, the County's obligation to pay Lease Payments under this Section 4.4; subject however, to the provisions of Section 10.1 hereof in the case of prepayment by application of a security deposit. In the event that the County optionally prepays the Lease Payments in part but not in whole pursuant to Section 10.2 hereof or pursuant to Section 10.3 hereof as a result of any insurance or condemnation award with respect to any portion of the Property, such prepayment shall be credited entirely towards the prepayment of the Lease Payments as follows: (i) the principal components of each remaining such Lease Payments shall be reduced in such order as shall be selected by the County in integral multiples of \$5,000; and (ii) the interest component of each remaining Lease Payment shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Certificates thereby redeemed pursuant to Sections 4.01(a) or (b), as the case may be, of the Trust Agreement.

(c) *Rate on Overdue Payments.* In the event the County should fail to make any of the payments required in this Section 4.4, the payment in default shall continue as an obligation of the County until the amount in default shall have been fully paid, and the County agrees to pay the same with interest thereon, to the extent permitted by law, from the date of default to the date of payment at the rate per annum payable with respect to the Certificates. Such interest, if received, shall be deposited in the Lease Payment Fund or in the Reserve Fund to replenish the Reserve Fund if withdrawals were made therefrom as a result of the default.

(d) *Fair Rental Value.* The Lease Payments for the Property for each Rental Period shall constitute the total rental for the Property for each such Rental Period and shall be paid by the County in each Rental Period for and in consideration of the right of the use and occupancy and the continued quiet use and enjoyment of the Property during each Rental Period. The parties hereto have agreed and determined that the total Lease Payments for the Property represent the fair rental value of the Property. In making such determination, consideration has been given to the obligations of the parties under this Lease Agreement, the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the County and the general public.

(e) *Source of Payments; Budget and Appropriation.* Lease Payments shall be payable from any source of available funds of the County, subject to the provisions of Articles VI and X hereof.

The County covenants to take such action as may be necessary to include all Lease Payments due hereunder in each of its budgets during the Term of the Lease Agreement and to make the necessary annual appropriations for all such Lease 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.

(f) *Assignment.* The County understands and agrees that all Lease Payments have been assigned by the Authority to the Trustee in trust, pursuant to the Assignment Agreement, for the benefit of the Owners of the Certificates, and the County hereby assents to such assignment. The Authority hereby directs the County, and the County hereby agrees to pay to the Trustee at the Principal Corporate Trust Office, all payments payable by the County pursuant to this Section 4.4 and all amounts payable by the County pursuant to Article X hereof.

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

Section 4.6. Title. During the Term of the Lease Agreement, the Authority shall hold fee title to those portions of the Property which are newly acquired or constructed and any and all additions which comprise fixtures, repairs, replacements or modifications to the Property, except for those fixtures, repairs, replacements or modifications which are added to the Property by the County at its own expense and which may be removed without damaging the Property and except for any items added to the Property by the County pursuant to Section 5.9 hereof.

If the County prepays the Lease Payments in full pursuant to Article X hereof or makes the security deposit permitted by Section 10.1 hereof, or pays all Lease Payments during the Term of the Lease Agreement as the same become due and payable, all right, title and interest of the Authority in and to the Property shall be transferred to and vested in the County. The Authority agrees to take any and all steps and execute and record any and all documents reasonably required by the County to consummate any such transfer of title.

Section 4.7. Additional Payments.

(a) In addition to the Lease Payments, the County shall pay when due all costs and expenses incurred by the County and the Authority to comply with the provisions of the Trust Agreement and this Lease Agreement, or otherwise arising from the leasing of the Property, including without limitation all delivery costs (to the extent not paid from amounts on deposit in the Delivery Costs Fund), compensation and indemnification due to the Trustee and all costs and expenses of auditors, engineers, attorneys and accountants.

(b) The County shall pay or reimburse the Municipal Bond Insurer any and all charges, fees, costs and expenses which the Municipal Bond Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in this Lease Agreement or the Trust Agreement; (ii) the pursuit of any remedies under this Lease Agreement or the Trust Agreement or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, this Lease Agreement or the Trust Agreement whether or not executed or completed, (iv) the violation by the County of any law, rule or regulation, or any judgment, order or decree applicable to them, (v) any litigation or other dispute in connection with this Lease Agreement or the Trust Agreement or the transactions contemplated thereby, other than amounts resulting from the failure of the Municipal Bond Insurer to honor its obligations under the Municipal Bond Insurance Policy, and (vi) the County's obligations under Section 6.02(b) of the Trust Agreement. The Municipal Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the this Lease Agreement or the Trust Agreement.

ARTICLE V

MAINTENANCE; TAXES; INSURANCE; USE LIMITATIONS; AND OTHER MATTERS

Section 5.1. Maintenance, Utilities, Taxes and Assessments. Throughout the Term of the Lease Agreement, as part of the consideration for the rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the County and the County shall pay, 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, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the 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 Lease Payments herein provided, the Authority agrees to provide only the Property, as hereinbefore more specifically set forth. The County 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 County under the terms of this Lease Agreement.

The County shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Authority or the County affecting 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 County shall be obligated to pay only such installments as are required to be paid during the Term of the Lease Agreement as and when the same become due.

The County may, at the County'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 Authority or the Municipal Bond Insurer shall notify the County that, in the opinion of Independent Counsel, by nonpayment of any such items, the interest of the Authority 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 shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority. The County shall provide the Authority and the the Municipal Bond Insurer with written notice of any such contest and shall provide such updates on the contest as the Authority or the the Municipal Bond Insurer may reasonably request.

Section 5.2. Modification of Property. The County shall, at its own expense, have the right to remodel the Property or to make additions, modifications and improvements to the Property. All additions, modifications and improvements to the Property shall thereafter comprise part of the Property and be subject to the provisions of this Lease Agreement. Such additions, modifications and improvements shall not in any way damage the Property, substantially alter its nature, cause the interest component of Lease Payments to be subject to federal income taxes or cause the Property 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 thereto pursuant to this Section 5.2, 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. The County 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 remodeling, additions, modifications, improvements, repairs, renewals or replacements

made by the County pursuant to this Section 5.2; provided that if any such lien is established and the County shall first notify the Authority of the County's intention to do so, the County 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 Authority with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Authority. The Authority will cooperate fully in any such contest, upon the request and at the expense of the County.

Section 5.3. Public Liability and Property Damage Insurance. The County shall maintain or cause to be maintained, throughout the Term of the Lease Agreement, insurance policies, including a standard comprehensive general insurance policy or policies in protection of the Authority, the County and the Trustee and their respective members, officers, agents and employees. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the County, and may be maintained through a joint exercise of powers authority created for such purpose or, with the prior written consent of the Municipal Bond Insurer, in the form of self-insurance by the County. Said policy or policies shall provide for indemnification of said parties against direct or consequential loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation 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 each accident or event, and in a minimum amount of \$100,000 (subject to a deductible clause of not to exceed \$5,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the County and may be maintained in the form of insurance maintained through a joint exercise of powers authority created for such purpose or, with the prior written consent of the Municipal Bond Insurer, in the form of self-insurance 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 insurance proceeds shall have been paid.

Section 5.4. Fire and Extended Coverage Insurance. The County shall maintain, or cause to be maintained throughout the Term of the Lease Agreement, insurance against loss or damage to any part of the Property constituting structures, if any, by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to one hundred percent (100%) of the replacement cost of such portion of the Property, if any. Such insurance may be subject to deductible clauses of not to exceed \$100,000 for any one loss. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried by the County and, with the prior consent of the Municipal Bond Insurer, may be maintained in whole or in part in the form of insurance maintained through a joint exercise of powers authority created for such purpose. The Net Proceeds of such insurance shall be applied as provided in Section 6.2(a) hereof. The County may not satisfy the requirements of this Section 5.4 with self-insurance except with the prior written consent of the Municipal Bond Insurer.

Section 5.5. Rental Interruption Insurance. The County shall maintain, or cause to be maintained, throughout the Term of the Lease Agreement rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any part of the Property

during the Term of the Lease Agreement as a result of any of the hazards covered in the insurance required by Section 5.4 hereof, if any, in an amount at least equal to two times the Reserve Requirement. The Net Proceeds of such insurance shall be paid to the Trustee and deposited in the Lease Payment Fund and shall be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable. Such insurance may be maintained as part of or in conjunction with any other insurance carried by the County and, with the prior consent of the Municipal Bond Insurer, may be maintained in whole or in part in the form of insurance maintained through a joint exercise of powers authority created for such purpose. The County may not satisfy the requirements of this Section 5.5 with self-insurance, except with the prior written consent of the Municipal Bond Insurer.

Section 5.6. Title Insurance.

(a) The County shall provide, from moneys in the Delivery Costs Fund or at its own expense, on the Closing Date, an ALTA title insurance policy covering, and in the amount of not less than the principal amount of the Certificates, insuring the County's leasehold estate in the Property, subject only to Permitted Encumbrances. A copy of such policy shall be delivered to the Municipal Bond Insurer.

(b) The Net Proceeds of such title insurance shall be applied as provided in Section 6.2(c) hereof.

Section 5.7. Insurance Net Proceeds; Form of Policies. Each policy or other evidence of insurance required by Sections 5.3, 5.4, 5.5 and 5.6 hereof shall provide that all proceeds thereunder shall be payable to the Trustee as and to the extent required hereunder, shall name the Trustee and the Municipal Bond Insurer as additional insureds and shall be applied as provided in Section 6.2 hereof. Insurance must be provided by an insurer rated "A" or better by S&P or A.M. Best Company unless waived by the Municipal Bond Insurer. The County shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease Agreement. Notice of cancellation of any such policy shall be filed with the Municipal Bond Insurer. The Trustee shall not be responsible for the sufficiency of any insurance herein required, including any forms of self-insurance and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss. The County shall cause to be delivered annually on or before each December 1 to the Trustee and the Municipal Bond Insurer a certification, signed by a County Representative, stating compliance with the provisions of Section 5.3 through 5.7 of this Lease Agreement. The Trustee shall be entitled to rely on such certification without independent investigation. The County shall have the adequacy of any insurance reserves maintained by the County or by a joint exercise of powers authority, if applicable, for purposes of the insurance required by Section 5.3 and 5.4 hereof reviewed at least annually, on or before each December 1, by an independent insurance consultant and shall maintain reserves in accordance with the recommendations of such consultant to the extent moneys are available for such purpose and not otherwise appropriated.

Section 5.8. Advances. If the County shall fail to perform any of its obligations under this Article V, the Authority may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and the County shall be obligated to repay all such advances as soon as possible, with interest at a rate equal to the rate then payable with respect to the Certificates from the date of the advance to the date of repayment.

Section 5.9. Installation of County's Equipment. The County 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 any portion of the Property. All such items shall remain the sole property of the County in which neither the Authority nor the Trustee shall have any interest and may be modified or removed by the County at any time provided that the County shall repair and restore any and all damage to the Property resulting from the installation, modification or removal of any such items. Nothing in this Lease Agreement shall prevent the County from purchasing or leasing items to be installed pursuant to this Section 5.9 under a lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Property.

Section 5.10. Liens. The County shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Property, other than the respective rights of the Authority and the County as provided herein and Permitted Encumbrances. Except as expressly provided in this Article V, the County shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time. The County shall reimburse the Authority for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Section 5.11. Private Activity Bond Limitation. The County shall assure that proceeds of the Certificates are not so used as to cause the Certificates or the Lease Agreement to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

Section 5.12. Federal Guarantee Prohibition. The County shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Certificates or the Lease Agreement to be "federally guaranteed" within the meaning of section 149(b) of the Code.

Section 5.13. Rebate Requirement. The County shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Certificates and the Lease Agreement.

Section 5.14. No Arbitrage. The County shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Certificates which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Certificates or the Lease Agreement to be "arbitrage bonds" within the meaning of section 148 of the Code.

Section 5.15. Maintenance of Tax-Exemption. The County shall take all actions necessary to assure the exclusion of interest with respect to the Certificates from the gross income of the Owners of the Certificates to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the Closing Date.

Section 5.16. No Condemnation. The County 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 County will not exercise the power of condemnation with respect to the Property. The County 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 County should fall or refuse to abide by such covenant and condemns the Property, the appraised

value of the Property shall not be less than the greater of (i) if the Certificates are then subject to redemption, the principal and interest components of the Certificates Outstanding through the date of their redemption, or (ii) if the Certificates are not then subject to redemption, the amount necessary to defease the Certificates to the first available redemption date in accordance with the Trust Agreement.

ARTICLE VI

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

Section 6.1. Eminent Domain. If all of the Property shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of this Lease Agreement shall cease as of the day possession shall be so taken. If less than all of the Property shall be taken permanently, or if all of the Property or any part thereof shall be taken temporarily under the power of eminent domain, (1) this Lease Agreement shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (2) there shall be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Payments hereunder, in an amount to be agreed upon by the County and the Authority and communicated to the Trustee such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property.

Section 6.2. Application of Net Proceeds.

(a) *From Insurance Award*. The Net Proceeds of any insurance award resulting from any damage to or destruction of any portion of the Property constituting structures, if any, by fire or other casualty shall be paid by the County to the Trustee, as assignee of the Authority under the Assignment Agreement, deposited in the Insurance and Condemnation Fund held by the Trustee and applied as set forth in Section 7.01 of the Trust Agreement.

(b) *From Eminent Domain Award*. The Net Proceeds of any eminent domain award resulting from any event described in Section 6.1 hereof shall be paid by the County to the Trustee, as assignee of the Authority under the Assignment Agreement, deposited in the Insurance and Condemnation Fund and applied as set forth in Section 7.02 of the Trust Agreement.

(c) *From Title Insurance*. The Net Proceeds of any title insurance award shall be paid to the Trustee, as assignee of the Authority under the Assignment Agreement, deposited in the Insurance and Condemnation Fund and applied as set forth in Section 7.03 of the Trust Agreement.

Section 6.3. Abatement of Lease Payments in the Event of Damage or Destruction. Lease Payments shall be abated during any period in which, by reason of damage or destruction, there is substantial interference with the use and occupancy by the County of the Property or any portion thereof (other than any portions of the Property described in Section 5.2 hereof) to the extent to be agreed upon by the County and the Authority and communicated by a Certificate of a County Representative to the Trustee. The parties agree that the amounts of the Lease Payments under such circumstances shall not be less than the amounts of the unpaid Lease Payments as are then set forth in Exhibit C, unless such unpaid amounts are determined, upon consultation with the Municipal Bond Insurer, to be greater than the fair rental value of the portions of the Property not damaged or destroyed (giving due consideration to the factors identified in the last sentence of Section 4.4(d)), based upon the opinion of an MAI appraiser with expertise in valuing such properties or other appropriate method of valuation, in which event the Lease Payments shall be abated such that they represent said fair rental value. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion

of the work of repair or reconstruction as evidenced by a Certificate of a County Representative to the Trustee. In the event of any such damage or destruction, this Lease Agreement shall continue in full force and effect and the County waives any right to terminate this Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments under this Section 6.3 to the extent that (a) the proceeds of rental interruption insurance or (b) amounts in the Reserve Fund and/or the Insurance and Condemnation Fund and/or the Lease Payment Fund are available to pay Lease Payments which would otherwise be abated under this Section 6.3, it being hereby declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

ARTICLE VII

DISCLAIMER OF WARRANTIES; ACCESS; INDEMNIFICATION

Section 7.1. Disclaimer of Warranties. THE CORPORATION 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 COUNTY OF THE PROPERTY OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE PROPERTY. IN NO EVENT SHALL THE CORPORATION OR ITS ASSIGNS BE LIABLE FOR INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES IN CONNECTION WITH OR ARISING OUT OF THE SITE AND FACILITY LEASE, THIS LEASE AGREEMENT OR THE TRUST AGREEMENT FOR THE EXISTENCE, FURNISHING, FUNCTIONING OR THE COUNTY'S USE OF THE PROPERTY.

Section 7.2. Access to the Property. The County agrees that the Authority and any Authority Representative, and the Authority's successors or assigns, shall have the right at all reasonable times to enter upon and to examine and inspect the Property. The County further agrees that the Authority, any Authority Representative, and the Authority's successors or assigns 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 County to perform its obligations hereunder.

Section 7.3. Release and Indemnification Covenants. The County shall and hereby agrees to indemnify and save the Authority and its officers, agents, directors, employees, successors and assigns 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 by the County, (ii) any breach or default on the part of the County in the performance of any of its obligations under this Lease Agreement or the Trust Agreement, (iii) any act or omission of the County or of any of its agents, contractors, servants, employees or licensees with respect to the Property, (iv) any act or omission of any sublessee of the County with respect to the Property, or (v) the authorization of payment of the Delivery Costs. Such indemnification shall include the costs and expenses of defending any claim or liability arising under this Lease Agreement or the Trust Agreement and the transactions contemplated thereby. No indemnification is made under this Section 7.3 or elsewhere in this Lease Agreement for willful misconduct, negligence or breach of duty under this Lease Agreement by the Authority, its officers, agents, directors, employees, successors or assigns.

ARTICLE VIII

ASSIGNMENT, SUBLEASING AND AMENDMENT

Section 8.1. Assignment by the Authority. The Authority's rights under this Lease Agreement, including the right to receive and enforce payment of the Lease Payments to be made by the County under this Lease Agreement, have been assigned to the Trustee pursuant to the Assignment Agreement.

Section 8.2. Assignment and Subleasing by the County. This Lease Agreement may not be assigned by the County. The County may sublease the Property or any portion thereof, but only with the written consent of the Authority and the Municipal Bond Insurer and subject to, and delivery to the Authority of a certificate as to, all of the following conditions:

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

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

(c) No such sublease by the County shall cause the Property to be used for a purpose other than as may be authorized under the provisions of the Constitution and laws of the State; and

(d) The County shall furnish the Authority and the Trustee with a written opinion of Bond Counsel, which shall be an Independent Counsel, stating that such sublease does not cause the interest components of the Lease Payments to become subject to federal income taxes or State personal income taxes.

Section 8.3. Amendment of Lease Agreement.

(a) Substitution of Site or Facility. The County shall have, and is hereby granted, the option at any time and from time to time during the Term of the Lease Agreement to substitute other land (a "Substitute Site") and/or a substitute facility or substitute Facility (a "Substitute Facility") for the Site (the "Former Site"), or a portion thereof, and/or the Facility (the "Former Facility"), or a portion thereof, provided that the County shall satisfy all of the following requirements (to the extent applicable) which are hereby declared to be conditions precedent to such substitution:

(i) If a substitution of the Site, the County shall file with the Authority and the Trustee an amended Exhibit A to the Site and Facility Lease which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(ii) If a substitution of the Site, the County shall file with the Authority and the Trustee an amended Exhibit A to this Lease Agreement which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(iii) If a substitution of the Facility, the County shall file with the Authority and the Trustee an amended Exhibit B to the Site and Facility Lease which adds

thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(iv) If a substitution of the Facility, the County shall file with the Authority and the Trustee an amended Exhibit B to this Lease Agreement which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(v) The County shall certify in writing to the Authority and the Trustee that such Substitute Site and/or Substitute Facility serve the purposes of the County, constitutes property that is unencumbered, subject to Permitted Encumbrances, and constitutes property which the County is permitted to lease under the laws of the State;

(vi) The County delivers to the Trustee and the Authority evidence that the value of the Property following such substitution is equal or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee that the indemnification provided pursuant to Section 12.03 of the Trust Agreement applies with respect to the Substitute Site and/or Substitute Facility;

(vii) The Substitute Site and/or Substitute Facility shall not cause the County to violate any of its covenants, representations and warranties made herein and in the Trust Agreement;

(viii) The County shall obtain an amendment to the title insurance policy required pursuant to Section 5.6 hereof which adds thereto a description of the Substitute Site and deletes therefrom the description of the Former Site;

(ix) The County shall certify that the Substitute Site and/or the Substitute Facility is of the same or greater essentiality to the County as was the Former Site and/or the Former Facility;

(x) The Municipal Bond Insurer shall provide prior written consent to such substitution;

(xi) The County shall provide notice of the substitution to any rating agency then rating the Certificates; and

(xii) The County shall furnish the Authority and the Trustee with a written opinion of Bond Counsel, which shall be an Independent Counsel, stating that such substitution does not cause the interest components of the Lease Payments to become subject to federal income taxes or State personal income taxes.

(b) *Release of Site.* The County shall have, and is hereby granted, the option at any time and from time to time during the Term of the Lease Agreement to release any portion of the Site, provided that the County shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such release:

(i) The County shall file with the Authority and the Trustee an amended Exhibit A to the Site and Facility Lease which describes the Site, as revised by such release;

(ii) The County delivers to the Trustee and the Authority evidence that the value of the Site, as revised by such release, is equal or greater than the Outstanding

principal amount of the Certificates and confirms in writing to the Trustee that the indemnification provided pursuant to Section 12.03 of the Trust Agreement applies with respect to the Site, as revised by such release;

(iii) Such release shall not cause the County to violate any of its covenants, representations and warranties made herein and in the Trust Agreement;

(iv) The County shall obtain an amendment to the title insurance policy required pursuant to Section 5.6 hereof which describes the Site, as revised by such release;

(v) The Municipal Bond Insurer shall provide prior written consent to such release; and

(vi) The County shall provide notice of the release to any rating agency then rating the Certificates.

(c) *Substitution of Project for the Property.* Notwithstanding the forgoing, the County shall have, and is hereby granted, the option at any time prior to July 1, 2008, to substitute the Project for the original Property, provided that the County shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such substitution; provided that no action of the Board of Supervisors of the County shall be required to consummate such substitution:

(i) The County shall file with the Authority and the Trustee an amended Exhibit A to the Site and Facility Lease which adds thereto a description of the site of the Project (the "Project Site") and deletes therefrom the description of the original Site;

(ii) The County shall file with the Authority and the Trustee an amended Exhibit A to this Lease Agreement which adds thereto a description of the Project Site and deletes therefrom the description of the original Site;

(iii) The County shall file with the Authority and the Trustee an amended Exhibit B to the Site and Facility Lease which adds thereto a description of the Project and deletes therefrom the description of the original Facility;

(iv) The County shall file with the Authority and the Trustee an amended Exhibit B to this Lease Agreement which adds thereto a description of the Project and deletes therefrom the description of the original Facility;

(v) The substitution of the Property with the Project shall not cause the County to violate any of its covenants, representations and warranties made herein and in the Trust Agreement;

(vi) The County shall obtain an amendment to the title insurance policy required pursuant to Section 5.6 hereof which adds thereto a description of the Project Site and deletes therefrom the description of the original Site or obtains a new title insurance policy, substantially in the form required by Section 5.6 hereof, relating to the Project Site, setting forth only such encumbrances as shall not, in the opinion of counsel to the County, impair the County's use and possession of the Project following substitution; and

(vii) The County shall furnish the Authority and the Trustee with a written opinion of Bond Counsel stating that such substitution does not cause the interest components of the Lease Payments to become subject to federal income taxes or State personal income taxes.

(d) *Generally.* The Authority and the County may at any time amend or modify any of the provisions of this Lease Agreement, but only (a) with the prior written consent of the Owners of a majority in aggregate principal amount of the Outstanding Certificates and the Municipal Bond Insurer, or (b) without the consent of any of the Owners, but with the consent of the Municipal Bond Insurer, but only if such amendment or modification is for any one or more of the following purposes:

(i) to add to the covenants and agreements of the County contained in this Lease Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the County;

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein, or in any other respect whatsoever as the Authority and the County may deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments will not materially adversely affect the interests of the Owners; or

(iii) to amend any provision thereof relating to the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest with respect to the Certificates under the Code, in the opinion of Bond Counsel

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1. Events of Default Defined. The following shall be "events of default" under this Lease Agreement and the terms "Events of Default" and "Default" shall mean, whenever they are used in this Lease Agreement, with respect to the Property, any one or more of the following events:

(a) Failure by the County to pay any Lease Payment or other payment required to be paid hereunder at the time specified herein.

(b) Failure by the County to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Lease Agreement (including failure to request appropriation pursuant to Section 4.4(e) hereof) or under the Trust Agreement, other than as referred to in clause (a) of this Section 9.1, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the County by the Authority, the Trustee, the Municipal Bond Insurer or the Owners of not less than five percent (5%) in aggregate principal amount of Certificates then outstanding; *provided, however,* if the failure stated in the notice can be corrected, but not within the applicable period, the Authority, the Trustee, the Municipal Bond Insurer and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the County within the applicable period and diligently pursued until the default is corrected; *provided further, however,* that no grace period for a covenant default shall exceed 30 days, nor be extended for more than 60 days, without the prior written consent of the Municipal Bond Insurer.

(c) The filing by the County of a voluntary petition in bankruptcy, or failure by the County promptly to lift any execution, garnishment or attachment, or adjudication of the County as a bankrupt, or assignment by the County for the benefit of creditors, or the entry by the County into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the County in any proceedings instituted under the provisions of the Federal Bankruptcy Act, as amended, or under any similar acts which may hereafter be enacted.

Section 9.2. Remedies on Default.

The Trustee, acting at the direction of the Municipal Bond Insurer, shall have the right to re-enter and re-let the Property and to terminate this Lease Agreement. The Municipal Bond Insurer shall have the right to control all remedies for default under both this Lease Agreement and the Trust Agreement.

Whenever any Event of Default referred to in Section 9.1 hereof shall have happened and be continuing, it shall be lawful for the Authority to exercise any and all remedies available pursuant to law or granted pursuant to this Lease Agreement; *provided, however,* that 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. Each and every covenant hereof to be kept and performed by the County is expressly made a condition and upon the breach thereof, the Authority may exercise any and all rights of entry and re-entry upon the Property, and also, at its option, with or without such entry, may terminate this Lease Agreement; *provided,* that no such termination shall be effected either by operation of law or acts of the parties hereto, except only in the manner herein expressly provided. In the event of such default and notwithstanding any re-entry by the Authority, the County

shall, as herein expressly provided, continue to remain liable for the payment of the Lease Payments and/or damages for breach of this Lease Agreement and the performance of all conditions herein contained and, in any event such rent and/or damages shall be payable to the Authority at the time and in the manner as herein provided, to wit:

(a) In the event the Authority does not elect to terminate this Lease Agreement in the manner hereinafter provided for in subparagraph (b) hereof, the County agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions herein contained and shall reimburse the Authority for any deficiency arising out of the re-leasing of the Property, or, in the event the Authority is unable to re-lease the Property, then for the full amount of all Lease Payments to the end of the Term of the Lease Agreement, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments hereunder, notwithstanding such entry or re-entry by the Authority or any suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Property or the exercise of any other remedy by the Authority. The County hereby irrevocably appoints the Authority as the agent and attorney-in-fact of the County to enter upon and re-lease the Property in the event of default by the County in the performance of any covenants herein contained to be performed by the County and to remove all personal property whatsoever situated upon the Property, to place such property in storage or other suitable place within Placer County, for the account of and at the expense of the County, and the County hereby exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Property and the removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions herein contained. The County hereby waives any and all claims for damages caused or which may be caused by the Authority 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 that may be in or upon the Property. The County agrees that the terms of this Lease Agreement constitute full and sufficient notice of the right of the Authority to re-lease 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 Authority in effecting such re-leasing shall constitute a surrender or termination of this Lease Agreement 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 County the right to terminate this Lease Agreement shall vest in the Authority to be effected in the sole and exclusive manner hereinafter provided for in paragraph (b) hereof.

(b) In an Event of Default hereunder, the Authority at its option may terminate this Lease Agreement and re-lease all or any portion of the Property. In the event of the termination of this Lease Agreement by the Authority at its option and in the manner hereinafter provided on account of default by the County (and notwithstanding any re-entry upon the Property by the Authority in any manner whatsoever or the re-leasing of the Property), the County nevertheless agrees to pay to the Authority all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is herein provided in the case of payment of Lease Payments. Any surplus received by the Authority from such re-leasing shall be credited towards the Lease Payments next coming due and payable. Neither notice to pay rent or to deliver up possession of the premises given pursuant to law nor any proceeding in unlawful detainer taken by the Authority shall of itself operate to terminate this Lease Agreement, and no termination of this Lease Agreement on account of default by the County shall be or become effective by operation of law, or otherwise, unless and until the Authority shall have given written notice to the County of the election on the part of the Authority to terminate this Lease Agreement. The

County covenants and agrees that no surrender of the Property and/or of the remainder of the Term of the Lease Agreement or any termination of this Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice.

Section 9.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease Agreement now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article IX it shall not be necessary to give any notice, other than such notice as may be required in this Article IX or by law.

Section 9.4. Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Lease Agreement 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 or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party; provided, however, that the Trustee shall not be required to expend its own funds for any payment described in this Section 9.4.

Section 9.5. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Lease Agreement 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 Proceeds. All net proceeds received from the re-lease or other disposition of the Property under this Article IX, and all other amounts derived by the Authority or the Trustee as a result of an Event of Default hereunder, shall be transferred to the Trustee promptly upon receipt thereof and after payment of all fees and expenses of the Trustee, including indemnifications and attorneys fees, shall be deposited by the Trustee in the Lease Payment Fund to be applied to the Lease Payments in order of payment date.

Section 9.7. Trustee and Certificate Owners to Exercise Rights. Such rights and remedies as are given to the Authority under this Article IX have been assigned by the Authority to the Trustee under the Assignment Agreement, to which assignment the County hereby consents. Such rights and remedies shall be exercised by the Trustee, the Municipal Bond Insurer and the Owners of the Certificates as provided in the Trust Agreement and herein.

Section 9.8. No Right to Terminate for Authority Default. The County shall not have the right to terminate this Lease Agreement as a remedy for a default by the Authority in the performance of its obligations hereunder.

ARTICLE X

PREPAYMENT OF LEASE PAYMENTS

Section 10.1. Security Deposit. Notwithstanding any other provision of this Lease Agreement, the County may, on any date, secure the payment of all or a portion of the Lease Payments remaining due by an irrevocable deposit with the Trustee or an escrow holder under an escrow deposit and trust agreement as referenced in Section 14.01(b) of the Trust Agreement, of: (a) in the case of a security deposit relating to all Lease Payments, either (i) cash in an amount which, together with amounts on deposit in the Lease Payment Fund, the Insurance and Condemnation Fund and the Reserve Fund, is sufficient to pay all unpaid Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule set forth in Exhibit C, or (ii) Defeasance Obligations in such amount as will, in the written opinion of an independent certified public accountant or other firm of recognized experts in such matters (addressed to the Municipal Bond Insurer), together with interest to accrue thereon and, if required, all or a portion of moneys or Defeasance Obligations or cash then on deposit and interest earnings thereon in the Lease Payment Fund, the Insurance and Condemnation Fund and the Reserve Fund, be fully sufficient to pay all unpaid Lease Payments on their respective Lease Payment Dates; or (b) in the case of a security deposit relating to a portion of the Lease Payments, a certificate executed by a County Representative designating the portion of the Lease Payments to which the deposit pertains, and either (i) cash in an amount which is sufficient to pay the portion of the Lease Payments designated in such County Representative's certificate, including the principal and interest components thereof, or (ii) Defeasance Obligations in such amount as will, together with interest to be received thereon, if any, in the written opinion of an independent certified public accountant or other firm of recognized experts in such matters (addressed to the Municipal Bond Insurer), be fully sufficient to pay the portion of the Lease Payments designated in the aforesaid County Representative's certificate.

In the event of a deposit pursuant to this Section 10.1 as to all Lease Payments and the payment of all fees, expenses and indemnifications owed to the Trustee and the Municipal Bond Insurer, all obligations of the County under this Lease Agreement shall cease and terminate, excepting only the obligation of the County to make, or cause to be made, all payments from the deposit made by the County pursuant to this Section 10.1 and the obligations of the County pursuant to Section 5.13 hereof and title to the Property shall vest in the County on the date of said deposit automatically and without further action by the County or the Authority. Said deposit and interest earnings thereon shall be deemed to be and shall constitute a special fund for the payments provided for by this Section 10.1 and said obligation shall thereafter be deemed to be and shall constitute the installment purchase obligation of the County for the Property. Upon said deposit, the Authority will execute or cause to be executed any and all documents as may be necessary to confirm title to the Property in accordance with the provisions hereof. In addition, the Authority hereby appoints the County as its agent to prepare, execute and file or record, in appropriate offices, such documents as may be necessary to place record title to the Property in the County.

Section 10.2. Prepayment Option. The Authority hereby grants an option to the County to prepay the principal component of the Lease Payments in full, by paying the aggregate unpaid principal components of the Lease Payments as set forth in Exhibit C hereto, or in part, in a prepayment amount equal to the principal amount of Lease Payments to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

Said option may be exercised with respect to Lease Payments due on and after November 15, 2016, in whole or in part on any date, commencing November 15, 2015. Said option shall be exercised by the County by giving written notice to the Authority and the Trustee of the exercise of such option at least sixty (60) days prior to said Lease Payment Date. Such option shall be exercised in the event of prepayment in full, by depositing with said notice cash in an amount, which, together with amounts then on deposit in the Reserve Fund, the Insurance and Condemnation Fund and the Lease Payment Fund, will be sufficient to pay the aggregate unpaid component of the Lease Payments on said Lease Payment Date as set forth in Exhibit C hereto, together with any Lease Payments then due but unpaid, or, in the event of prepayment in part, by depositing with said notice cash in an amount divisible by \$5,000 equal to the amount desired to be prepaid together with any Lease Payments then due but unpaid. In the event of prepayment in part, the partial prepayment shall be applied against Lease Payments in such order of payment date as shall be selected by the County. Lease Payments due after any such partial prepayment shall be in the amounts set forth in a revised Lease Payment schedule which shall be provided by, or caused to be provided by, the County to the Trustee and which shall represent an adjustment to the schedule set forth in Exhibit C attached hereto taking into account said partial prepayment. The Trustee agrees to notify the Authority in the event of any prepayment of Lease Payments, as provided in Section 14.03 of the Trust Agreement.

Notwithstanding the foregoing, the County shall not be permitted to prepay any Lease Payments if any amounts are owed to the Municipal Bond Insurer with respect to the Municipal Bond Insurance Policy.

Section 10.3. Mandatory Prepayment From Net Proceeds of Insurance, Title Insurance or Eminent Domain. The County shall be obligated to prepay the Lease Payments, in whole on any date or in part on any Lease Payment Date, from and to the extent of any Net Proceeds of an insurance, title insurance or condemnation award with respect to the Property theretofore deposited in the Lease Payment Fund for such purpose pursuant to Article VI hereof and Article VII of the Trust Agreement. The County and the Authority hereby agree that such Net Proceeds shall be applied first to the payment of any delinquent Lease Payments, and thereafter shall be credited towards the County's obligations under this Section 10.3. Lease Payments due after any such partial prepayment shall be in the amounts set forth in a revised Lease Payment schedule which shall be provided by, or caused to be provided by, the County to the Trustee and which shall represent an adjustment to the schedule set forth in Exhibit C attached hereto taking into account said partial prepayment.

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, remaining amounts on deposit in the Lease Payment Fund or the Reserve Fund shall be credited towards the amounts then required to be so prepaid.

Section 11.3. Binding Effect. This Lease Agreement shall inure to the benefit of and shall be binding upon the Authority and the County and their respective successors and assigns. The Municipal Bond Insurer shall be deemed to be a third party beneficiary of this Lease Agreement.

Section 11.4. Severability. In the event any provision of this Lease Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.5. 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 Lease Payments shall be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever.

Section 11.6. Further Assurances and Corrective Instruments. The Authority and the County 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 intentions of this Lease Agreement.

Section 11.7. Execution in Counterparts. This Lease Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.8. Applicable Law. This Lease Agreement shall be governed by and construed in accordance with the laws of the State.

Section 11.9. Authority and County Representatives. Whenever under the provisions of this Lease Agreement the approval of the Authority or the County is required, or the Authority or the County is required to take some action at the request of the other, such approval or such request shall be given for the Authority by an Authority Representative and for the County by a County Representative, and each party hereto shall be authorized to rely upon any such approval or request.

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

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

PLACER COUNTY PUBLIC
FINANCING AUTHORITY

By _____
Chairman

Attest:

Secretary

COUNTY OF PLACER, CALIFORNIA

By _____
County Executive Officer

Attest:

Clerk of the Board of Supervisors

EXHIBIT A
DESCRIPTION OF THE SITE

All that certain real property situated in Placer County, State of California, described as follows:

EXHIBIT B

DESCRIPTION OF THE FACILITY

The Facility consists of the following.

Situated on 7.6 acres of land in the Placer County Government Center in North Auburn, California, the Auburn Justice Center is a 96,200 square foot, two story facility and provides offices for the Sheriff/Coroner, Probation Department, and the District Attorney—Juvenile Division. The facility is comprised of two separate but interconnected buildings with the larger two story portion housing offices, conference rooms, public lobby and meeting space, emergency dispatch call center, and general staff functions. The one story portion houses sheriff evidence processing and storage, training facilities including classrooms and a shooting range, and vehicle maintenance and various types of specialty storage. The facility has structural design and emergency response capacities as required for an essential services building including duplicate backup heating and air conditioning systems and full sized generator with automatic transfer switching. These systems allow the building to be fully functional during emergencies and power outages. The facility is also state of the art with communications, data, security, and energy management systems. Evidence processing can now store materials in four separate areas with distinct climate controlled temperature settings meeting Department of Justice criteria. Also the training center has an 8 lane fully fixed and tactical movement shooting range with automatic target retrieval system and lead recovery equipment. The building is sited such that it completes the criminal justice complex portion of the DeWitt Center. It creates an internal secure area for staff and parking for the Main Jail, Juvenile Detention Center, and the Auburn Justice Center. Parking is provided for all staff, specialty vehicles such as search and rescue, evidence vans, and patrol cars. In addition, there is a public parking lot at the front entrance as well as a secure sheriff overflow parking lot for large vehicles used for unique operations.

EXHIBIT C

SCHEDULE OF LEASE PAYMENTS

Lease Payment Date	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Lease Payment</u>
5/15/08			
11/15/08			
5/15/09			
11/15/09			
5/15/10			
11/15/10			
5/15/11			
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5/15/12			
11/15/12			
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