

Recording Requested By and Return To:)
)
CALIFORNIA INFRASTRUCTURE AND)
ECONOMIC DEVELOPMENT BANK)
Attn: Credit Support Manager)
1001 I Street, 19th Floor)
Sacramento, CA 95814)

This document is recorded for the benefit of the CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK and the recording is fee-exempt under Section 27383 of the California Government Code.

SITE LEASE

Dated as of December 1, 2006

by and between the

CITY OF REDLANDS, as lessor

and the

CALIFORNIA INFRASTRUCTURE AND ECONOMIC

DEVELOPMENT BANK, as lessee

SITE LEASE

THIS SITE LEASE, dated as of December 1, 2006, by and between the CITY OF REDLANDS, a general law city and municipal corporation duly organized and existing under the laws of the State of California (herein called the "Site Lessor") and the CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK, duly organized and existing pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act, constituting Division 1 of Title 6.7 of the California Government Code (commencing at Section 63000 thereof) as now in effect and as it may from time to time hereafter be amended (the "Act") (herein called the "CIEDB");

WITNESSETH:

WHEREAS, the CIEDB intends to assist the Site Lessor pursuant to the Act by financing the construction, plus certain related costs, of the Redlands Sports Park (herein called the "Project") ;and

WHEREAS, the Site Lessor owns the real property situated at 111 W. Lugonia Avenue, Redlands, California (the land and improvements are together herein called the "Facility"); and

WHEREAS, the CIEDB intends to lease the Facility to the Site Lessor by a facility lease (herein called the "Facility Lease") and the Site Lessor intends to enter into such a lease with the CIEDB as a material consideration for the CIEDB's agreement to finance the construction of the Project for and on behalf of the Site Lessor;

NOW, THEREFORE, IT IS HEREBY MUTUALLY AGREED as follows:

SECTION 1. Site.

The Site Lessor hereby leases to the CIEDB and the CIEDB hereby hires from the Site Lessor, on the terms and conditions hereinafter set forth, the real property situated in San Bernardino County, State of California, and described in Exhibit A attached hereto and made a part hereof and all improvements thereon (herein called the "Site").

SECTION 2. Assignment by the CIEDB.

The Site Lessor acknowledges that the CIEDB has authority to issue tax-exempt bonds, that the Facility may be used to secure such bonds and that certain of the rights of the CIEDB hereunder will be assigned to a trustee under an indenture (the "Indenture"). The Site Lessor agrees to execute all documents which may be reasonably requested by the CIEDB or the trustee to protect their interests in the Facility during the term hereof.

SECTION 3. Term.

The term of this lease shall commence on the earlier of the date of recordation of this lease in the office of the County Recorder of San Bernardino County, State of California, or December 1, 2006 (the effective date), and shall end on December 1, 2036 (30 years), unless such term is extended or sooner terminated as hereinafter provided. If on such date, the indebtedness of or advance for construction costs of the Project and related costs provided by or owed to the CIEDB (the "CIEDB Obligation") shall not be fully paid, or if the rental payable under the Facility Lease shall have been abated at any time and for any reason, then the term of this lease shall be extended until ten days after the CIEDB Obligation shall be fully paid pursuant to the Facility Lease or the Indenture, except that the term of this lease shall in no event be extended beyond November 30, 2041. If prior to December 1, 2036, the CIEDB Obligation is discharged by its terms, the term of this lease shall end ten days thereafter or ten days after written notice by the Site Lessor to the CIEDB, whichever is earlier.

SECTION 4. Rental.

The CIEDB shall pay to the Site Lessor as and for rental hereunder the sum of One Dollar (\$1), all of which rental shall be payable in full within ten days of the recordation hereof. In addition to the foregoing rental payment, the CIEDB may pay to the Site Lessor as and for rental hereunder such surplus moneys, if any, as shall be paid over to the Site Lessor pursuant to the Facility Lease.

SECTION 5. Purpose.

The CIEDB shall use the Site solely for the purpose of leasing the Facility to the Site Lessor pursuant to the Facility Lease and for such purposes as may be incidental thereto, provided, that in the event of default by the Site Lessor under the Facility Lease the CIEDB may exercise the remedies provided in the Facility Lease.

SECTION 6. Right of Entry.

The Site Lessor reserves the right for any of its duly authorized representatives to enter upon the Site at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

SECTION 7. Termination.

The CIEDB agrees, upon the termination or expiration of this lease, to quit and surrender the Site in the same good order and condition as the same was in at the time of commencement of the term hereunder, except for acts of God and reasonable wear and tear and any actions taken by the Site Lessor that may affect the condition of the Site, and agrees that any permanent improvements and structures existing upon the Site at the time of such termination or expiration of this lease shall remain thereon and title thereto shall vest in the Site Lessor.

SECTION 8. Default.

In the event the CIEDB shall be in default in the performance of any obligation on its part to be performed under the terms of this lease, which default continues for sixty (60) days following notice and demand for correction thereof to the CIEDB, the Site Lessor may exercise any and all remedies granted by law, except that no merger of this lease and of the Facility Lease shall be deemed to occur as a result thereof; provided, however, that the Site Lessor shall have no power to terminate this lease by reason of any default on the part of the CIEDB if such termination would affect or impair any assignment or sublease of all or any part of the Site then in effect between the CIEDB and any assignee or subtenant of the CIEDB (other than the Site Lessor under the Facility Lease); and provided further, that so long as the CIEDB Obligation is outstanding and unpaid in accordance with the terms of the Facility Lease or the Indenture, the rentals or any part thereof payable to the CIEDB or its assignees shall continue to be paid to the CIEDB or its assignees. So long as any assignee or subtenant of the CIEDB shall duly perform the terms and conditions of this lease and of its then existing sublease (if any), such assignee or subtenant shall be deemed to be and shall become the tenant of the Site Lessor hereunder and shall be entitled to all of the rights and privileges granted under any such assignment or sublease; provided further, however, that so long as the CIEDB Obligation is outstanding and unpaid in accordance with the terms of the Facility Lease or the Indenture, the rentals or any part thereof payable to the CIEDB or its assignees (by the terms of such assignment or sublease) shall continue to be paid to the CIEDB or its assignees.

SECTION 9. Quiet Enjoyment.

The CIEDB at all times during the term of this lease, subject to the provisions of Section 8 hereof, shall peaceably and quietly have, hold and enjoy all of the Site.

SECTION 10. Waiver of Personal Liability.

All liabilities under this lease on the part of the CIEDB are solely liabilities of the CIEDB as an entity of state government, and the Site Lessor hereby releases each and every member, officer, agent and employee of the CIEDB of and from any personal or individual liability for negligence under this lease. All liabilities under this lease on the part of the Site Lessor are solely liabilities of the Site Lessor as a local government entity under the laws of the State of California, and the CIEDB hereby releases each and every member, officer, agent and employee of the Site Lessor of and from any personal or individual liability for negligence under this lease.

SECTION 11. Taxes.

The Site Lessor covenants and agrees to pay any and all assessments of any kind or character and also all taxes, including possessory interest taxes, levied or assessed upon the Site (including both land and improvements); provided, however, that the Site Lessor shall not pay any possessory interest taxes levied as a result of any assignment or sublease of all or any part of the Site then in effect between the CIEDB and any assignee or subtenant of the CIEDB (other than the Site Lessor under the Facility Lease).

SECTION 12. Eminent Domain.

In the event the whole or any part of the Site or the improvements thereon (including the Facility) is taken permanently or temporarily under the power of eminent domain, the interest of the CIEDB shall be recognized and is hereby determined to be the amount of the then unpaid indebtedness incurred or advanced by the CIEDB to finance or refinance the construction of the Project, including the unpaid principal of and interest on the CIEDB Obligation, and shall be paid as required by the Facility Lease or the Indenture. The term "unpaid indebtedness," as used in the preceding sentence, includes the face amount of the indebtedness evidenced by the CIEDB Obligation, together with the interest thereon and all other payments required to be made pursuant to the Facility Lease or the Indenture, until such indebtedness, together with the interest thereon, has been paid in full in accordance with the terms thereof.

SECTION 13. License to Access Site Utilities and Parking.

The Site Lessor hereby irrevocably grants to the CIEDB and the CIEDB hereby accepts from the Site Lessor, during the term of this lease, a license for ingress and egress to the Facility.

SECTION 14. Partial Invalidity.

If any one or more of the terms, provisions, covenants or conditions of this lease shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining terms, provisions, covenants and conditions of this lease shall be affected thereby, and each provision of this lease shall be valid and enforceable to the fullest extent permitted by law.

SECTION 15. Notices.

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

If to the Site Lessor, addressed to:

City of Redlands
Attn: Capital Projects Manager
P.O. Box 3005
Redlands, CA 92373

Or to such other address as may be designated in writing by the Site Lessor;

If to the CIEDB:

California Infrastructure and Economic Development Bank
Attn: Credit Support Manager, CIEDB B05-071
P.O. Box 2830
Sacramento, California 95812-2830

If by personal delivery or overnight mail:

California Infrastructure and Economic Development Bank
Attn: Credit Support Manager, CIEDB B05-071
1001 I Street, 19th Floor
Sacramento, California 95814

Or to such other address as may be designated in writing by the CIEDB.

with a copy to the trustee for the bonds issued by the CIEDB, if any, at such address as may be provided by such trustee for such purpose, or to such other addresses as the respective parties may from time to time designate by notice in writing.

SECTION 16. 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.

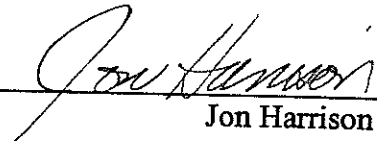
SECTION 17. Amendment.

This lease may only be amended by a written instrument duly authorized and executed by the CIEDB and the Site Lessor.

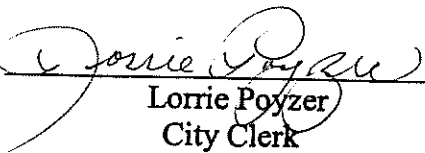
[The balance of this page is intentionally left blank.]

IN WITNESS WHEREOF, the Site Lessor and the CIEDB have caused this lease to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

CITY OF REDLANDS, as Site Lessor

By 
Jon Harrison
Mayor

Attest

By 
Lorrie Poyzer
City Clerk

CALIFORNIA INFRASTRUCTURE AND
ECONOMIC DEVELOPMENT BANK, as lessee

By _____
Stanton C. Hazelroth
Executive Director

Attest

By _____
Roma Cristia-Plant
Secretary

STATE OF CALIFORNIA)
) ss
COUNTY OF SACRAMENTO)

On _____, 20__, before me, Tom Martin, a Notary Public in and for the State of California, personally appeared STANTON C. HAZELROTH, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person or the entity on behalf of which the person acted, executed the instrument.

Witness my hand and official seal

[SEAL]

ALL-PURPOSE ACKNOWLEDGMENT

STATE OF CALIFORNIA)
COUNTY OF SAN BERNARDINO) SS
CITY OF REDLANDS)

By the authority granted under Chapter 4, Article 3, Section 1181, of the California Civil Code, and Chapter 2, Division 3, Section 40814, of the California Government Code, on September 11, 2006, 2006, before me, Teresa Ballinger, Assistant City Clerk, on behalf of Lorrie Poyzer, City Clerk of the City of Redlands, California, personally appeared Jon Harrison and Lorrie Poyzer { X} personally known to me - or - { } proved to me on the basis of satisfactory evidence to be the persons whose names) are subscribed to the within instrument and acknowledged to me that they executed the same in their authorized capacities and that by their signatures on the instrument the persons, or the entity upon behalf of which the persons acted, executed the instrument.

WITNESS my hand and official seal.

LORRIE POYZER, CITY CLERK



By: Teresa Ballinger
Teresa Ballinger, Assistant City Clerk
(909)798-7531

CAPACITY CLAIMED BY SIGNER(S)

- { } **Individual(s) signing for oneself/themselves**
{ } **Corporate Officer(s)**
Title(s) _____
Company _____
{ } **Partner(s)**
Partnership _____
{ } **Attorney-In-Fact**
Principal(s) _____
{ } **Trustee(s)**
Trust _____
{ x } **Other**
Title(s): Mayor and City Clerk
Entity Represented: City of Redlands, a municipal corporation

THIS CERTIFICATE MUST BE ATTACHED TO THE DOCUMENT DESCRIBED BELOW:

Title or Type of Document: Site Lease

Date of Document: December 1, 2006

Signer(s) Other Than Named Above: Stanton C. Hazelroth, Executive Director, California Infrastructure and Economic Development Bank

EXHIBIT A

Property Description

Street address:

111 W. Lugonia Avenue, Redlands, CA

APN:

0167-243-16-0-000

Legal Description:

Real property in the City of Redlands, County of San Bernardino, State of California, described as follows:

THAT PORTION OF THE NORTHEAST $\frac{1}{4}$ OF THE SOUTHWEST $\frac{1}{4}$ OF SECTION 22, TOWNSHIP 1 SOUTH, RANGE 3 WEST, SAN BERNARDINO BASE AND MERIDIAN, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, BEGINNING AT THE CENTERPOINT OF SAID SECTION 22, SAID POINT ALSO BEING THE CENTERLINE INTERSECTION OF LUGONIA AVENUE AND ORANGE STREET; THENCE WESTERLY ALONG THE CENTERLINE OF LUGONIA AVENUE (66.00 FEET WIDE), 357.25 FEET, TO A POINT, SAID POINT BEING THE INTERSECTION OF THE CENTERLINE OF LUGONIA AVENUE WITH THE NORTHERLY PROLONGATION OF THE WESTERLY RIGHT-OF-WAY LINE OF WASHINGTON STREET (54.25 FEET WIDE); THENCE SOUTHERLY ALONG LAST SAID PROLONGATION TO A POINT, SAID POINT BEING THE INTERSECTION OF THE SOUTHERLY RIGHT-OF-WAY LINE OF LUGONIA AVENUE WITH THE WESTERLY RIGHT-OF-WAY LINE OF WASHINGTON STREET, AND INTERSECTION BEING THE TRUE POINT OF BEGINNING; THENCE WESTERLY 270.00 FEET ALONG THE SOUTH RIGHT-OF-WAY OF LUGONIA AVENUE; THENCE SOUTHERLY 301.70 FEET ALONG THE EAST RIGHT-OF-WAY LINE OF CLAY STREET TO A POINT BEING THE NORTHWEST CORNER OF LOT 18 AS SHOWN IN MAP OF OLIVE GROVE ADDITION NO. 2 RECORDED IN MAP BOOK 15, PAGE 37; THENCE EASTERLY 135.00 FEET ALONG THE NORTH LINE OF SAID LOT 18 TO A POINT BEING THE NORTHWEST CORNER OF LOT 42 AS SHOWN IN MAP OF OLIVE GROVE ADDITION RECORDED IN MAP BOOK 13, PAGE 44; RECORDS OF SAID COUNTY; THENCE SOUTHERLY 245.00 FEET ALONG THE WEST PROPERTY LINE OF LOTS 42, 41, 40, 39, AND 38 OF SAID SUBDIVISION; THENCE EASTERLY 135.00 FEET ALONG THE SOUTH PROPERTY LINE OF SAID LOT 38 TO THE WEST RIGHT-OF-WAY LINE OF WASHINGTON STREET; THENCE NORTHERLY ALONG SAID WEST RIGHT-OF-WAY LINE 98.00 FEET TO THE NORTHEASTERLY CORNER OF SAID LOT 39; THENCE WESTERLY ALONG THE NORTH LINE OF SAID LOT 39, 2.875 FEET; THENCE NORTHERLY ALONG A LINE PARALLEL TO AND 30.00 FEET WESTERLY OF THE CENTERLINE OF WASHINGTON STREET, 49.00 FEET TO THE SOUTH LINE OF LOT 41; THENCE EASTERLY ALONG LAST SAID LINE 2.875 FEET TO THE SOUTHEASTERLY CORNER OF LOT 41; THENCE NORTHERLY ALONG THE WEST RIGHT-OF-WAY LINE OF WASHINGTON STREET 399.70 FEET TO THE TRUE POINT OF BEGINNING.

Recording Requested By)
And When Recorded Mail To:)
)
)
California Infrastructure and)
Economic Development Bank)
Attn: Credit Support Unit)
1001 I Street, 19th floor
Sacramento, CA 95814)
)

(Space above for Recorder's use)

This document is recorded for the benefit of the CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK and the recording is fee-exempt under section 27383 of the California Government Code.

FACILITY LEASE

by and between the

California Infrastructure and Economic Development Bank

and the

City of Redlands

relating to

one million nine hundred eighty-five thousand dollar (\$1,985,000)

Agreement No. CIEDB B05-071

Dated as of December 1, 2006

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FACILITY LEASE

This FACILITY LEASE (the "Facility Lease") is executed and entered into as of the December 1, 2006, by and between the CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (the "Lessor"), duly organized and existing pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act, constituting Division 1 of Title 6.7 of the California Government Code (commencing at section 63000 thereof) as now in effect and as it may from time to time hereafter be amended (the "Act") and the City of Redlands, a general law city duly organized and existing under the laws of the State of California (the "Lessee").

WITNESSETH:

WHEREAS, the Lessee and the Lessor desire to finance the construction, acquisition and installation of the Redlands Sports Park, as described in Exhibit A attached hereto (the "Project"), which Project will be located on real property owned by the Lessee;

WHEREAS, the Lessee owns the real property situated at 111 W. Lugonia Avenue, Redlands, California, on which property is located the Lugonia Park Community Center, described in Exhibit B attached thereto (called jointly the "Facility");

WHEREAS, the Lessee has leased the Site to the Lessor pursuant to the Site Lease, dated as of the Effective Date, between the Lessee, as lessor and the Lessor, as lessee;

WHEREAS, on or about September 5, 2006, the Lessee adopted Resolution 6541, in substantially the same form as set forth in Exhibit C attached hereto, authorizing the purchase from the CIEDB of a Project, as defined herein;

WHEREAS, the Lessee has determined that it is in the public interest, convenience and welfare and for the common benefit of the inhabitants of the Lessee that the Lessee finance the Project through the delivery of this Facility Lease (as defined in section 1.01);

WHEREAS, the Lessee is authorized by law to lease the Facility and the Facility is necessary and proper for public purposes;

WHEREAS, the Lessor has issued tax-exempt bonds ("Proceeds Bonds" as defined in Section 1.01), the proceeds of which will be used to fund the Project;

WHEREAS, the Lessor may pledge its rights under this Facility Lease to secure bonds ("Secured Bonds" as defined in Section 1.01);

WHEREAS, Lessee acknowledges that the issuance of both the Secured Bonds and Proceeds Bonds impacts its rights and obligations as described herein, and Lessee hereby agrees to adhere to the requirements contained in this Facility Lease necessary in order to maintain the tax-exempt status of the Proceeds Bonds; and

WHEREAS, Lessee has submitted an opinion of counsel to CIEDB in substantially the same form as set forth in Exhibit L attached hereto;

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 Facility Lease to exist, have happened and have been performed in a regular and due time, form and manner as required by law, the parties hereto are now duly authorized to execute and enter into this Facility Lease;

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 hereof and of any amendment hereof have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein.

Act

“Act” means the Bergeson-Peace Infrastructure and Economic Development Bank Act, constituting Division 1 of Title 6.7 of the California Government Code (commencing at section 63000 thereof) as now in effect and as it may from time to time hereafter be amended.

Additional Rental Payments

“Additional Rental Payments” means all amounts payable by the Lessee pursuant to Section 5.01(b) hereof.

Base Rental Payments

“Base Rental Payments” means all amounts payable by the Lessee as Base Rental pursuant to Section 5.01(a) hereof.

Business Day

“Business Day” means any day, Monday through Friday, which is not a legal holiday of the State or the Trustee.

Certificate of the Lessee

“Certificate of the Lessee” means a request or certificate, in writing, signed by a duly authorized representative of the Lessee.

Code

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations of the United States Department of the Treasury issued thereunder, and in this regard reference to any particular section of the Code shall include reference to all successors to such section of the Code.

Effective Date

"Effective Date" means December 1, 2006, the date on which this Facility Lease becomes effective and binding upon the Lessee and the Lessor.

Event of Default

"Event of Default" means any of the events described in Section 10.01.

Expiry Date

"Expiry Date" means November 30, 2036 except as extended or sooner terminated pursuant to Section 3.01 hereof.

Facility

"Facility" means the Site and any and all improvements thereon, as described in Exhibit B hereto (as the same may be changed from time to time by Removal or Substitution as provided in Section 2.06).

Facility Lease

"Facility Lease" means this facility lease, dated as of the Effective Date, by and between the Lessor and the Lessee, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms hereof.

Fiscal Year

"Fiscal Year" means any twelve month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve month period selected and designated by the Lessee as its official fiscal year period.

Independent Accountant

"Independent Accountant" means any certified public accountant or firm of certified public accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State, appointed by the Lessee who, or each of whom:

(1) is in fact independent and not under the control of the Lessee or the Lessor;

(2) does not have any substantial interest, direct or indirect, in the Lessee or the Lessor; and

(3) is not connected with the Lessee or the Lessor as an officer or employee of the Lessee or the Lessor, but who may be regularly retained to make reports to the Lessee or the Lessor.

Insurance Consultant

“Insurance Consultant” means an individual or firm either retained by the Lessee as an independent insurance consultant or an employee of the Lessee, experienced in the field of risk management.

Lease Year

“Lease Year” means the period from each July 1 to and including the following June 30, during the term hereof; except that the initial Lease Year means the period from the Effective Date to and including June 30, 2007 and the last Lease Year shall be that period from July 1 to and including the day that this Facility Lease expires or is earlier terminated as provided herein.

Lessee

“Lessee” means the City of Redlands, a general law city and municipal corporation duly organized and existing under the laws of the State.

Lessor

“Lessor” means the California Infrastructure and Economic Development Bank, and its successors and assignees.

Net Proceeds

“Net Proceeds” means, collectively, the net proceeds of any insurance or condemnation award resulting from any damage or destruction of any portion of the Facility payable in accordance with Section 7.01.

Operating Budget

“Operating Budget” means the annual approved budget of the Lessee which includes Base Rental Payments and Additional Rental Payments due during the year.

Opinion of Counsel

“Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed by the Lessee or the Lessor and in all cases paid for by the Lessee and acceptable to the Lessor.

Owner

“Owner” means the registered owner of any outstanding Proceeds Bond.

Permitted Encumbrances

“Permitted Encumbrances” means, as of any particular time:

(1) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the Lessee may, pursuant to Section 6.02, permit to remain unpaid;

(2) this Facility Lease, as it may be amended from time to time;

(3) any right or claim of any mechanic, laborer, materialman, supplier or vendor that has not been filed or perfected in the manner prescribed by law;

(4) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions, all of a non-monetary nature, which exist of record as of the Effective Date and are acceptable to the Lessor; and

(5) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions, all of a non-monetary nature, established following the date of recordation of this Facility Lease and to which the Lessor and the Lessee consent in writing.

Proceeds Bonds

“Proceeds Bonds” means bonds issued by the Lessor the proceeds of which will be used, in whole or part, to fund the Project.

Project

“Project” means the public development facility to be constructed by the Lessor for the Lessee pursuant, in part, to this Facility Lease, authorized by Government Code section 63010(q) and the Act and more particularly described in Exhibit A.

Project Account

“Project Account” means the account or subaccount by that name established by the Lessor pursuant to Section 2.08.

Project Amount

“Project Amount” means one million nine hundred eighty-five thousand dollars (\$1,985,000).

Project Costs

“Project Costs” means the costs of construction, acquisition and installation of the Project, as approved by the Lessor and set forth in Exhibit D.

Removal

“Removal” means the release of all or a portion of the Facility from the leasehold hereof as provided in Section 2.06.

Report

“Report” means a document in writing signed by an Independent Consultant or an Independent Accountant, and including:

(1) a statement that the person or firm making or giving such Report has read the pertinent provisions of this Facility Lease to which such Report relates;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and

(3) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

Secured Bonds

“Secured Bonds” means bonds of one or more series issued by the Lessor to which certain rights of the Lessor under this Facility Lease may be from time to time pledged directly or indirectly.

Site

“Site” means the real property described in Exhibit B attached hereto.

Site Lease

“Site Lease” means the site lease, dated as of the Effective Date, by and between the Lessee, as lessor and the Lessor, as lessee, of the Site as originally executed and as it may from time to time be amended or supplemented.

State

“State” means the State of California.

Substitution

“Substitution” means the removal, and the lease of substituted real property and improvements hereunder as provided in Section 2.06.

Tax Certificate

“Tax Certificate” means the tax certificate as set forth in Exhibit H executed and delivered by the Lessee as of the Effective Date setting forth certain conditions, covenants, expectations and elections of the Lessee with respect to the Facility Lease in accordance with the Code.

Trustee

“Trustee” means the trustee acting in its capacity as such in connection with the Proceeds Bonds and Secured Bonds, or any successor or assignee as therein provided, including the Lessor.

SECTION 1.02 Rules of Construction. The singular form of any word used herein, including the terms defined in this Section 1.01, shall include the plural, and vice versa, unless the context otherwise requires. The use herein of a pronoun of any gender shall include correlative words of the other genders. All references herein to “Sections” and other subdivisions hereof are to the corresponding Sections or subdivisions of this Facility Lease as originally executed; and the words “herein,” “hereof,” “hereunder” and other words of similar

import refer to this Facility Lease as a whole and not to any particular Section or subdivision hereof.

ARTICLE II

THE FACILITY

SECTION 2.01. Lease of the Facility. The Lessor hereby leases to the Lessee, and the Lessee hereby rents and hires from the Lessor, the Facility on the conditions and terms hereinafter set forth. The Lessee hereby agrees and covenants that during the term hereof, except as hereinafter provided, it will use the Facility for public purposes so as to afford the public the benefits contemplated hereby and so as to permit the Lessor to carry out its agreements and covenants contained herein, and the Lessee hereby further agrees and covenants that during the term hereof that it will not abandon or vacate the Facility.

SECTION 2.02. Quiet Enjoyment. The parties hereto mutually covenant that the Lessee, so long as it observes and performs the agreements, conditions, covenants and terms required to be observed or performed by it contained herein and is not in default hereunder, shall at all times during the term hereof peaceably and quietly have, hold and enjoy the Facility without suit, trouble or hindrance from the Lessor.

SECTION 2.03. Right of Entry and Inspection. The Lessor shall have the right to enter the Facility and the Project and inspect the Facility and the Project during reasonable business hours (and in emergencies at all times) for any purpose connected with the Lessor's rights or obligations hereunder and for all other lawful purposes.

SECTION 2.04. Prohibition Against Encumbrance or Sale. The Lessee and the Lessor will not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Facility except Permitted Encumbrances. The Lessee and the Lessor will not sell or otherwise dispose of the Facility or any property essential to the proper operation of the Facility except as otherwise provided herein. Notwithstanding anything to the contrary herein contained, the Lessee may assign, transfer or sublease any and all of the Facility or its other rights hereunder, provided that (a) the rights of any assignee, transferee or sublessee shall be subordinate to all rights of the Lessor hereunder, (b) no such assignment, transfer or sublease shall relieve the Lessee of any of its obligations hereunder, (c) the assignment, transfer or sublease shall not result in a breach of any covenant of the Lessee contained in any other Section hereof, or in the Tax Certificate, (d) any such assignment, transfer or sublease shall by its terms expressly provide that the fair rental value of the Facility for all purposes shall be first allocated to this Facility Lease, as the same may be amended from time to time before or after any such assignment, transfer or sublease and (e) no such assignment, transfer or sublease shall confer upon the parties thereto any remedy which allows reentry upon the Facility unless concurrently with granting such remedy the same shall be also granted hereunder by an amendment to this Facility Lease which shall in all instances be prior to and superior to any such assignment, transfer or sublease.

SECTION 2.05 Liens. In the event the Lessee shall at any time during the term hereof cause any improvements to the Facility to be constructed or materials to be supplied in or upon or attached to the Facility, the Lessee shall pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the Lessee in, upon, about or relating to the Facility and shall keep the Facility free of any and all liens against the Facility or the Lessor's interest therein. In the event any such lien attaches to or is filed against the Facility or the Lessor's interest therein, and the enforcement thereof is not stayed or if so stayed such stay thereafter expires, the Lessee shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the Lessee shall forthwith pay and discharge or cause to be paid and discharged such judgment.

SECTION 2.06 Substitution or Removal of Facility.

(a) The Lessee and the Lessor may amend this Facility Lease to either substitute alternative real property and/or improvements (the "Substituted Property") for the property comprising the Facility and/or to remove real property (including undivided interests therein) or improvements from the definition of Facility ("Removal"), in each case upon compliance with all of the conditions set forth in subsection (b). After a Substitution or Removal, the part of the Facility for which the Substitution or Removal has been effected shall be released from the leasehold hereunder.

(b) No Substitution or Removal shall take place hereunder until the Lessee delivers to the Lessor the following:

(1) A Certificate of the Lessee containing a description of all or part of the Facility to be released and, in the event of a Substitution, a description of the Substituted Property constituting the Substitution;

(2) A Certificate of the Lessee stating that the annual fair rental value of the Facility after a Substitution or Removal, in each year during the remaining term of this Facility Lease, is at least equal to the maximum annual Base Rental Payments and Additional Rental Payments attributable to the Facility during the remaining term of this Facility Lease. Annual fair rental value shall be determined by the Lessee on the basis of an appraisal of the Facility after said Substitution or Removal conducted by a member of the American Institute of Real Estate Appraisers or the American Society of Appraisers designated by the Lessee (or on such other basis and with such other evidence of annual fair rental value as may be approved by the Lessor in its discretion);

(3) An opinion of legal counsel to the effect that the Facility Lease and Site Lease amendment containing the Substitution or Removal have been duly authorized,

executed and delivered by the Lessee and constitute the valid and binding obligations of the Lessee enforceable in accordance with their terms;

(4) In the event of a Substitution, a policy of title insurance covering the Substituted Property in an amount at least equal to the proportionate share of the Base Rental Payments and Additional Rental Payments represented by the Substitution, insuring the Lessor's interest in the Substituted Property (except any portion thereof which is not real property) subject to Permitted Encumbrances;

(5) In the event of a Substitution, an opinion of the attorney of the Lessee or endorsement by a title company acceptable to the Lessor to the effect that the exceptions, if any, contained in the title insurance policy referred to in (4) above do not interfere with the beneficial use and occupancy of the Substituted Property described in such policy by the Lessee for the purposes of leasing or using the Substituted Property;

(6) An Opinion of Counsel nationally recognized as having expertise in the exemption of interest from gross income under the Code that the Substitution or Removal does not cause the interest with respect to the Proceeds Bonds to be includable in gross income of the Owners thereof for federal income tax purposes;

(7) A Certificate of the Lessee stating that the Lessee has complied with the covenants contained in subsections (1) and (2) of Section 6.03(a) hereof with respect to the Substituted Property; and

(8) Evidence that the Lessee has delivered to the Lessor copies of the certificates and appraisal described in subsections (1) and (2) above.

SECTION 2.07 Construction, Acquisition and Installation of the Project;
Construction Contracts.

(a) The Lessee hereby agrees to cause that portion of the Project funded with proceeds received hereunder (known as "Phase 1b" as more fully described in Exhibit A hereto) to be constructed, acquired and installed as agent of the Lessor. The Lessee shall enter into contracts and provide for, as agent of the Lessor, the complete construction, acquisition and installation of Phase 1b. The Lessee hereby agrees that it will cause the construction, acquisition and installation of Phase 1b to be diligently performed in accordance with the terms and conditions of this Facility Lease and agrees to be diligent in completing the entire Project.

(b) All construction contracts shall be let to the lowest responsible bidder at a fixed price subject to increase only for allowable extra work, change orders approved by Lessee, and damages or delays authorized by the laws of the State. Lessee shall not approve any change orders resulting in an increase in Project Costs without having funds committed for the increased Project Costs.

SECTION 2.08 Project Account.

(a) The Lessor hereby agrees to establish a Project Account for the benefit of the Lessee, and the Lessee, pursuant to resolution previously adopted in form substantially similar to Exhibit C, hereby agrees to utilize the Project Account, as the agent of the Lessor, to construct, acquire and install the Project, subject to the covenants, agreements, provisions and conditions herein.

(b)

(1) Moneys in the Project Account shall be disbursed solely upon receipt by the CIEDB of invoices documenting, to the satisfaction of the CIEDB, that the Lessee has incurred costs that constitute both reasonable and necessary components of the Project and which are consistent with the cost categories, amounts and requirements described in Exhibit D hereto; provided, however, that no disbursements shall be approved until and unless the Lessee has complied with the conditions precedent to disbursement set forth in Exhibit E hereto.

(2) The disbursement of funds in the Project Account shall be limited to the following:

(i) All Project costs (other than Preliminary Expenditures covered in the next paragraph) incurred on or after May 23, 2006.

(ii) Preliminary Expenditures up to twenty percent (20%) of the Project Amount. "Preliminary Expenditures," as used in this section, means architectural, engineering, surveying, soil and environmental testing and reports, studies (including environmental impact, rate and feasibility studies), environmental reports, permits and similar costs incident to commencement of construction.

(3) Preliminary Expenditures do not include land acquisition, site preparation or similar costs incident to the commencement of construction; such costs may be reimbursed only if paid on or after May 23, 2006 and are not subject to a limitation.

(c) The Lessor shall encumber an amount equal to the Project Amount in the Project Account and make such amounts available to the Lessee as provided herein. Funds in the Project Account paid to Lessee ("Disbursed Funds") plus funds not yet paid to Lessee ("Undisbursed Funds") shall together equal the Project Amount.

(d) Lessee must both: (i) begin Project construction no later than twelve months after May 23, 2006 and (ii) submit invoices to the Lessor for the entire Project Amount no later than November 14, 2008. If the Lessee fails to meet either of these conditions, the Lessor may withhold any and all undisbursed funds in the Project Account pursuant to Section 2.10 herein.

(e) Notwithstanding any contrary provisions of this Facility Lease or any other documents, under no circumstances will the Lessor be obligated to make disbursements in excess

of the lesser of (i) the actual Project Costs incurred in connection with the completion of the Project or (ii) one million nine hundred eighty-five thousand dollars (\$1,985,000).

(f) The Lessee agrees to pay any and all costs connected with the Project, including, without limitation, any and all Project Costs as defined in the Act exceeding the Project Amount, and the Lessee shall not be relieved of its obligation even if the Lessor reduces the Project Amount pursuant to any provision hereunder.

SECTION 2.09 Disbursement of Project Amount. Upon receipt of a written request for disbursement, the Lessor will disburse moneys in the Project Account to the Lessee no more than once a month, in amounts of at least five thousand dollars (\$5,000) and only after specific compliance with all Exhibit E conditions precedent and only after the Lessee presents evidence that a Project Cost has been incurred. All requests for payment shall be accompanied by information and documentation as may be required by the Lessor to determine the amount of Project funds to be disbursed. If Lessee is authorized to bill for the cost of Lessee's employees pursuant to Exhibit D, the disbursement request shall include documentation, to the satisfaction of the Lessor, that costs incurred are directly for the Project, are not billed to other sources, and are billed at hourly rates not to exceed Lessee's actual costs of salary and benefits. In addition, all requests for payment shall be accompanied by a certification by the Lessee that the Project funds so requested are for eligible Project Costs as defined in the Act and this Facility Lease; are incurred in the amounts and for the purposes represented; and that the work or materials for which payment has been requested are satisfactory. The Lessor will provide the Lessee with a description of the documentation required for payment. Further, not more than ninety percent (90%) of each invoice payable from the Project Account designated for construction shall be disbursed until the Lessor receives a recorded notice of completion for the Project or other evidence satisfactory to the Lessor; and the Lessee has met all conditions precedent to final disbursement set out in Exhibit E; provided that if the Lessee demonstrates to the satisfaction of the Lessor that the Lessee is obliged by law to make payments to certain construction contractors of one hundred percent (100%) of invoiced amounts or to establish a retention fund for final payment to certain contractors, the Lessor shall disburse Project funds in the amount required by law. Each disbursement request shall specify one or more of the following for costs included in the disbursement request:

- (1) Lessee previously paid the costs and is requesting reimbursement;
- (2) Lessee will pay the costs directly upon receipt of funds from the Lessor; or
- (3) Lessor is requested to pay the disbursement directly to the party owed the funds instead of Lessee.

SECTION 2.10 Withholding of Project Amount

(a) The Lessor may withhold all or any portion of the Project Amount in the event that:

(1) The Lessee has substantially violated any of the terms, provisions, conditions or commitments of this Facility Lease, or if an Event of Default has occurred; or

(2) The Lessee is unable to demonstrate, to the satisfaction of the Lessor the ability to complete the Project or to maintain adequate and timely progress toward completion thereof.

(b) In the event that any portion of the Project Amount is withheld from the Lessee, the Lessor shall notify the Lessee of the reasons and advise the Lessee that the Lessee has thirty (30) days in which to remedy the failure or violation.

(c) If any portion of the Project Amount is withheld pursuant to this section, the Lessee remains obligated to repay the entire Project Amount but to the extent applicable, the Lessee may request that the withheld amount be applied as a prepayment pursuant to Section 5.05.

ARTICLE III

TERM OF THE FACILITY LEASE

SECTION 3.01. Commencement and Termination of the Facility Lease; Vesting of Title.

(a) The term of this Facility Lease shall commence on the Effective Date, and shall end on the Expiry Date, unless the Expiry Date is extended or is sooner terminated as hereinafter provided. If on the Expiry Date the rental payable hereunder shall not be fully paid, or if the rental payable hereunder shall have been abated at any time and for any reason, then the term of this Facility Lease shall be extended until ten days after the rental payable hereunder shall be fully paid, except that the term of this Facility Lease shall in no event be extended beyond November 30, 2041, the maximum expiry date. If prior to the Expiry Date, the rental payable hereunder shall be fully paid in accordance with the terms of the Facility Lease, the term of this Facility Lease shall end ten days thereafter or ten days after written notice by the Lessor to the Lessee to the effect that the rental payable hereunder has been fully paid, whichever is earlier, and this Facility Lease shall thereupon terminate.

(b) Upon the termination or expiration of this Facility Lease (other than as provided in Article X), full and complete title to the Facility shall vest in the Lessee, free of any leasehold or other encumbrance established hereunder. Upon such termination or expiration, the Lessor shall execute such conveyances, deeds and other documents as may be necessary or appropriate to evidence such vesting of record.

ARTICLE IV

USE OF PROCEEDS; TAX COVENANTS; CONTINUING DISCLOSURE

SECTION 4.01. Use of Project Amount. The parties hereto agree that the Lessor shall apply funds from the Project Amount to the Project Account in the amount of one million nine hundred eighty-five thousand dollars (\$1,985,000).

SECTION 4.02 Tax Covenant. The Lessee recognizes that the Project Amount consists of proceeds of a tax-exempt financing program. In order to maintain the tax-exempt status of the financing, the Lessee will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Proceeds Bonds, and the Lessee specifically agrees to comply with all terms and conditions contained in the Tax Certificate. The Lessee shall provide annual certification of its compliance with the Tax Certificate and agrees to the following conditions:

(a) the Lessee shall not enter into any agreements or amendments related to the use or operation of the Redlands Sports Park without the prior consent by CIEDB, which consent may be withheld if such agreement or amendment may adversely affect the tax-exempt status of the financing. (Construction contracts and the agreement by and between the Lessee and the American Youth Soccer Organization dated as of November 1, 2005, are excluded from this condition unless Lessee seeks amendments thereto.)

(b) Lessee shall not change the use of the Redlands Sports Park without the prior consent of CIEDB, which consent may be withheld if such proposed change in use may adversely affect the tax-exempt status of the financing.

The provisions of this Section 4.02 shall survive the discharge of the Lessor's obligations hereunder and shall apply to any trustee or other successor or assignee described in Section 9.01.

SECTION 4.03 Continuing Disclosure. Upon the request of the Lessor, the Lessee covenants to furnish certain financial and operating data pertaining to the Lessee that may be required to either: (i) enable the Lessor to issue any Secured Bonds; or (ii) enable any underwriter of any Secured Bonds to comply with Rule 15c2-12(b)(5) of the Securities and Exchange Commission.

ARTICLE V

RENTAL PAYMENTS

SECTION 5.01. Rental Payments. The Lessee agrees to pay to the Lessor, its successors or assignees, without deduction or offset of any kind, as rental for the use and occupancy of the Facility, the following amounts at the following times:

(a) Base Rental. The Lessee shall pay to the Lessor rental hereunder as Base Rental Payments with respect to the Facility at the times and in the amounts set forth in the Base Rental Payment schedule attached hereto as Exhibit F and made a part hereof.

(1) The Lessee shall deposit with the Lessor not later than each February 1 and August 1, commencing February 1, 2007, the Base Rental Payments due in the then current fiscal year (as set forth in Exhibit F) and the same shall be held by the Lessor as security for the Base Rental Payments due on such dates.

(2) Base Rental Payments shall consist of both an interest component and a principal component based upon the Project Amount, but Lessee shall receive a credit against any Base Rental Payment due and payable hereunder for the actual interest earned by the Lessor on the undisbursed funds in the Project Amount or the interest rate of this Facility Lease, whichever is lower. The Lessee may choose to prepay the Base Rental Payments pursuant to Section 5.05.

(b) Additional Rental Payments. The Lessee shall pay as Additional Rental Payments as rental hereunder in addition to the Base Rental Payments, to the Lessor as hereinafter provided:

(1) a payment of an annual fee due with the principal payment each year during the term of this Facility Lease in an amount equal to three-tenths of one percent (.3%) of the outstanding principal component of the remaining Base Rental Payments as of the first day of the month prior to the month in which the principal payment is due as set forth in Exhibit F; and

(2) amounts in each year as shall be required by the Lessor for the payment of extraordinary expenses of the Lessor in connection with an Event of Default, the enforcement of this Facility Lease or any amendments thereto requested by the Lessee, including all expenses, fees of accountants, trustees, attorneys, litigation costs, insurance premiums, taxes, assessments (if any), and all other extraordinary costs of the Lessor. Extraordinary expenses and extraordinary costs are those expenses and costs related to this Facility Lease in excess of ordinary and customary expenses incurred as part of the annual fee pursuant to Section 5.01(b)(1). Such additional payments shall be billed by the Lessor from time to time, together with a statement certifying that the amount so billed has been paid by, or will be paid by, the Lessor for one or more of the items above described, or that such amount is then payable by the Lessor for such items.

(3) Lessee shall deposit the amount required pursuant to (1) above with the Lessor not later than August 1 of each year; if billed pursuant to (2) above, Lessee shall deposit the amount billed within thirty (30) days after receipt of the bill by the Lessee. Any amount billed and not deposited within thirty (30) days of billing or due date shall accrue interest at the lesser of twelve percent (12%) per annum or the maximum rate permitted by law.

(4) The Lessor may issue bonds and may enter into leases to finance facilities other than the Project. Any taxes levied against the Lessor with respect to real property other than the Facility, or the fees of any trustee or paying agent under any resolution securing

bonds of the Lessor and any other expenses directly attributable to any facilities other than the Facility shall not be included in the administrative costs of the Facility and shall not be paid from the Additional Rental Payments payable hereunder. The Trustee may conclusively rely upon a written certificate of the Lessor in making any determination that costs are payable as Additional Rental Payments hereunder, and shall not be required to make any investigation as to whether or not the items so requested to be paid are expenses of operation of the Facility.

(c) Consideration. Such payments of Base Rental Payments and Additional Rental Payments for each Lease Year or portion thereof during the term of this Facility Lease shall constitute the total rental for such Lease Year or portion thereof and shall be paid or payable by the Lessee for and in consideration for the right of the use and possession of, and the continued quiet use and enjoyment of, the Facility. The parties hereto have agreed and determined that the annual fair rental value of the Facility is not less than the maximum Base Rental Payments and Additional Rental Payments payable hereunder in any year.

(d) Payment; Credit. Each installment of Base Rental Payments and Additional Rental Payment payable hereunder shall be paid in lawful money of the United States of America to or upon the order of the Lessor at such place as the Lessor shall designate. Any such installment of rental accruing hereunder which shall not be paid when due shall remain due and payable until received by the Lessor, except as provided in Section 5.04 hereof, and to the extent permitted by law shall bear simple interest at the rate of the lesser of (i) twelve percent (12%) per annum or (ii) the maximum rate authorized by law from the date when the same is due hereunder until the same shall be paid. Notwithstanding any dispute between the Lessee and the Lessor, the Lessee 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 any such dispute. In the event of a determination that the Lessee was not liable for said rental payments or any portion thereof, said payments or excess of payments, as the case may be, shall, at the option of the Lessee, be credited against subsequent rental payments due hereunder or be refunded at the time of such determination.

(e) A one-time Facility Lease origination fee in the amount of sixteen thousand eight hundred seventy-three dollars (\$16,873) shall be due and payable by the Lessee on or before the first disbursement and shall be payable from, the Project Account.

(f) All payments hereunder shall be payable by the Lessee in immediately available funds which constitute lawful money of the United States of America. Such payments shall be unsecured, and amounts for the payment thereof shall be paid to, or upon the order of, the Lessor as set forth in this Article.

SECTION 5.02. Annual Budgets. The Lessee covenants to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due under this Facility Lease in its Operating Budget for each fiscal year commencing after the Effective Date and to make all necessary appropriations for such Base Rental Payments and Additional Rental Payments. In addition, to the extent permitted by law, the Lessee covenants to take such action as may be necessary to amend or supplement the budget appropriations for payments under this

Facility Lease at any time and from time to time during any Fiscal Year in the event that the actual Base Rental Payments and Additional Rental Payments to be paid in any fiscal year exceed the appropriations then contained in the Lessee's Operating Budget.

SECTION 5.03. Application of Rental Payments. All Base Rental Payments received shall be applied first to the interest component of Base Rental Payments, then to the principal component of Base Rental Payments due hereunder (including any prepayment premium components) and thereafter to all Additional Rental Payments due hereunder, but no such application of any payments which are less than the total rental due and owing shall be deemed a waiver of any default hereunder.

SECTION 5.04. Rental Abatement. Except to the extent of, (i) amounts received in respect of use and occupancy insurance, and (ii) amounts, if any, otherwise legally available to the Lessee for payments due hereunder during any period in which, by reason of material damage, destruction, title defect or condemnation there is substantial interference with the use and possession by the Lessee of any portion of the Facility, rental payments due hereunder with respect to the Facility shall be abated to the extent that the annual fair rental value of the portion of the Facility in respect of which there is no substantial interference is less than the annual Base Rental Payments and Additional Rental Payments, in which case rental payments shall be abated only by an amount equal to the difference. In the event the Lessee shall assign, transfer or sublease any or all of the Facility or other rights hereunder, as permitted by Section 2.04 hereof, for purposes of determining the annual fair rental value available to pay Base Rental Payments and Additional Rental Payments, annual fair rental value of the Facility shall first be allocated to this Facility Lease as provided in subsection (d) of Section 2.04. Any abatement of rental payments pursuant to this Section shall not be considered an Event of Default. The Lessee waives the benefits of Civil Code sections 1932(2) and 1933(4) and any and all other rights to terminate this Facility Lease by virtue of any such interference and this Facility Lease shall continue in full force and effect. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Facility so damaged, destroyed, defective or condemned.

In the event that rental is abated, in whole or in part, pursuant to this Section 5.04 due to damage, destruction, title defect or condemnation of any part of the Facility and the Lessee is unable to repair, replace or rebuild the Facility from the Net Proceeds, if any, the Lessee agrees to promptly apply for and to use its best efforts to obtain any appropriate State and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Facility.

SECTION 5.05. Prepayment of Base Rental Payments.

(a) Lessee may at any time request Lessor's approval for Lessee to prepay all or a portion of the principal component of Base Rental Payments. A request for reduction in the Project Amount is a request for a prepayment. The Lessor shall promptly respond to any such request, and shall make every effort to accommodate the request, subject to the prepayment restrictions of the Secured Bonds.

(b) Notwithstanding subsection (a), Lessee shall be authorized to prepay all or a portion of the principal amount of Base Rental Payments, as follows: (i) If the prepayment date is on or after ten years after the Effective Date but prior to eleven years after the Effective Date, the prepayment amount shall be one hundred two percent (102%) of the outstanding principal amount; (ii) if the prepayment date is on or after eleven years after the Effective Date, but prior to twelve years after the Effective Date, the prepayment amount shall be one hundred one percent (101%) of the outstanding principal amount; and (iii) if the prepayment date is on or after twelve years after the Effective Date, the prepayment amount shall be one hundred percent (100%) of the outstanding principal amount, without premium. Lessee shall notify the Lessor at least sixty (60) days prior the date fixed for any prepayment made pursuant to this subsection (b).

(c) Notwithstanding the prepayment provisions of this section, the Lessee may, on any date, provide for the legal defeasance of the amount outstanding hereunder by providing amounts sufficient to pay, in full, Base Rental Payments and Additional Payments when due, until the dates set forth in subsection (b).

(d) The Lessee hereby covenants to notify the Lessor at least forty-five (45) days before making any repayment or prepayment of this Facility Lease.

(e) Extraordinary Prepayment. Subject to the provisions of Section 7.01, the Lessee may prepay, from Net Proceeds, all or any portion of the components of Base Rental Payments relating to any portion of the Facility then unpaid on any date, in whole or in part, so that the aggregate annual amounts of principal components of Base Rental Payments which shall be payable after such prepayment date shall each be as nearly proportional as practicable to the aggregate annual amounts of principal components of Base Rental Payments with respect to the portion of the Facility so prepaid.

SECTION 5.06. Obligation to Make Rental Payments. The agreements and covenants on the part of the Lessee contained herein 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 Lessee 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 Lessee to carry out and perform the agreements and covenants contained herein agreed to be carried out and performed by the Lessee.

THE OBLIGATION OF THE LESSEE TO MAKE BASE RENTAL PAYMENTS AND ADDITIONAL RENTAL PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE LESSEE FOR WHICH THE LESSEE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE LESSEE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS AND ADDITIONAL RENTAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE LESSEE, THE COUNTY OF SAN BERNARDINO, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

SECTION 5.07. Fair Rental Value. Base Rental Payments for each Lease Year during the term of this Facility Lease shall constitute the total rental for said Lease Year and shall be paid by or on behalf of the Lessee in each Lease Year for and in consideration of the right of use and occupancy of the Facility during each such Lease Year. The parties hereto have agreed and determined that such total Base Rental Payments for each Lease Year represents no more than the fair rental value of the Facility for each such Lease Year. In making such determination, consideration has been given to costs related to the Facility, other obligations of the parties under this Facility Lease, the uses and purposes that may be served by the Facility, and the benefits therefrom which will accrue to the Lessee and the general public.

ARTICLE VI

MAINTENANCE; TAXES; INSURANCE AND OTHER CHARGES

SECTION 6.01. Maintenance of the Facility by the Lessee. The Lessee agrees that, at all times during the term hereof, it will, at its own cost and expense, maintain, preserve and keep the Facility and every portion thereof in good repair, working order and condition and that it will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals. The Lessor shall have no responsibility in any of these matters or for the making of additions or improvements to the Facility.

SECTION 6.02. Taxes, Other Governmental Charges and Utility Charges. The parties hereto contemplate that the Facility will be used for public purposes by the Lessee and, therefore, that the Facility will be exempt from all taxes presently assessed and levied with respect to real and personal property, respectively. In the event that the use, possession or acquisition by the Lessee or the Lessor of the Facility is found to be subject to taxation in any form, the Lessee will pay during the term hereof, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Facility and any other property acquired by the Lessee in substitution for, as a renewal or replacement of, or a modification, improvement or addition to, the Facility, as well as all gas, water, steam, electricity, heat, power, air conditioning, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Facility; provided, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the Lessee shall be obligated to pay only such installments as are accrued during such time as this Facility Lease is in effect.

SECTION 6.03. Insurance.

(a) The Lessee shall procure or cause to be procured and maintain or cause to be maintained throughout the term hereof insurance against the following risks in the following respective amounts:

(1) Insurance against loss or damage to the Facility caused by fire, lightning or earthquake, with an extended coverage endorsement covering the risk of vandalism and malicious mischief, sprinkler system leakage and boiler loss; provided that earthquake coverage shall be required only if: (i) available from reputable insurers at commercially reasonable rates; and (ii) the Facility cannot satisfy any earthquake standards which may be imposed by any rating agency then rating the Secured Bonds. In the event the Lessee is unable to obtain earthquake coverage on the Facility which it previously has maintained, it will promptly so notify the Lessor. The insurance described in this paragraph (1) shall be in an amount equal to the lesser of (i) replacement cost (without deduction for depreciation) of improvements located or to be located on the Facility or (ii) the remaining unpaid principal amount owed under this Facility Lease outstanding plus the amount of use and occupancy coverage described in paragraph (2) below, except that such insurance may be subject to deductible clauses of not to exceed the first one hundred thousand dollars (\$100,000) subject to Lessor's approval of the amount of any one loss [or ten percent (10%) of the amount insured, in the case of earthquake]. Insurance described in this paragraph (1) and in paragraph (2) below may be in the form of a policy which covers the Facility and one or more additional parcels of real property insured by the Lessee; provided that the amount of coverage available thereunder shall be at least equal to the cumulative replacement values of the Facility and any other such property which is the subject of a lease, installment purchase or other financing arrangement ("Financed Property") for which bonds, certificates of participation or other obligations shall have been issued ("Obligations") plus the amount of use and occupancy coverage required by paragraph (2) below; in the event the Lessee elects to obtain insurance for the Facility and one or more additional parcels of real property and the amount of the insurance proceeds available to pay all claims thereunder is not sufficient to cover the replacement values of all such properties, then any such proceeds shall be used first to rebuild or repair the Facility and all Financed Properties or to repay all Obligations and the Secured Bonds. The Lessor shall be named as loss payee and additional insured.

(2) Use and occupancy insurance against loss, total or partial, of the use and occupancy of the Facility as a result of any of the hazards covered by the insurance required by paragraph (1) hereof, in an amount sufficient to pay the Base Rental Payments attributable to the Facility for a twenty-four (24) month period; provided, that the amount of such insurance need not exceed the total remaining Base Rental Payments attributable to the Facility; provided further, that such insurance may be part of a policy permitted under paragraph (1) above, which policy may provide that insurance proceeds paid for coverages contemplated by paragraph (1) above may reduce amounts payable under coverage required by this paragraph (2), and vice-versa; the Lessee may obtain use and occupancy insurance covering the Facility as well as other parcels of property owned by the Lessee, provided that the cumulative amount thereof is at least equal to the cumulative amount of use and occupancy insurance required by this paragraph (2) and any agreements relating to Financed Property in respect of which Obligations are outstanding. The Lessor shall be named as a loss payee and an additional insured.

(3) Workers' compensation insurance covering all employees working in or on the Facility and the Project, in the same amount and type as other workers' compensation insurance maintained by the Lessee for similar employees doing similar work; and the Lessee shall also require any other person or entity working in or on the Facility and the Project to carry the

foregoing amount of workers' compensation insurance; any such policy maintained by the Lessee may provide for a deductible so long as the deductible is covered by a self-insurance or self-funding method or plan permitted by this Section.

(4) A standard, commercial general liability insurance policy or policies in protection of the Lessor, the Lessee and their directors, officers and employees and the Trustee, indemnifying and defending such parties against direct or contingent loss or liability for damages for personal injury, death or property damage related to the possession, operation or use of the Facility and the Project, with a minimum combined single limit of one million dollars (\$1,000,000) for personal injury or death of one or more persons, and for property damage, in each accident or event (subject to a deductible clause of not to exceed one hundred thousand dollars (\$100,000) or such greater amount as may be covered by any self-insurance or self-funding method or plan permitted by this Section). The Lessor shall be named as a loss payee and an additional insured.

The Lessee shall collect, adjust and receive all moneys which may become due and payable under any policies contemplated by paragraphs (1) and (2) above, may compromise any and all claims thereunder and, subject to the provisions of Section 7.01 hereof, shall transfer such Net Proceeds to the Lessor for application as provided herein. Neither the Lessor nor the Trustee shall be responsible for the sufficiency of any insurance herein required. The Lessor and 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 Lessee.

(b) Notwithstanding the provisions of Section 6.03(a), as an alternative to providing the insurance required by paragraphs (1), (3) and (4) of Section 6.03(a), the Lessee may provide a self-insurance or self-funding method or plan of protection for any part or all of the requirements for such insurance and, through such a plan or method, provide for deductible or retention amounts greater than those contemplated by paragraphs (1), (3) or (4) of Section 6.03(a). Any such self-insurance or self-funding maintained by the Lessee pursuant to the foregoing Sections shall comply with the following terms:

(1) The self-insurance or self-funding program shall be approved by an Insurance Consultant;

(2) The self-insurance or self-funding program shall include a reasonable claims reserve fund out of which each self-insured or self-funded claim and any deductible amount authorized by paragraphs (1), (3) and (4) of Section 6.03(a) shall be paid; prior to the end of the first Lease Year, the adequacy of each such fund shall be evaluated by an Insurance Consultant who shall also evaluate the appropriateness of the reserving and funding methods and practices employed in establishing and maintaining each such fund; any deficiencies in any claims reserve fund shall be remedied in accordance with the recommendation of the Insurance Consultant and any recommended changes in the reserving or funding methods or practices shall be adopted in accordance with the recommendation of the Insurance Consultant; after the first Lease Year, at least annually and not later than July 1 of each year that is a Lease Year, the Lessee shall provide to the Lessor, a report by either the independent accountants which provide the audit report on the Lessee's annual audited financial statements or by an Insurance Consultant, as selected by the

Lessee, as to the appropriateness of the reserving and funding methods and practices employed by the Lessee in funding the claims funds, and any changes recommended by the report shall promptly be implemented by the Lessee;

(3) The claims reserve fund shall be held in a separate fund by the Lessee or by the self-insurance program; and

(4) In the event the self-insurance or self-funding program shall be discontinued, the soundness of its claim and deductible or retention reserve fund, as determined by the Insurance Consultant, shall be maintained.

(c) Any insurance policy issued pursuant to paragraph (1) of Section 6.03(a) shall be so written or endorsed as to make losses, if any, payable to the Lessee and the Lessor as their respective interests may appear and the Net Proceeds of the insurance required by that paragraph shall be applied as provided in Section 7.01 hereof. The net proceeds, if any, of the insurance policy described in that paragraph shall, to the extent that such proceeds are paid on account of loss or damage to the Facility, be payable and applied as described in Section 7.01. The net proceeds, if any, of the insurance policy described in paragraph (2) of Section 6.03(a) shall, to the extent that such proceeds relate to the use and occupancy of the Facility, be payable to the Lessor. Each insurance policy provided for in the Facility Lease shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interests of the Lessor without first giving written notice thereof to the Lessor at least sixty (60) days in advance of such intended cancellation or modification.

(d) The Lessee shall provide copies of policy endorsement, or in the case of self-insurance, provide the insurance report described in section 6.03 (b) (2) and file a Certificate of the Lessee with the Lessor, not later than July 1 of each year commencing July 1, 2007, certifying that the insurance required by this Section is in full force and effect and that the Lessor is named as loss payees and additional insured on each insurance policy which this Facility Lease requires to be so endorsed.

SECTION 6.04. Advances. In the event the Lessee shall fail to maintain the full insurance coverage required by Section 6.03 hereof or shall fail to keep the Facility in good repair and operating condition, the Lessor may (but shall be under no obligation to) purchase the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by the Lessor shall become Additional Rental Payments, which amounts the Lessee agrees to pay within thirty (30) days of a written request therefor, together with interest thereon at the lesser of (i) twelve percent (12%) per annum; or (ii) the maximum rate allowed by law.

SECTION 6.05. Title Insurance. The Lessee covenants and agrees to deliver or cause to be delivered to the Lessor upon recordation of this Facility Lease and the Site Lease, a CLTA policy or policies with appropriate endorsements with respect to the Facility with liability in the aggregate amount equal to the Project Amount. Such policy or policies shall name the

Lessor as the insured and shall insure the Lessor's interests in the Facility subject only to such exceptions as do not materially affect the Lessee's right to the use and occupancy of the Facility.

ARTICLE VII

DAMAGE, DESTRUCTION, TITLE DEFECT AND CONDEMNATION

SECTION 7.01. Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds.

(a) If prior to the termination of the term hereof (i) the Facility or any other improvements in or on the Facility are damaged (each of which is hereinafter called "Damaged Improvements") by a peril covered by a policy of insurance described in Section 6.03(a)(1) hereof (an "Insured Peril"); or (ii) title to, or the temporary use of, the Facility or any portion thereof or the estate of the Lessee or the Lessor in the Facility or any portion thereof is defective or shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or corporation acting under governmental authority, then the Lessee and the Lessor will cause the Net Proceeds of any insurance claim (other than rental interruption insurance pursuant to Section 6.03(a)(2) hereof which shall be directly transferred to the Lessor for deposit pursuant to Section 6.03 hereof) or condemnation award to be transferred to the Lessor and applied as follows:

(1) Net Proceeds Exceeding Costs. Within one hundred twenty (120) days of the date of said Insured Peril, the Lessee shall obtain written estimate(s) of the (i) cost of the repair, replacement and reconstruction of the Damaged Improvements (collectively referred to herein as the "Reconstruction"), and (ii) Net Proceeds available to pay such costs. Copies of such estimate(s) shall be provided to the Lessor. If the one hundred twenty (120) day period is insufficient to obtain said estimates, the period may be reasonably extended by the Lessee upon the approval of the Lessor. If the Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by the Lessor in respect of the Facility) exceed the estimated costs of Reconstruction, the Damaged Improvements shall be repaired, replaced and reconstructed to the same or better quality as existed before the damage occurred. The Lessee shall commence and manage the Reconstruction and shall complete the Reconstruction as soon as reasonably possible after the occurrence of such damage. Any balance of Net Proceeds remaining after the Reconstruction has been completed shall be transferred to the Lessor for the payment of unpaid Base Rental Payments and Additional Rental Payments. Net Proceeds remaining after payment of the amounts specified in the previous sentence shall be transferred to Lessee.

(2) Costs Exceeding Proceeds. If the estimated costs of Reconstruction exceed the Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by the Lessor in respect of the Facility), the Lessee, in its sole discretion, may elect to budget and appropriate to the Reconstruction the amount of such excess, and to manage the Reconstruction as set forth in Section 7.01(a)(5). The Lessee shall exercise this election by written notice thereof delivered to Lessor within thirty (30) days after the Lessee obtains the written estimate(s).

(3) Net Proceeds Sufficient to Prepay All Unpaid Base Rental Payments.

If the Lessee does not exercise the election to reconstruct pursuant to Section 7.01(a)(2) and Net Proceeds are at least sufficient to prepay all unpaid Base Rental Payments, such Net Proceeds shall be transferred to the Lessor to prepay such Base Rental Payments. If the Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by the Lessor in respect of the Facility) exceed the amount necessary to prepay the unpaid Base Rental Payments and any due and owing Additional Rental Payments, the Lessee shall be entitled to the amount of proceeds remaining after such prepayment.

(4) Net Proceeds Insufficient to Prepay All Unpaid Base Rental

Payments. If the Lessee does not exercise the election to reconstruct pursuant to Section 7.01(a)(2) and Net Proceeds are insufficient to prepay the unpaid Base Rental Payments hereunder, the Lessee, in its sole discretion, may elect to budget and appropriate funds to cause the prepayment of the Base Rental Payments and due and owing Additional Rental Payments and the Net Proceeds, together with such funds, shall be transferred to the Lessor with directions to apply the proceeds to the prepayment of the Base Rental Payments and due and owing Additional Rental Payments; provided, that if the Lessee elects not to appropriate funds for such prepayment, the Lessee shall apply Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by the Lessor in respect of the Facility) to the Reconstruction. If the Lessee, in its sole discretion, elects to budget or appropriate funds for the prepayment of the unpaid Base Rental Payments and due and owing Additional Rental Payments, the Lessee shall transfer such funds to the Lessor for the prepayment of Base Rental Payments and due and owing Additional Rental Payments.

(5) Management of Reconstruction. If the Facility or any part thereof

becomes Damaged Improvements, the Lessee shall promptly cause, manage and supervise the Reconstruction.

(b) The proceeds of any policy of title insurance or condemnation award received by the Lessor in respect of the Facility shall be applied to prepay Base Rental Payments.

ARTICLE VIII

DISCLAIMER OF WARRANTIES; VENDOR'S WARRANTIES; USE OF THE FACILITY

SECTION 8.01. Disclaimer of Warranties. THE LESSOR MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE FACILITY, OR WARRANTY WITH RESPECT THERETO. THE LESSEE ACKNOWLEDGES THAT THE LESSOR IS NOT A MANUFACTURER OF ANY PORTION OF THE FACILITY OR A DEALER THEREIN, THAT THE LESSEE LEASES THE FACILITY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE LESSEE. In no

event shall the Lessor or its assignees be liable for any incidental, indirect, special or consequential damage in connection with or arising out of this Facility Lease or the existence, furnishing, functioning or the Lessee's use of the Facility as provided hereby.

SECTION 8.02. Use of the Facility. The Lessee will not use, operate or maintain the Facility improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated hereby. The Lessee shall provide all permits and licenses, if any, necessary for the use of the Facility. In addition, the Lessee agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each portion of the Facility) with all laws of the jurisdictions in which its operations involving any portion of the Facility may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Facility; provided, that the Lessee 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 Lessee adversely affect the estate of the Lessor in and to the Facility or its interest or rights hereunder.

ARTICLE IX

ASSIGNMENT AND INDEMNIFICATION

SECTION 9.01. Assignment by Lessor. The parties understand that certain of the rights of the Lessor hereunder may, at the Lessor's discretion, be assigned to the Trustee. Accordingly, the Lessee agrees to make all payments due hereunder to the Trustee when so directed by the Lessor, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach hereof or otherwise) that the Lessee may from time to time have against the Lessor. The Lessee agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements, which may be reasonably requested by the Lessor or the Trustee to protect their interests in the Facility during the term hereof.

SECTION 9.02. Assignment by Lessee. This Facility Lease and the interest of the Lessee in the Facility may not be assigned or encumbered by the Lessee except as permitted by Section 2.04 hereof.

SECTION 9.03. Indemnification. The Lessee shall, to the full extent permitted by law, indemnify, protect, hold harmless, save and keep harmless the Lessor and its members, directors, officers, employees and agents, and the Trustee and any underwriter for the Proceeds Bonds and Secured Bonds and its respective directors, officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses as incurred, penalties and interest (collectively, a "Claim"), arising out of or as the result of entering into the Facility Lease, and the acquisition, construction, operation, use, condition, or possession of the Facility or the Project and any portion thereof, including:

(1) any accident in connection with the operation, use, condition or possession of the Facility or the Project resulting in damage to property or injury to or death to any

person including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the Lessee or the Lessor;

(2) patent, trademark or copyright infringement as a consequence of the operation of the Facility or the Project;

(3) strict liability in tort as a consequence of the operation of the Facility or the Project;

(4) any claim based upon environmental law or regulation relating to the Facility or the Project;

(5) any claim of any nature directly arising from or related to the Facility or the Project, which claim is based upon the operation of the Facility or the Project from and after the Effective Date;

(6) the existence, placement, delivery, storage or release of hazardous materials on the Facility or the Project or contamination of property, arising therefrom; and

(7) the Trustee's acceptance or administration of the trusts in connection with the Proceeds Bonds and Secured Bonds, including performance of the Trustee's duties, to the extent provided herein and as assigned by the Lessor.

The indemnification arising under this Section 9.03 shall continue in full force and effect notwithstanding the full payment of all obligations hereunder or the termination hereof for any reason or the resignation or removal of the Trustee. Any party seeking indemnity hereunder shall promptly give notice to the Lessee of any claim or liability hereby indemnified against upon learning of any circumstances giving rise to any such claim or liability.

ARTICLE X

DEFAULT

SECTION 10.01. Events of Default.

(a) Each of the following events shall constitute an Event of Default under this Facility Lease and the terms Event of Default and "default" shall mean, whenever they are used in this Facility Lease, any one or more of the following events:

(1) The Lessee shall fail to deposit with the Lessor or its assignee any Base Rental Payment or Additional Rental Payment required to be so deposited by the close of business on the day such deposit is required pursuant to Section 5.01(a) hereof, provided, that the failure to deposit any Base Rental Payment abated pursuant to Section 5.04 hereof shall not constitute an Event of Default.

(2) The Lessee shall breach any other terms, covenants or conditions contained herein, and shall fail to remedy any such breach with all reasonable dispatch within a period of thirty (30) days after written notice thereof from the Lessor to the Lessee; provided, however, that if the failure stated in the notice cannot be corrected within such period, then the Lessor shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Lessee within such period and is diligently pursued until the default is corrected.

Upon the happening of any of the events specified in subsection (a) or (c) of this Section (in either case an "Event of Default"), it shall be lawful for the Lessor or its assignee, subject to the terms of this Facility Lease, to exercise any and all remedies available or granted to it pursuant to law or hereunder.

(b) The Lessor or its assignee, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following:

(1) To terminate this Facility Lease in the manner hereinafter provided on account of default by the Lessee, notwithstanding any retaking of possession or re-letting of the Facility as hereinafter provided for in subparagraph (2) hereof, and to retake possession of the Facility. In the event of such termination, the Lessee agrees to surrender immediately possession of the Facility, without let or hindrance, and to pay the Lessor or its assignee all damages recoverable at law that the Lessor or its assignee may incur by reason of default by the Lessee, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such retaking possession of the Facility. Neither notice to pay rent nor to deliver up possession of the Facility given pursuant to law nor any proceeding in unlawful detainer, or otherwise, brought by the Lessor or its assignee for the purpose of obtaining possession of the Facility nor the appointment of a receiver upon initiative of the Lessor or its assignee to protect the Lessor's or its assignee's interest under this Facility Lease shall of itself operate to terminate this Facility Lease, and no termination of this Facility Lease on account of default by the Lessee shall be or become effective by operation of law or acts of the parties hereto, unless and until the Lessor or its assignee shall have given written notice to the Lessee of the election on the part of the Lessor or its assignee to terminate this Facility Lease.

(2) Without terminating this Facility Lease, (i) to collect each installment of rent as it becomes due and enforce any other term or provision hereof to be kept or performed by the Lessee and/or (ii) to exercise any and all rights to retake possession of the Facility. In the event the Lessor or its assignee does not elect to terminate this Facility Lease in the manner provided for in subparagraph (1) hereof, the Lessee shall remain liable and agrees to keep or perform all covenants and conditions herein contained to be kept or performed by the Lessee and, to pay the rent to the end of the term of this Facility Lease or, in the event that the Facility is re-let, to pay any deficiency in rent that results therefrom; and further agrees to pay said rent and/or rent deficiency punctually at the same time and in the same manner as hereinabove provided for the payment of rent hereunder (without acceleration), notwithstanding the fact that the Lessor or its assignee may have received in previous years or may receive thereafter in subsequent years rental in excess of the rental herein specified and notwithstanding any retaking of possession of the Facility by the Lessor or its assignee or suit in unlawful detainer, or otherwise, brought by the Lessor or its assignee for

the purpose of obtaining possession of the Facility. Should the Lessor or its assignee elect to retake possession of the Facility as herein provided, the Lessee hereby irrevocably appoints the Lessor or its assignee as the agent and attorney-in-fact of the Lessee to re-let the Facility, or any items thereof, from time to time, either in the Lessor's or its assignee's name or otherwise, upon such terms and conditions and for such use and period as the Lessor or its assignee may deem advisable and the Lessee hereby indemnifies and agrees to hold harmless the Lessor or its assignee from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any retaking of possession of and re-letting of the Facility by the Lessor or its assignee or its duly authorized agents in accordance with the provisions herein contained. The Lessee agrees that the terms of this Facility Lease constitute full and sufficient notice of the right of the Lessor or its assignee to re-let the Facility in the event of such reentry without effecting a surrender of this Facility Lease, and further agrees that no acts of the Lessor or its assignee in effecting such re-letting shall constitute a surrender or termination of this Facility Lease 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, in the event of such default by the Lessee the right to terminate this Facility Lease shall vest in the Lessor or its assignee to be effected in the sole and exclusive manner provided for in subparagraph (1) hereof. The Lessee further waives the right to rental obtained by the Lessor or its assignee in excess of the rental herein specified and hereby conveys and releases such excess to the Lessor or its assignee as compensation to the Lessor or its assignee for its services in re-letting the Facility or any items thereof. The Lessee further agrees to pay the Lessor or its assignee the cost of any alterations or repairs to the Facility or any items thereof necessary to place the Facility or any items thereof in condition for re-letting immediately upon notice to the Lessee of the completion and installation of such alterations or repairs.

The Lessee hereby waives any and all claims for damages caused or which may be caused by the Lessor or its assignee in taking possession of the Facility as herein provided and all claims for damages that may result from the destruction of or injury to the Facility and all claims for damages to or loss of any property belonging to the Lessee, or any other person, that may be on or about the Facility.

The Lessor expressly waives the right to receive any amount from the Lessee pursuant to section 1951.2(a)(3) of the California Civil Code.

(c) In addition to any default resulting from breach by the Lessee of any agreement, condition, covenant or term hereof, if (i) the Lessee's interest herein or any part thereof be assigned, sublet or transferred without the written consent of the Lessor (except as otherwise permitted by Section 2.04 hereof), either voluntarily or by operation of law; or (ii) the Lessee or any assignee shall file any petition or institute any proceedings under any act or acts, State or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the Lessee asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the Lessee shall make a general or any assignment for the benefit of its

creditors; or (iii) the Lessee shall abandon or vacate the Facility or any portion thereof (except as permitted by Section 2.04 hereof); then in each and every such case the Lessee shall be deemed to be in default hereunder.

ARTICLE XI

REPRESENTATIONS AND WARRANTIES OF THE LESSEE

SECTION 11.01. Organization; Authority; Application Correct. The Lessee is duly organized and existing under the laws of the State and has all necessary power and authority to enter into and perform its duties under this Facility Lease. The application for the financing, including all attachments, amendments and clarifications submitted by the Lessee to the Lessor, were accurate and correct at the time of submission and as of the Effective Date.

SECTION 11.02. Agreement Valid and Binding; Approval by Lessee. This Facility Lease has been duly authorized, executed and delivered by the Lessee and constitutes the legal, valid and binding obligation of the Lessee, enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally. The legislative body of the Lessee has authorized the Lessee to enter into this Facility Lease by duly adopting a resolution in substantially the form attached hereto as Exhibit C.

SECTION 11.03. No Conflict in Execution of Facility Lease. The execution and delivery by the Lessee of this Facility Lease and compliance with the provisions hereof will not conflict with or constitute a breach of or default under any law, administrative regulation, court decree, resolution, charter, by-law or any agreement to which the Lessee is subject or by which it is bound or by which its properties may be affected.

SECTION 11.04. No Litigation. There is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the Lessee to restrain or enjoin the execution or delivery of this Facility Lease, or in any way contesting or affecting the validity of this Facility Lease, or contesting the powers of the Lessee to enter into or perform its obligations under this Facility Lease.

SECTION 11.05. No Breach or Default. The Lessee is not in breach of or in default under any applicable law or administrative regulation of the State or the United States, the Constitution of the State (including article XVI, section 18 thereof), any applicable judgment or decree, any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Lessee is a party or is otherwise subject which would have a material adverse impact on the Lessee's ability to perform its obligations under this Facility Lease and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument.

SECTION 11.06. No Consent, Approval or Permission Necessary. No consent or approval of any trustee or holder of any indebtedness of the Lessee, and no consent, permission,

authorization, order or licenses of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Facility Lease or the consummation of any transaction contemplated herein, except as have been obtained or made and as are in full force and effect.

SECTION 11.07. Information Submitted to the Lessor. The information relating to the Lessee, the Site, the Project and the Facility submitted by the Lessee to the Lessor, including, but not limited to, all information in the application, was true at the time submitted to the Lessor and as of the date of this Facility Lease, remains true and correct in all material respects, and such information does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made.

SECTION 11.08. Financial Statements of the Lessee. The Lessee's financial statements furnished to the Lessor have been prepared in conformity with generally accepted accounting principles and fairly present in all material respects the financial condition of the Lessee as of the date thereof and the results of its operations for the period covered thereby. There has been no material adverse change in the business, condition (financial or otherwise) or operations of the Lessee since the date of such financial statements.

SECTION 11.09. Licenses, Permits and Approvals for Operation of Facility and the Project. The Lessee has obtained all licenses, permits and approvals from any governmental agency or authority having jurisdiction over the Lessee required for the operation of the Facility and will obtain all licenses, permits and approvals from any governmental agency or authority having jurisdiction over the Lessee required for the operation of the Project. The Lessee will obtain all licenses, permits and approvals from any governmental agency or authority having jurisdiction over the Lessee required for the operation of the Facility.

SECTION 11.10. Project Completion.

(a) The Project is described in Exhibit A and the Lessee shall make no changes thereto or to the operation thereof which would affect the qualification of the Project as a "public development facility" within the meaning of the Act or the qualification of the Project for tax exempt financing under the Code.

(b) The Lessee intends to utilize the Project or cause the Project to be utilized as a "public development facility" within the meaning of the Act.

(c) The Project will be located wholly within the corporate limits of the Lessee.

(d) To the best of the Lessee's knowledge, no officer or official of the Lessor has any material interest whatsoever in the Project or in the transactions contemplated by this Facility Lease.

(e) All applicable local governmental agency, State and federal government certificates, approvals, permits and authorizations with respect to the construction of the Project have been obtained or will be obtained as soon as practicable.

ARTICLE XII

AFFIRMATIVE COVENANTS OF THE LESSEE

SECTION 12.01. Punctual Payment. The Lessee will punctually pay, or cause to be paid, all payments required hereunder in strict conformity with the terms of this Facility Lease, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Facility Lease.

SECTION 12.02. Books and Accounts; Financial Statements.

(a) The Lessee will keep proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the Facility and the Project (which may be consolidated with other activities of the Lessee). Such books of record and accounts shall at all times during business hours be subject to the inspection of the Lessor. To the extent that any continuing disclosure reports required by Section 4.03 herein sets out the information required by subsections (b) and (d) of this Section 12.02, the Lessee shall not be obliged to provide separate statement setting forth the requested information.

(b) The Lessee will prepare and file with the Lessor annually as soon as practicable, but in any event not later than two hundred ten (210) days after the close of each Fiscal Year, so long as this Facility Lease has not been discharged by the Lessor, an audited financial statement of the Lessee for the preceding Fiscal Year, prepared by an Independent Accountant. The Lessee will furnish to the Lessor such reasonable number of copies of such audited financial statements as may be required by the Lessor for distribution (at the expense of the Lessee).

(c) Simultaneously with the delivery of the annual audited financial statements, the Lessee will deliver to the Lessor a Certificate of the Lessee stating the following:

(1) Certification that no Event of Default has occurred and no event has occurred which, with the passing of time would constitute an Event of Default;

(2) Notification of any other event or circumstance that would materially affect completion of the Project and/or the payment of the Base Rental Payments;

(3) Certification from Lessee's City Manager that the Lessee is in compliance with Section 4.02 herein and the Tax Certificate, as set forth in Exhibit H; and

(4) Certification from Lessee's City Manager that there have been no agreements or amendments entered into related to the use or operation of the Project other than as existed as of the Effective Date or as approved by CIEDB;

(5) Certification from Lessee's City Manager that there have been no changes in use of the Project other than as approved by CIEDB.

(6) Such other information as may be reasonably required.

(d) The Lessee shall, upon request, furnish to the Lessor, in a format specified by the Lessor, information concerning employment and other public benefits connected to the Project.

(e) Not later than sixty (60) days after the start of each Fiscal Year, the Lessee will adopt and deliver to the Lessor, a budget approved by the governing board of the Lessee setting forth the estimated revenues, expenses and debt service for the current Fiscal Year; provided, that any such budget may be amended at any time during the Fiscal Year and such amended budget shall be delivered to the Lessor or its designee.

SECTION 12.03. Notification to the Lessor. The Lessee agrees to notify the Lessor, immediately, by telephone promptly confirmed in writing, if any representation made in this Facility Lease or in the application for financing to the Lessor shall at any time so long as the Facility Lease is outstanding prove untrue or incorrect in any manner. Further, the Lessee agrees to notify the Lessor, immediately, by telephone promptly confirmed in writing, if there is a stop notice, litigation or any other legal proceeding which may impact the completion of the Project.

SECTION 12.04. Protection of Security and Rights. The Lessee shall preserve and protect the security of the Facility Lease and the rights of the Lessor. From and after the Effective Date hereof, the Facility Lease shall be incontestable by the Lessee.

SECTION 12.05. Management of Properties. The Lessee shall manage and operate the Facility and the Project in a sound and business-like manner and in conformity with all valid requirements of any governmental authority.

SECTION 12.06. Reserved.

SECTION 12.07. Further Assurances. The Lessee will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably required by the Lessor as necessary or proper to carry out the intention or to facilitate the performance of this Facility Lease and for the better assuring and confirming unto the Lessor of the rights and benefits provided in this Facility Lease.

SECTION 12.08. Project Documentation.

(a) The Lessee may supplement or amend the Project description with written approval from the Lessor from time to time, provided that no such supplement or amendment shall cause the Project or any portion thereof to fail to constitute a "public development facility" within the meaning of the Act.

(b) At any time, upon request of the Lessor, the Lessee agrees to make available to the Lessor for review and copying all then current plans and specifications for the Project. The Lessee may identify any proprietary information in such plans and specifications and, to the extent legally permissible, the Lessor agrees to keep such information confidential.

(c) As soon as the Project is completed, the Lessee shall evidence such completion by providing a Certificate of the Lessee to the Lessor stating that (i) construction of the Project has been completed substantially in accordance with the final plans and specifications therefor and all labor, services, materials and supplies used in construction have been paid for, and (ii) all other facilities necessary in connection with the Project have been constructed, acquired and installed in accordance with the final plans and specifications therefor and all costs and expenses incurred in connection therewith have been paid. Notwithstanding the foregoing, such certificate may state that it is given without prejudice to any rights of the Lessee against third parties for the payment of any amount not then due and payable which exist at the date of such certificate or which may subsequently exist.

SECTION 12.09. Lessee's General Responsibility. The Lessee is solely responsible for the design, construction, operation and maintenance of the Project. Any review or approval of plans, specifications, bid documents or other construction documents by the Lessor is solely for the purpose of proper administration of Project funds by the Lessor and shall not be deemed to relieve or restrict the Lessee's responsibility or result in any duty, obligation or responsibility on the part of the Lessor or the officers and agents thereof.

SECTION 12.10. Lessee's Assurances and Commitments.

(a) Compliance with Laws and Regulations. The Lessee shall at all times comply and require its contractors and subcontractors to comply with all applicable federal and State laws, rules and regulations, and all applicable local ordinances, specifically including, but not limited to, prevailing wage, environmental, procurement and safety laws, rules, regulations, and ordinances. Lessee agrees that its failure to act in accordance with the provisions of this subsection (a) will not result in any duty, obligation or responsibility on the part of the Lessor or the officers and agents thereof. The Lessee will comply with all laws of the State so as not to adversely affect the payment of the Base Rental Payments and Additional Rental Payments.

(b) Archeological or Historical Resources. Should a potential archeological or historical resource be discovered during construction, the Lessee agrees that all work in the area of the find will cease until a qualified archeologist has evaluated the situation and the Lessee has determined appropriate actions regarding preservation of the resource.

(c) Construction Activities. The Lessee shall assure that adequate supervision and inspection of Project construction activities are maintained. The Lessor or the Lessor's designee reserves the right to conduct an audit of Lessee's construction expenditures during construction and up to three years following receipt by Lessor of notice of completion. The Lessor, at its discretion, may require the Lessee to conduct an interim and/or a final audit at the Lessee's expense, such audit to be conducted by and a report prepared by an Independent Accountant.

SECTION 12.11. Facility and Project Access. The Lessee shall assure that the Lessor or its designee will have suitable access to the Facility and the Project at all reasonable times throughout the term of this Facility Lease and shall include provisions assuring such access in all contracts and subcontracts relating to the Facility and the Project.

SECTION 12.12. Performance and Payment Bonds.

(a) The Lessee shall require its contractor to certify under penalty of perjury, and provide the Lessee with a copy of such certification, which shall be available for the Lessor's inspection, if requested, that it has obtained a bond or bonds by one or more authorized surety companies satisfactory to the Lessee has been obtained; surety companies must be authorized to do business in California and have an agent for service of process in California. The Lessee shall require that the Lessee be named as loss payee and additional insured and shall provide the Lessor with a copy of the bonds to that effect.

(b) Said bond shall be in the amounts and for the following purposes: (i) an amount not less than one hundred percent (100%) of the total estimated cost of the Project construction contract amount conditioned upon the faithful performance of the terms of the construction agreement for the Project including the maintenance of the work for a period of one year from the date of final acceptance of work or improvements by the Lessee against any defective work or labor done, or defective materials furnished, and (ii) an additional amount not less than one hundred percent (100%) of the estimated cost of the Project securing payment to the subcontractors and to persons renting equipment or furnishing labor or materials to them for the Project.

SECTION 12.13. Notice of Event of Default. The Lessee covenants that it will deliver to the Lessor, immediately after the Lessee shall have obtained knowledge of the occurrence of an Event of Default or failure as described in Section 10.01(a)(2), a Certificate of the Lessee setting forth the details of such Event of Default or failure and the action which the Lessee proposes to take with respect thereto.

SECTION 12.14. Compliance with State Contract Requirements. As to Phase 1b, the Lessee shall comply with all provisions contained in Exhibit G throughout the term of this Facility Lease.

ARTICLE XIII

NEGATIVE COVENANTS OF THE LESSEE

SECTION 13.01. Nondiscrimination.

(a) During the performance of this Facility Lease, Lessee, any contractor and its subcontractors shall not deny the contracts' benefits to any person on the basis of religion, color, ethnic group identification, sex, age, physical or mental disability, nor shall they discriminate unlawfully against any employee or applicant for employment because of race, religion, color, national origin, ancestry, physical handicap, mental disability, medical condition, marital status, age or sex. The Lessee, any contractor and its subcontractor shall insure that the evaluation and treatment of employees and applicants for employment are free of such discrimination.

(b) The Lessee, any contractor and its subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Government Code section 12900 et seq.), the regulations promulgated thereunder (Title 2, California Code of Regulations, section 7285.0 et seq.) the provisions of Article 9.5, Chapter 1, Part 1, Division 3, Title 2 of the Government Code (sections 11135-11139.5) and any regulations promulgated thereunder.

(c) The Lessee, any contractor and its subcontractors shall not knowingly give preferential treatment of any kind whatsoever in connection with any business transaction related to the construction or operation of the Project to any of its affiliates or to any business enterprise in which Lessee has any financial interest, but in such business transactions shall deal at all times with such affiliates and enterprises on the same basis as though Lessee were dealing with any other parties.

(d) The Lessee, any contractor and its subcontractors shall, with respect to the Project described herein, give written notice of their obligations under this section to labor organizations representing employees of the Lessee and any contractor or subcontractor performing work on the Project which have a collective bargaining or other contract with the Lessee, such contractor or subcontractor.

(e) The Lessee, any contractor and its subcontractors shall include the provisions of this section in all subcontracts to perform work with respect to the Facility and the Project.

ARTICLE XIV

MISCELLANEOUS

SECTION 14.01. Notices. All written notices to be given hereunder shall be given by first class mail 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 Lessor:

California Infrastructure and Economic Development Bank
Attn: Credit Support Manager, CIEDB B05-071
1001 I Street, 19th floor
Sacramento, CA 95814

If by overnight mail or personal delivery:

California Infrastructure and Economic Development Bank
Attn: Credit Support Manager, CIEDB B05-071
1001 I Street, 19th Floor
Sacramento, CA 95814

Or to such other address as may be designated in writing by the Lessor.

If to the Lessee:

City of Redlands
Attn: Capital Projects Manager
P.O. Box 3005
Redlands, CA

Or to such other address as may be designated in writing by the Lessee.

SECTION 14.02 Contact Persons.

(a) The executive director of the Lessor or such other person as designated in writing by the Lessor shall manage this Facility Lease for the Lessor and shall have authority to make determinations and findings with respect to each controversy arising under or in connection with the interpretation, performance, or payment for work performed under this Facility Lease.

(b) The Lessee Project Manager shall be the Capital Projects Manager or such other person as may be designated in writing by the City Manager. The Lessee Project Manager shall be the Lessee's representative for the administration of this Facility Lease and shall have full authority to act on behalf of the Lessee and may designate in writing another person or persons authorized to request disbursement of Project Amounts. All communications given to the Lessee Project Manager shall be as binding as if given to the Lessee.

SECTION 14.03. Binding Effect. This Facility Lease shall inure to the benefit of and shall be binding upon the Lessor and the Lessee and their respective successors and assignees.

SECTION 14.04. Third Party Beneficiaries. The Trustee is hereby expressly designated as a third party beneficiary hereunder for the purpose of enforcing any of the rights hereunder assigned to the Trustee and for the purpose of the Trustee enforcing its own rights.

SECTION 14.05. Net Lease. It is the purpose and intent of the Lessor and the Lessee that lease payments hereunder shall be absolutely net to the Lessor so that this Facility Lease shall yield to the Lessor the lease payments, free of any charges, assessments or impositions of any kind charged, assessed or imposed on or against the Facility, and without counterclaim, deduction, defense, deferment or set-off by the Lessee except as herein specifically otherwise provided. The Lessor shall not be expected or required to pay any such charge, assessment or imposition, or be under any obligation or liability hereunder except as herein expressly set forth, and all costs, expenses and obligations of any kind relating to the maintenance and operation of the Facility which may arise or become due during the term of this Facility Lease shall be paid by the Lessee.

SECTION 14.06. Amendments to Facility Lease. This Facility Lease may be amended by the parties in writing.

SECTION 14.07. Reserved.

SECTION 14.08. Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms hereof shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining agreements, conditions, covenants or terms hereof shall be affected thereby, and each provision of this Facility Lease shall be valid and enforceable to the fullest extent permitted by law.

SECTION 14.09. California Law; Venue. This Facility Lease shall be governed by and construed and interpreted in accordance with the laws of the State. Any proceeding pertaining to this Facility Lease shall be filed in the Superior Court of Sacramento County, unless otherwise expressly agreed to by the Lessor in its discretion.

SECTION 14.10. 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 hereof.

[The balance of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed and entered into this Facility Lease by their officers thereunto duly authorized as of the day and year first written above.

**CALIFORNIA INFRASTRUCTURE AND
ECONOMIC DEVELOPMENT BANK**

By _____
Stanton C. Hazelroth
Executive Director

Attest

By _____
Roma Cristia-Plant
Secretary

CITY OF REDLANDS

By _____
Jon Harrison
Mayor

Attest

By _____
Lorrie Poyzer
City Clerk

STATE OF CALIFORNIA)
) ss
COUNTY OF SACRAMENTO)

On _____, 2006, before me, Tom Martin, a Notary Public in and for the State of California, personally appeared STANTON C. HAZELROTH, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person or the entity on behalf of which the person acted, executed the instrument.

Witness my hand and official seal
[SEAL]

ALL-PURPOSE ACKNOWLEDGMENT

STATE OF CALIFORNIA)
COUNTY OF SAN BERNARDINO) SS
CITY OF REDLANDS)

By the authority granted under Chapter 4, Article 3, Section 1181, of the California Civil Code, and Chapter 2, Division 3, Section 40814, of the California Government Code, on September 11, 2006, 2006, before me, Teresa Ballinger, Assistant City Clerk, on behalf of Lorrie Poyzer, City Clerk of the City of Redlands, California, personally appeared Jon Harrison and Lorrie Poyzer { X } personally known to me - or - { } proved to me on the basis of satisfactory evidence to be the persons whose names) are subscribed to the within instrument and acknowledged to me that they executed the same in their authorized capacities and that by their signatures on the instrument the persons, or the entity upon behalf of which the persons acted, executed the instrument.



WITNESS my hand and official seal.

LORRIE POYZER, CITY CLERK

By: Teresa Ballinger
Teresa Ballinger, Assistant City Clerk
(909)798-7531

~~~~~  
**CAPACITY CLAIMED BY SIGNER(S)**

{ } **Individual(s) signing for oneself/themselves**

{ } **Corporate Officer(s)**

Title(s) \_\_\_\_\_

Company \_\_\_\_\_

{ } **Partner(s)**

Partnership \_\_\_\_\_

{ } **Attorney-In-Fact**

Principal(s) \_\_\_\_\_

{ } **Trustee(s)**

Trust \_\_\_\_\_

{ x } **Other**

Title(s): Mayor and City Clerk

Entity Represented: City of Redlands, a municipal corporation

~~~~~  
THIS CERTIFICATE MUST BE ATTACHED TO THE DOCUMENT DESCRIBED BELOW:

Title or Type of Document: Facility Lease

Date of Document: December 1, 2006

Signer(s) Other Than Named Above: Stanton C. Hazelroth, Executive Director, California Infrastructure and Economic Development Bank

EXHIBIT A

DESCRIPTION OF THE PROJECT

Project Title:

Redlands Sports Park

Project Description:

The Project will be constructed in phases and consists of the construction of eight regulation soccer fields, a snack bar and restroom building and a 269 space parking lot, the installation of field lighting, landscaping and irrigation. The Project also includes 45 acres of land dedicated as habitat for the San Bernardino Kangaroo Rat, a federally-designated endangered species.

Phase 1b of the Project includes: construction of eight regulation soccer fields (excluding initial grading), installation of field lighting, landscaping, irrigation, and the construction of a 1,800 square foot snack bar and restroom building.

EXHIBIT B

DESCRIPTION OF THE SITE

Legal description of Site to be leased:

Real property and improvements thereon in the City of Redlands, County of San Bernardino, State of California, described as follows:

THAT PORTION OF THE NORTHEAST $\frac{1}{4}$ OF THE SOUTHWEST $\frac{1}{4}$ OF SECTION 22, TOWNSHIP 1 SOUTH, RANGE 3 WEST, SAN BERNARDINO BASE AND MERIDIAN, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, BEGINNING AT THE CENTERPOINT OF SAID SECTION 22, SAID POINT ALSO BEING THE CENTERLINE INTERSECTION OF LUGONIA AVENUE AND ORANGE STREET; THENCE WESTERLY ALONG THE CENTERLINE OF LUGONIA AVENUE (66.00 FEET WIDE), 357.25 FEET, TO A POINT, SAID POINT BEING THE INTERSECTION OF THE CENTERLINE OF LUGONIA AVENUE WITH THE NORTHERLY PROLONGATION OF THE WESTERLY RIGHT-OF-WAY LINE OF WASHINGTON STREET (54.25 FEET WIDE); THENCE SOUTHERLY ALONG LAST SAID PROLONGATION TO A POINT, SAID POINT BEING THE INTERSECTION OF THE SOUTHERLY RIGHT-OF-WAY LINE OF LUGONIA AVENUE WITH THE WESTERLY RIGHT-OF-WAY LINE OF WASHINGTON STREET, AND INTERSECTION BEING THE TRUE POINT OF BEGINNING; THENCE WESTERLY 270.00 FEET ALONG THE SOUTH RIGHT-OF-WAY LINE OF LUGONIA AVENUE; THENCE SOUTHERLY 301.70 FEET ALONG THE EAST RIGHT-OF-WAY LINE OF CLAY STREET TO A POINT BEING THE NORTHWEST CORNER OF LOT 18 AS SHOWN IN MAP OF OLIVE GROVE ADDITION NO. 2 RECORDED IN MAP BOOK 15, PAGE 37; THENCE EASTERLY 135.00 FEET ALONG THE NORTH LINE OF SAID LOT 18 TO A POINT BEING THE NORTHWEST CORNER OF LOT 42 AS SHOWN IN MAP OF OLIVE GROVE ADDITION RECORDED IN MAP BOOK 13, PAGE 44; RECORDS OF SAID COUNTY; THENCE SOUTHERLY 245.00 FEET ALONG THE WEST PROPERTY LINE OF LOTS 42, 41, 40, 39, AND 38 OF SAID SUBDIVISION; THENCE EASTERLY 135.00 FEET ALONG THE SOUTH PROPERTY LINE OF SAID LOT 38 TO THE WEST RIGHT-OF-WAY LINE OF WASHINGTON STREET; THENCE NORTHERLY ALONG SAID WEST RIGHT-OF-WAY LINE 98.00 FEET TO THE NORTHEASTERLY CORNER OF SAID LOT 39; THENCE WESTERLY ALONG THE NORTH LINE OF SAID LOT 39, 2.875 FEET; THENCE NORTHERLY ALONG A LINE PARALLEL TO AND 30.00 FEET WESTERLY OF THE CENTERLINE OF WASHINGTON STREET, 49.00 FEET TO THE SOUTH LINE OF LOT 41; THENCE EASTERLY ALONG LAST SAID LINE 2.875 FEET TO THE SOUTHEASTERLY CORNER OF LOT 41; THENCE NORTHERLY ALONG THE WEST RIGHT-OF-WAY LINE OF WASHINGTON STREET 399.70 FEET TO THE TRUE POINT OF BEGINNING.

APN: 0167-243-16-0-000

Located at: 111 W. Lugonia Avenue, Redlands, CA

EXHIBIT C
RESOLUTION NO. 6541

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDLANDS AUTHORIZING THE EXECUTION AND DELIVERY OF THE FACILITY LEASE AND THE SITE LEASE BY AND BETWEEN THE CITY OF REDLANDS AND THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK AND APPROVING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF REDLANDS AS FOLLOWS:

Section 1. The Mayor is authorized and directed to execute and deliver the Facility Lease, dated as of December 1, 2006 (the "Facility Lease") and the Site Lease dated as of December 1, 2006 (the "Site Lease") proposed to be entered into by and between the City of Redlands and the California Infrastructure and Economic Development Bank. As executed and delivered, such documents shall be in substantially the form presented at this meeting, with such minor additions thereto or minor changes therein as the officers executing such document shall require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 2. The Mayor is hereby authorized and directed, in the name and on behalf of the City of Redlands, to take any and all steps and to execute and deliver any and all certificates, contracts and other documents which the Mayor might deem necessary or appropriate in order to consummate the delivery of the Facility Lease and the Site Lease and otherwise to effectuate the purposes of this resolution, including the execution of a tax certificate, and such actions previously taken by the employees of the Lessee are hereby ratified and confirmed.

Section 3. This resolution shall take effect from and after its passage, approval and adoption.

PASSED, APPROVED and ADOPTED this 5th day of September, 2006, by the following vote:

Ayes:

Noes:

Absent:

Abstain:

Attest by

Jon Harrison
Mayor

Lorrie Poyzer, City Clerk

RESOLUTION NO. 6541

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDLANDS AUTHORIZING THE EXECUTION AND DELIVERY OF THE FACILITY LEASE AND THE SITE LEASE BY AND BETWEEN THE CITY OF REDLANDS AND THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK AND APPROVING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH

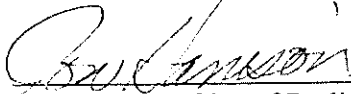
BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF REDLANDS AS FOLLOWS:

Section 1. The Mayor is authorized and directed to execute and deliver the Facility Lease, dated as of December 1, 2006 (the "Facility Lease") and the Site Lease dated as of December 1, 2006 (the "Site Lease"), proposed to be entered into by and between the City of Redlands and the California Infrastructure and Economic Development Bank. As executed and delivered, such documents shall be in substantially the form presented at this meeting, with such minor additions thereto or minor changes therein as the officers executing such document shall require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 2. The Mayor is hereby authorized and directed, in the name and on behalf of the City of Redlands, to take any and all steps and to execute and deliver any and all certificates, contracts and other documents which the Mayor might deem necessary or appropriate in order to consummate the delivery of the Facility Lease and the Site Lease and otherwise to effectuate the purposes of this resolution, including the execution of a tax certificate, and such actions previously taken by the employees of the Lessee are hereby ratified and confirmed.

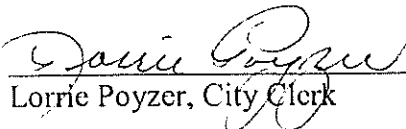
Section 3. This resolution shall take effect from and after its passage, approval and adoption.

ADOPTED, SIGNED AND APPROVED this 5th day of September, 2006



Mayor of the City of Redlands

Attest:


Lorrie Poyzer, City Clerk

I, Lorrie Poyzer, City Clerk of the City of Redlands, hereby certify that the foregoing resolution was duly adopted by the City Council at a regular meeting thereof, held on the 5th day of September, 2006, by the following vote:

AYES: Councilmembers Gilbreath, Gil, Gallagher, Aguilar; Mayor Harrison
NOES: None
ABSTAIN: None
ABSENT: None


City Clerk

EXHIBIT C-1

CERTIFICATION OF RESOLUTION

The undersigned hereby states and certifies:

- (1) I am the duly qualified and acting City Attorney of the City of Redlands (the "Lessee"), and, as such, am familiar with the facts herein certified and am fully authorized to certify the same.
- (2) Attached hereto is a true, correct and complete copy of the resolution of the governing body of the Lessee authorizing the execution and delivery of the Facility Lease approved on September 5, 2006, by and between the Lessee and the California Infrastructure and Economic Development Bank, and the Site Lease dated as of December 1, 2006, by and between the Lessee and the California Infrastructure and Economic Development Bank, adopted at a meeting thereof duly held on the date set forth in such resolution, of which meeting all of the members of said governing body had due notice and at which a quorum was present and acting throughout.
- (3) I further certify that I have carefully compared the attached copy of the resolution with the original minutes of said meeting on file and of record in my office; that said copy is a true, correct and complete copy of the original resolution duly adopted by said governing body at said meeting and entered in said minutes; and that said resolution has not been amended, modified or rescinded since its adoption and is in full force and effect as of the date hereof.
- (4) I further certify that in accordance with Government Code section 54954.2, the agenda of the meeting contained a brief description of the resolution to be considered at the meeting, and a copy thereof was posted at least seventy-two (72) hours before the meeting in a location freely accessible to members of the public.

Dated: December 1, 2006

CITY OF REDLANDS

By _____
Daniel J. McHugh
City Attorney

EXHIBIT D

PROJECT COSTS

Project Costs:

SOURCES AND USES OF FUNDS					
Uses	Sources				TOTALS
	CIEDB	City	Grants	AYSO*	
Construction and construction Contingency	\$1,948,127	\$1,728,439	\$5,039,834	\$500,000	\$9,216,400
Design/Architectural/Engineering /Project Management	\$20,000	\$1,683,632	\$170,612		\$1,874,244
Administrative costs, legal fees, City staff salaries related to the Project and other miscellaneous costs			\$175,987		\$175,987
I-Bank Fee	\$16,873				\$16,873
Totals	\$1,985,000	\$3,412,071	\$5,386,433	\$500,000	\$11,283,504

*American Youth Soccer Organization.

Modifications to any Project sources and uses line item financed by the CIEDB shall require the written approval of the CIEDB. The CIEDB credit support unit manager shall provide a revised Project sources and uses chart for approved cumulative modifications that are less than ten percent (10%) of the Project Amount. Approved cumulative modifications to the CIEDB Project budget that are ten percent (10%) or greater than ten percent (10%) of the Project Amount shall require an amendment to the Facility Lease.

The Lessor shall not be responsible for the payment of any cost overruns.

The Lessee shall submit invoices only for expenses incurred. Expenses contained in the invoices shall be listed according to the categories contained in the above Project Costs. The Lessor shall pay ninety percent (90%) of all approved invoices for construction costs submitted to the Lessee prior to compliance with the conditions precedent to final disbursement; provided, that if the Lessee demonstrates to the satisfaction of the Lessor that the Lessee is obliged by law to make payments to certain construction contractors for one hundred percent (100%) of invoiced amounts or to establish a retention fund for final payment to certain contractors, the Lessor shall disburse Project funds in the amount required by law.

To the extent Lessee is authorized pursuant to the Project Costs chart above to charge its employee costs to this Facility Lease, documentation must be provided, to the satisfaction of the Lessor, that costs incurred are directly for the Project, are not billed to other sources, and are billed at hourly rates not to exceed Lessee's actual costs of salary and benefits.

Lessee shall not approve any change orders resulting in an increase in Project Costs without having funds committed for the increased Project Costs.

Costs of the Project not covered by this Facility Lease will be paid by the Lessee.

No costs of the Project to be paid by the Lessor can be incurred prior to May 23, 2006 except for Preliminary Expenditures as shown in the Project Sources and Uses chart herein and as described in Section 2.08(b).

EXHIBIT E

CONDITIONS PRECEDENT TO DISBURSEMENT

(a) **Initial Disbursement.** Disbursements for the Lessor origination fee shall be made upon the initial disbursement. No funds shall be disbursed pursuant to this Facility Lease until and unless Lessee, in the good faith judgment of the Lessor, has submitted the following:

(1) Documents in a form substantially similar to Exhibit C, Exhibit C-1, Exhibit H, and Exhibit I herein

(2) Insurance certificates, as required by Section 6.03;

(3) CLTA title policy in an amount not less than the Project Amount meeting the requirements of Section 6.05;

(4) Payment of origination fee in the amount of sixteen thousand eight hundred seventy-three dollars (\$16,873).

(b) **Preliminary Expenditures.** When all the requirements of section (a) herein are met in a manner satisfactory to the Lessor, disbursement shall be allowed for the following costs: Preliminary Expenditures as specified in Exhibit D.

(c) **Construction Costs.** This Project may be constructed with the following phases: lighting, irrigation/landscaping, and restroom/snack bar/storage facility. The documents set forth herein must be provided for each phase before funds shall be disbursed for costs attributable to that phase. "Phase" means the phase of the Project for which the Lessee is requesting reimbursement. For those costs other than the origination fee and costs described in section (b) herein, no funds shall be disbursed pursuant to this Facility Lease until and unless Lessee has, in the good faith judgment of the Lessor, provided Lessor with all the documents required in section (a) herein and the following documents:

(1) Document in a form substantially similar to Exhibit K herein; and

(2) One copy of the executed construction contract(s), including any exhibits, attachments or change orders, if and when applicable.

(d) **Final disbursement:** The final disbursement of Project funds shall not be made until and unless Lessee, in the good faith judgment of the Lessor, has specifically complied with each and every one of the following for each phase of construction described in section (c), and provided a copy of the specified document or certificate to the Lessor

(1) Recorded Project notice of completion or other evidence of completion satisfactory to the Lessor;

(2) Lien waivers for the Project, or passage of the applicable statutory time periods for filing mechanics and other similar liens;

(3) Certification by the Lessee that the Project has been completed according to its approved final plans and specifications, that the completed Project is consistent with the definition of Project in this Facility Lease and is acceptable to the Lessee and that the requirements of Section 12.08(c) have been met;

(4) Certification of Recycled Content as set out in Section 6 of Exhibit G; and

(5) Certification that the Lessee has obtained all licenses and permits (including operating permits), and approvals from any governmental agency or authority having jurisdiction over the Lessee in connection with the Project.

EXHIBIT F

BASE RENTAL PAYMENTS

CITY OF REDLANDS CIEDB B05-071

NOTE: The Base Rental Payments below shall conform to the following guidelines:

This schedule is based on a term of thirty (30) years from the Effective Date at an interest rate of three and fifteen hundredths percent (3.15%) per annum and indicates what the Base Rental Payments will be over the course of the Facility Lease. Base Rental Payments shall have an interest only component through July 31, 2007.

The interest component of each Base Rental Payment shall be calculated on the basis of a 360-day year of twelve 30-day months. Any installment of a principal component or an interest component of a Base Rental Payment that is not paid when due shall continue to accrue interest at the lesser of twelve percent (12%) per annum or the maximum rate permitted by law from and including the Base Rental Payment date with respect to which such principal component or interest component is payable to but not including the date of actual payment.

Base Rental Payment billing statements will be mailed to the Lessee reflecting the actual amount owed prior to each Base Rental Payment due date. With the exception of the annual fee, any Additional Rental Payments will be billed separately as the cost is incurred.

Payment Date	Ending Principal Balance	Principal Payment	Interest Payment	Total Principal & Interest	Annual Fee	Total Payment	Total Payment Fiscal Year Ending 30-Jun
1-Dec-2006	\$1,985,000.00						
1-Feb-2007			\$10,421.25	\$10,421.25		\$10,421.25	\$10,421.25
1-Aug-2007	\$1,944,280.80	\$40,719.20	\$31,263.75	\$71,982.95	\$5,955.00	\$77,937.95	
1-Feb-2008			\$30,622.42	\$30,622.42		\$30,622.42	\$108,560.37
1-Aug-2008	\$1,902,278.95	\$42,001.85	\$30,622.42	\$72,624.27	\$5,832.84	\$78,457.12	
1-Feb-2009			\$29,960.89	\$29,960.89		\$29,960.89	\$108,418.01
1-Aug-2009	\$1,858,954.04	\$43,324.91	\$29,960.89	\$73,285.80	\$5,706.84	\$78,992.64	
1-Feb-2010			\$29,278.53	\$29,278.53		\$29,278.53	\$108,271.17
1-Aug-2010	\$1,814,264.40	\$44,689.64	\$29,278.53	\$73,968.17	\$5,576.86	\$79,545.03	
1-Feb-2011			\$28,574.66	\$28,574.66		\$28,574.66	\$108,119.70
1-Aug-2011	\$1,768,167.03	\$46,097.37	\$28,574.66	\$74,672.03	\$5,442.79	\$80,114.82	
1-Feb-2012			\$27,848.63	\$27,848.63		\$27,848.63	\$107,963.46
1-Aug-2012	\$1,720,617.60	\$47,549.43	\$27,848.63	\$75,398.07	\$5,304.50	\$80,702.57	
1-Feb-2013			\$27,099.73	\$27,099.73		\$27,099.73	\$107,802.29
1-Aug-2013	\$1,671,570.36	\$49,047.24	\$27,099.73	\$76,146.97	\$5,161.85	\$81,308.82	
1-Feb-2014			\$26,327.23	\$26,327.23		\$26,327.23	\$107,636.05
1-Aug-2014	\$1,620,978.13	\$50,592.23	\$26,327.23	\$76,919.46	\$5,014.71	\$81,934.17	
1-Feb-2015			\$25,530.41	\$25,530.41		\$25,530.41	\$107,464.58
1-Aug-2015	\$1,568,792.24	\$52,185.88	\$25,530.41	\$77,716.29	\$4,862.93	\$82,579.22	
1-Feb-2016			\$24,708.48	\$24,708.48		\$24,708.48	\$107,287.70
1-Aug-2016	\$1,514,962.50	\$53,829.74	\$24,708.48	\$78,538.22	\$4,706.38	\$83,244.59	
1-Feb-2017			\$23,860.66	\$23,860.66		\$23,860.66	\$107,105.25
1-Aug-2017	\$1,459,437.13	\$55,525.38	\$23,860.66	\$79,386.04	\$4,544.89	\$83,930.92	

Payment Date	Ending Principal Balance	Principal Payment	Interest Payment	Total Principal & Interest	Annual Fee	Total Payment	Total Payment Fiscal Year Ending 30-Jun
1-Feb-2018			\$22,986.13	\$22,986.13		\$22,986.13	\$106,917.06
1-Aug-2018	\$1,402,162.70	\$57,274.43	\$22,986.13	\$80,260.56	\$4,378.31	\$84,638.87	
1-Feb-2019			\$22,084.06	\$22,084.06		\$22,084.06	\$106,722.94
1-Aug-2019	\$1,343,084.13	\$59,078.57	\$22,084.06	\$81,162.63	\$4,206.49	\$85,369.12	
1-Feb-2020			\$21,153.58	\$21,153.58		\$21,153.58	\$106,522.70
1-Aug-2020	\$1,282,144.58	\$60,939.55	\$21,153.58	\$82,093.12	\$4,029.25	\$86,122.37	
1-Feb-2021			\$20,193.78	\$20,193.78		\$20,193.78	\$106,316.15
1-Aug-2021	\$1,219,285.44	\$62,859.14	\$20,193.78	\$83,052.92	\$3,846.43	\$86,899.35	
1-Feb-2022			\$19,203.75	\$19,203.75		\$19,203.75	\$106,103.10
1-Aug-2022	\$1,154,446.24	\$64,839.20	\$19,203.75	\$84,042.95	\$3,657.86	\$87,700.81	
1-Feb-2023			\$18,182.53	\$18,182.53		\$18,182.53	\$105,883.33
1-Aug-2023	\$1,087,564.60	\$66,881.64	\$18,182.53	\$85,064.17	\$3,463.34	\$88,527.51	
1-Feb-2024			\$17,129.14	\$17,129.14		\$17,129.14	\$105,656.65
1-Aug-2024	\$1,018,576.19	\$68,988.41	\$17,129.14	\$86,117.55	\$3,262.69	\$89,380.25	
1-Feb-2025			\$16,042.57	\$16,042.57		\$16,042.57	\$105,422.82
1-Aug-2025	\$947,414.64	\$71,161.55	\$16,042.57	\$87,204.12	\$3,055.73	\$90,259.85	
1-Feb-2026			\$14,921.78	\$14,921.78		\$14,921.78	\$105,181.63
1-Aug-2026	\$874,011.51	\$73,403.13	\$14,921.78	\$88,324.92	\$2,842.24	\$91,167.16	
1-Feb-2027			\$13,765.68	\$13,765.68		\$13,765.68	\$104,932.84
1-Aug-2027	\$798,296.17	\$75,715.33	\$13,765.68	\$89,481.01	\$2,622.03	\$92,103.05	
1-Feb-2028			\$12,573.16	\$12,573.16		\$12,573.16	\$104,676.21
1-Aug-2028	\$720,195.81	\$78,100.37	\$12,573.16	\$90,673.53	\$2,394.89	\$93,068.42	
1-Feb-2029			\$11,343.08	\$11,343.08		\$11,343.08	\$104,411.50
1-Aug-2029	\$639,635.28	\$80,560.53	\$11,343.08	\$91,903.61	\$2,160.59	\$94,064.20	
1-Feb-2030			\$10,074.26	\$10,074.26		\$10,074.26	\$104,138.45
1-Aug-2030	\$556,537.09	\$83,098.18	\$10,074.26	\$93,172.44	\$1,918.91	\$95,091.35	
1-Feb-2031			\$8,765.46	\$8,765.46		\$8,765.46	\$103,856.81
1-Aug-2031	\$470,821.32	\$85,715.78	\$8,765.46	\$94,481.24	\$1,669.61	\$96,150.85	
1-Feb-2032			\$7,415.44	\$7,415.44		\$7,415.44	\$103,566.28
1-Aug-2032	\$382,405.49	\$88,415.82	\$7,415.44	\$95,831.26	\$1,412.46	\$97,243.72	
1-Feb-2033			\$6,022.89	\$6,022.89		\$6,022.89	\$103,266.61
1-Aug-2033	\$291,204.57	\$91,200.92	\$6,022.89	\$97,223.81	\$1,147.22	\$98,371.03	
1-Feb-2034			\$4,586.47	\$4,586.47		\$4,586.47	\$102,957.50
1-Aug-2034	\$197,130.82	\$94,073.75	\$4,586.47	\$98,660.22	\$873.61	\$99,533.84	
1-Feb-2035			\$3,104.81	\$3,104.81		\$3,104.81	\$102,638.65
1-Aug-2035	\$100,093.74	\$97,037.08	\$3,104.81	\$100,141.89	\$591.39	\$100,733.28	
1-Feb-2036			\$1,576.48	\$1,576.48		\$1,576.48	\$102,309.75
1-Aug-2036		\$100,093.74	\$1,576.48	\$101,670.22	\$300.28	\$101,970.50	\$101,970.50
Total Payments:		\$1,985,000.00	\$1,091,558.38	\$3,076,558.38	\$105,942.94	\$3,182,501.32	\$3,182,501.32

EXHIBIT G

STATE CONTRACT REQUIREMENTS

SECTION 1. Record Establishment, Access and Retention.

(a) The Lessee agrees that the Lessor shall have the right to review, obtain, and copy all records pertaining to performance of this Facility Lease. The Lessee agrees to provide the Lessor with any relevant information requested and shall permit the access to its premises, upon reasonable notice, during normal business hours for the purpose of interviewing employees and inspecting and copying such books, records, accounts, and other material that may be relevant to a matter under investigation for the purpose of determining compliance with Government Code section 8546.7. The Lessee further agrees to maintain records concerning costs paid with State funds for three years following the Lessor's receipt of a notice of completion or payment of an invoice, whichever is later. In the event of a Facility Lease performance or payment dispute, the three year minimum shall automatically be extended until the dispute is resolved.

(b) Upon inspection, the Lessee shall promptly implement any corrective measures recommended by the Lessor, its representatives, or the Bureau of State Audits ("BSA") regarding the requirements of this section.

(c) The Lessee shall keep all books, records, accounts and documents pertaining to this Facility Lease separate from other activities unrelated to this Facility Lease.

SECTION 2. Nondiscrimination Clause and Compliance Statement.

(a) By signing this Facility Lease, the Lessee and its contractors agree that each shall not, during the performance of this Facility Lease, unlawfully discriminate, harass or allow harassment, against any employee or applicant for employment because of sex, race, color, ancestry, religious creed, national origin, disability (including HIV and AIDS), medical condition (cancer), age, marital status, denial of family and medical care leave or denial of pregnancy disability leave. The Lessee and its contractors shall ensure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. The Lessee and its contractors shall comply with the provisions of the Fair Employment and Housing Act (Government Code section 12900 et seq.), and the applicable regulations promulgated thereunder (Title 2, California Code of Regulations, section 7285.0 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code section 12990 (a) through (f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations are incorporated into this Facility Lease by reference and made a part hereof as if set forth in full. The Lessee and its contractor shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other Facility Lease.

(b) The Lessee shall include the nondiscrimination and compliance provisions as detailed in clause (a) of this section, in all contracts to perform work under this Facility Lease.

SECTION 3. Americans with Disabilities Act Certification. By signing this Facility Lease, the Lessee assures the Lessor that it complies with the Americans with Disabilities Act ("ADA") of 1990 (42 U.S.C. 12101 et seq.), which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant to the ADA.

SECTION 4. National Labor Relations Board Certification. By signing this Facility Lease, the Lessee does swear under the penalty of perjury that no more than one final unappealable finding of contempt of court by a federal court has been issued against the Lessee within the immediately preceding two year period because of the Lessee's failure to comply with an order of a federal court which orders the Lessee to comply with an order of the National Labor Relations Board.

SECTION 5. Certification of Drug Free Workplace.

(a) By signing this Facility Lease, the Lessee hereby certifies under penalty of perjury under the laws of the State of California that the Lessee shall comply with the requirements of the Drug Free Workplace Act of 1990 (Government Code section 8350 et seq.) and shall provide a drug free workplace by:

(1) publishing a statement notifying employees that unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited and specifying actions to be taken against employees for violations, as required by Government Code section 8355(a).

(2) establishing a Drug Free Awareness Program as required by Government Code section 8355(b), to inform employees about:

- (A) the dangers of drug abuse in the workplace;
- (B) the person's or organization's policy of maintaining a drug-free workplace;
- (C) any available counseling, rehabilitation and employee assistance programs; and,
- (D) penalties that may be imposed upon employees for drug abuse violations; and,

(3) providing, as required by Government Code section 8355(c), that every employee who performs work under this Lessee shall:

and, (A) receive a copy of the Lessee's drug-free policy statement;

(B) agree to abide by the terms of the Lessee's statement as a condition of employment under this Facility Lease.

(b) In addition to any other consequences specified in this Facility Lease, failure to comply with these requirements may result in the Lessee being ineligible for award of any future State Contracts if the Lessor determines that the Lessee:

- (1) has made a false certification; or,
- (2) violates the certification by failing to carry out the requirements as noted above.

SECTION 6. Certification of Recycled Content. The Lessee shall certify in writing, under penalty of perjury, the minimum, if not exact, percentage of recycled content of both post-consumer material and secondary material as defined in Public Contract Code sections 12161 and 12200, in materials, goods or supplies offered, or products used in the performance of this Facility Lease, regardless of whether the product meets the required recycled product percentage as defined in Public Contract Code sections 12161 and 12200. The Lessee may certify that the product contains zero recycled content. The Recycle Certification shall be delivered to the Lessor not more than thirty (30) calendar days following the date of the notice of completion.

SECTION 7. Child Support Compliance Act.

(a) The Lessee recognizes the importance of child and family support obligations and shall fully comply with all applicable State and federal laws relating to child and family support enforcement, including, but not limited to, disclosure of information and compliance with earnings assignment orders, as provided in Chapter 8 (commencing with section 5200) of Part 5 of Division 9 of the Family Code; and

(b) The Lessee, to the best of its knowledge, is fully complying with the earnings assignment orders of all employees and is providing the names of all new employees to the New Hire Registry, maintained by the California Employment Development Department.

SECTION 8. Welfare Recipients.

(a) The Lessee shall give priority consideration in filling vacancies in positions funded by the Lessee to qualified recipients of aid under Chapter 2 (commencing with section 11200) of Part 3 of Division 9 of the Welfare and Institutions Code in accordance with Article 3.9 (commencing with section 11349) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code.

(b) Nothing in this provision shall be construed to:

- (1) interfere with or create a violation of the terms of valid collective bargaining agreements;
- (2) require the Lessee to hire an unqualified recipient of aid;
- (3) interfere with or create a violation of any federal affirmative action obligation of the Lessee for hiring disabled veterans or veterans of the Vietnam era; or,
- (4) interfere with or create a violation of the requirements of Government Code section 12990.

SECTION 9. Prevailing Wages.

(a) By signing this Facility Lease, the Lessee agrees to comply with the provisions of section 1720 et seq. of the California Labor Code in the award of public works contracts and subcontracts involving the expenditure of funds provided in this Facility Lease, and to insure that its contractor and subcontractors meet the requirements of those enactments.

(b) The Lessee shall comply with Labor Code provisions that include but are not limited to the following requirements: The Lessee shall obtain, from the Director of the Department of Industrial Relations, the general prevailing rate of per diem wages and the general prevailing rate for holiday and overtime work in the locality in which the public work is to be performed for each craft, classification, or type of worker needed to execute the Facility Lease. The Lessee shall either specify the general prevailing rates in bid and contract documents or include a statement in those documents that such information is available; take cognizance of any violations of prevailing wage law and notify the Department of Industrial Relations of such violations; require that the contractor and subcontractors keep adequate payroll and other records and withhold funds pending investigation of violations.

(c) The Lessee shall require its contractor and subcontractors to adhere to prevailing wage requirements, including but not limited to the following requirements: contracts between the contractor and subcontractors must include provisions regarding prevailing wage; the contractor shall monitor subcontractors' payment of prevailing wage by periodically reviewing certified payroll records and diligently taking corrective action if the subcontractors fail to pay prevailing wage; contractor and subcontractors shall maintain certified payroll records and time records. The contractor to whom a contract is awarded, and any subcontractor under him, shall not pay less than the specified prevailing wage; contractor and subcontractors are subject to penalties for violations of prevailing wage provisions.

(d) The Lessee acknowledges that it has been informed by the Lessor that the Lessor may contract with the Department of Industrial Relations to conduct random audits of some contracts to assure compliance with prevailing wage requirements. The Lessee shall require its contractor and subcontractors to cooperate in an audit if requested to do so by the Lessor and shall inform its contractor and subcontractors that spot audits are planned.

EXHIBIT H

TAX CERTIFICATE

This Tax Certificate is executed and delivered by the City of Redlands (the "Lessee") in connection with the Facility Lease between the Lessee and the California Infrastructure and Economic Development Bank (the "Lessor"), dated as of December 1, 2006 (the "Obligation") in the amount of one million nine hundred eighty-five thousand dollars (\$1,985,000). The Lessee certifies, covenants, warrants and represents as follows:

ARTICLE I. IN GENERAL

1.1 **The Lessee.** The Lessee is a general law city and municipal corporation duly organized and existing under the laws of the State of California.

1.2 **Purpose of Tax Certificate.** The Lessor has issued bonds (the "Bonds") that will be used to fund the Obligation. The Lessee is delivering this Tax Certificate to the Lessor with the understanding that the Lessor will rely in part upon this Tax Certificate in obtaining an opinion from bond counsel that interest on the Bonds is excluded from gross income for federal income tax purposes under section 103 of the Code (as defined below).

1.3 **Purpose of Financing.** The Obligation is being issued to finance the Redlands Sports Park on the Lessee's property (the "Project"), as described in more detail in the application of the Lessee to the Lessor, dated March 21, 2006, including amendments thereto and in Exhibit D of the Obligation.

1.4 **Definitions.** Unless the context otherwise requires, the following capitalized terms have the following meanings:

"Code" means the Internal Revenue Code of 1986 (including amendments thereto).

"Current Revenues" has the meaning given thereto in Section 2.7 hereof.

"Governmental Unit" means any state, or political subdivision of a state, but excludes the United States and its agencies or instrumentalities.

"Investment Property" means any security or obligation, any annuity contract, or any other investment-type property, but does not include any Tax-Exempt Bond unless such obligation is a "specified private activity bond" within the meaning of section 57(a)(5)(C) of the Code.

"Nongovernmental Person" means any person or entity other than a Governmental Unit.

"Payment Account" has the meaning given thereto in Section 2.7 hereof.

"Preliminary Expenditures" means architectural, engineering, surveying, soil testing, and similar costs paid with respect to the Project in an aggregate amount not exceeding twenty percent (20%) of the Obligation. However, Preliminary Expenditures do not include land acquisition, site preparation or similar costs incident to the commencement of construction.

"Tax-Exempt Bond" means any obligation the interest on which is excluded from gross income for federal income tax purposes pursuant to section 103 of the Code or section 103 of the Internal Revenue Code of 1954, as amended, and Title XIII of the Tax Reform Act of 1986, as amended, as well as stock in a regulated investment company to the extent at least ninety-five percent (95%) of income to the stockholder is treated as interest that is excludable from gross income under section 103 of the Code.

ARTICLE II. TAX LIMITATIONS

2.1 Expenditure of Proceeds. Proceeds of the Obligation shall be used exclusively for the following purposes: (i) architectural, engineering, surveying, soil testing, and similar costs paid with respect to the Project paid prior to May 23, 2006 and in an aggregate amount not exceeding twenty percent (20%) of the Obligation; (ii) capital expenditures originally paid by the Lessee on or after May 23, 2006; (iii) interest on the Obligation through the later of three years after the date hereof or one year after the Project is placed in service, and (iv) initial operating expenses directly associated with the Project [in aggregate amount not exceeding five percent (5%) of the amount of the Obligation].

2.2 Governmental Bond Status. The Lessee will not loan any of the proceeds of the Obligation to one or more Nongovernmental Persons. The Lessee will not allow more than five percent (5%) of proceeds of the Obligation or more than five percent (5%) of the Project to be used directly or indirectly by any Nongovernmental Person, other than as a member of the general public. In addition, a Nongovernmental Person will be treated as "using" proceeds of the Obligation to the extent the Nonexempt Person:

- (i) borrows proceeds of the Obligation, or
- (ii) uses the Project (e.g., as owner, lessee, service provider, operator or manager).

2.3 Change in Use. The Lessee reasonably expects to use all proceeds of the Obligation and all of the Project as set forth in Section 2.1 for the entire stated term to maturity of the Obligation. Absent written agreement by the Lessor, the Lessee in fact will use all proceeds of the Obligation and all of the Project as set forth in Section 2.1.

2.4 Federal Guarantee. The Lessee will not directly or indirectly use or permit the use of any proceeds of the Obligation or take or omit to take any action that would

cause the Bonds to be obligations that are "federally guaranteed" within the meaning of section 149(b) of the Code. In furtherance of this covenant, the Lessee will not allow the payment of principal or interest with respect to the Obligation to be guaranteed (directly or indirectly) in whole or in part by the United States or any agency or instrumentality thereof. The Lessee will not use five percent (5%) or more of the proceeds of the Obligation to make or finance loans the payment of principal or interest with respect to which is guaranteed in whole or in part by the United States or any agency or instrumentality thereof.

2.5 No Refunding. Proceeds of the Obligation will not be used directly or indirectly to make principal, interest or premium payments with respect to any tax-exempt obligation.

2.6 No Hedge Bonds. The Lessee reasonably expects that more than eighty-five percent (85%) of proceeds of the Obligation will be expended for the purposes of the Obligation within three years.

2.7 Rental Payments. "Payment Account" means the funds or accounts (or any portions of any funds or accounts) that will hold monies that are expected by the Lessee to be used to pay rental payments on the Obligation. "Current Revenues" means revenues which are both received by the Lessee and utilized for the payment of rental payments on the Obligation within a six month period. All amounts used to fund the Payment Account will be deemed to have been made from the Payment Account by using a last-in, first-out accounting method. Lessee agrees that the amounts used to pay debt rental payments shall be both received by the Lessee and utilized for the payment of rental payments on the Obligation within a thirty (30) day period. The Payment Account will be used primarily to achieve a proper matching of revenues and rental payments within each year; a matching of revenues means that revenue and rental payments come in and go out at approximately the same level and the Payment Account is cleared out to a very low balance at least one time during the year. Current Revenues in the Payment Account shall be invested without regard to yield so long as Lessee complies with this section.

2.8 No Other Replacement Proceeds. The Lessee will not use any proceeds of the Obligation to replace funds of the Lessee which are or will be used to acquire Investment Property reasonably expected to produce a yield that is materially higher than the yield on the Obligation.

2.9 No Expected Sale. It is not expected that the Project or any part thereof will be sold or otherwise disposed of so long as the Obligation is outstanding.

2.10 Tax Covenant. The Lessee will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Bonds pursuant to section 103 of the Code and specifically (i) the Lessee will not directly or indirectly use or make any use of the proceeds of the Bonds or any other funds of the Lessee or take or omit to take any action that would cause the Bonds or to be "arbitrage bonds" subject to federal income taxation by reason of section 148 of the Code or

obligations subject to federal income taxation because they are "federally guaranteed" as provided in section 149(b) of the Code, as applicable; and (ii) to that end the Lessee, with respect to the proceeds of the Bonds will comply with all requirements of such sections of the Code to the extent that such requirements are, at the time, applicable and in effect; provided, that if the Lessee shall obtain an Opinion of Counsel nationally recognized in the area of the exemption of interest from gross income under the Code to the effect that any action required under this Section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest evidenced and represented by the Bonds pursuant to section 103 of the Code, as applicable, the Lessee may rely conclusively on such opinion in complying with the provisions hereof.

2.11 Private Use. No more than five percent (5%) of the Project (determined both on the basis of space and cost) shall be used for private use. Private use includes use in the trade or business of any nongovernmental persons, but does not include the portion of the proceeds properly allocable to facilities expected to be used by an organization described in section 501(c)(3) of the Code in a manner that does not constitute an unrelated trade or business of such organization, as defined in section 513(a) of the Code. For purposes of this section, the federal government is considered a nongovernmental person.

(a) For purposes of this section, private use shall include any contract for the management or operation of any portion of the Project unless each of the following conditions is met: (i) the term of such contract (including renewal options) does not exceed five years; (ii) the manager or operator under such contract is not compensated on the basis of a share of net profits; (iii) the compensation of the manager or operator is reasonable; (iv) the Lessee must be able to cancel such contract without penalty or cause at the end of the third year of the contract; and (v) neither the Lessee nor the manager or operator may control more than twenty percent (20%) of the voting power of the other's governing board; and

(b) The service provider's compensation for management or operation services rendered must be pursuant to one of the following four methods: (i) at least fifty percent (50%) of annual compensation is based on a periodic fixed fee; (ii) the compensation is based on a capitation fee or a combination of a capitation fee and a periodic fixed fee; (iii) in the case of certain contracts with a term not longer than three years, the compensation is based on a per-unit fee or a combination of a per-unit fee and periodic fixed fee and the contract is cancelable after two years; and (iv) in the case of certain contracts with a term not longer than two years, the compensation is based on a percentage of fees charged and the contract is cancelable after one year.

(c) The term "renewal option" as used in this Section, means a provision under which the service provider has a legally enforceable right to renew the contract. Thus, for example, a provision under which a contract is automatically renewed for one year periods absent cancellation by either party is not a renewal option (even if it is expected to be renewed).

ARTICLE III. OTHER MATTERS

3.1 **Expectations.** The undersigned is an authorized representative of the Lessee acting for and on behalf of the Lessee in executing this Tax Certificate. To the best of the knowledge and belief of the undersigned, there are no other facts, estimates or circumstances that would materially change the expectations as set forth herein, and said expectations are reasonable.

3.2 **Amendments.** Notwithstanding any other provision of this Tax Certificate, the Lessee may amend this Tax Certificate and thereby alter any actions allowed or required by this Tax Certificate if such amendment is signed by an authorized officer and is supported by formal written agreement by the Lessor.

3.3 **Survival of Defeasance.** Notwithstanding any provision in this Tax Certificate to the contrary, the obligation to comply with all requirements contained in this Tax Certificate shall survive defeasance or prepayment of the Obligation.

Dated: _____.

CITY OF REDLANDS

By _____
Jon Harrison
Mayor

EXHIBIT H

TAX CERTIFICATE

This Tax Certificate is executed and delivered by the City of Redlands (the "Lessee") in connection with the Facility Lease between the Lessee and the California Infrastructure and Economic Development Bank (the "Lessor"), dated as of December 1, 2006 (the "Obligation") in the amount of one million nine hundred eighty-five thousand dollars (\$1,985,000). The Lessee certifies, covenants, warrants and represents as follows:

ARTICLE I. IN GENERAL

1.1 **The Lessee.** The Lessee is a general law city and municipal corporation duly organized and existing under the laws of the State of California.

1.2 **Purpose of Tax Certificate.** The Lessor has issued bonds (the "Bonds") that will be used to fund the Obligation. The Lessee is delivering this Tax Certificate to the Lessor with the understanding that the Lessor will rely in part upon this Tax Certificate in obtaining an opinion from bond counsel that interest on the Bonds is excluded from gross income for federal income tax purposes under section 103 of the Code (as defined below).

1.3 **Purpose of Financing.** The Obligation is being issued to finance the Redlands Sports Park on the Lessee's property (the "Project"), as described in more detail in the application of the Lessee to the Lessor, dated March 21, 2006, including amendments thereto and in Exhibit D of the Obligation.

1.4 **Definitions.** Unless the context otherwise requires, the following capitalized terms have the following meanings:

"*Code*" means the Internal Revenue Code of 1986 (including amendments thereto).

"*Current Revenues*" has the meaning given thereto in Section 2.7 hereof.

"*Governmental Unit*" means any state, or political subdivision of a state, but excludes the United States and its agencies or instrumentalities.

"*Investment Property*" means any security or obligation, any annuity contract, or any other investment-type property, but does not include any Tax-Exempt Bond unless such obligation is a "specified private activity bond" within the meaning of section 57(a)(5)(C) of the Code.

"*Nongovernmental Person*" means any person or entity other than a Governmental Unit.

"Payment Account" has the meaning given thereto in Section 2.7 hereof.

"Preliminary Expenditures" means architectural, engineering, surveying, soil testing, and similar costs paid with respect to the Project in an aggregate amount not exceeding twenty percent (20%) of the Obligation. However, Preliminary Expenditures do not include land acquisition, site preparation or similar costs incident to the commencement of construction.

"Tax-Exempt Bond" means any obligation the interest on which is excluded from gross income for federal income tax purposes pursuant to section 103 of the Code or section 103 of the Internal Revenue Code of 1954, as amended, and Title XIII of the Tax Reform Act of 1986, as amended, as well as stock in a regulated investment company to the extent at least ninety-five percent (95%) of income to the stockholder is treated as interest that is excludable from gross income under section 103 of the Code.

ARTICLE II. TAX LIMITATIONS

2.1 Expenditure of Proceeds. Proceeds of the Obligation shall be used exclusively for the following purposes: (i) architectural, engineering, surveying, soil testing, and similar costs paid with respect to the Project paid prior to May 23, 2006 and in an aggregate amount not exceeding twenty percent (20%) of the Obligation; (ii) capital expenditures originally paid by the Lessee on or after May 23, 2006; (iii) interest on the Obligation through the later of three years after the date hereof or one year after the Project is placed in service, and (iv) initial operating expenses directly associated with the Project [in aggregate amount not exceeding five percent (5%) of the amount of the Obligation].

2.2 Governmental Bond Status. The Lessee will not loan any of the proceeds of the Obligation to one or more Nongovernmental Persons. The Lessee will not allow more than five percent (5%) of proceeds of the Obligation or more than five percent (5%) of the Project to be used directly or indirectly by any Nongovernmental Person, other than as a member of the general public. In addition, a Nongovernmental Person will be treated as "using" proceeds of the Obligation to the extent the Nonexempt Person:

- (i) borrows proceeds of the Obligation, or
- (ii) uses the Project (e.g., as owner, lessee, service provider, operator or manager).

2.3 Change in Use. The Lessee reasonably expects to use all proceeds of the Obligation and all of the Project as set forth in Section 2.1 for the entire stated term to maturity of the Obligation. Absent written agreement by the Lessor, the Lessee in fact will use all proceeds of the Obligation and all of the Project as set forth in Section 2.1.

2.4 Federal Guarantee. The Lessee will not directly or indirectly use or permit the use of any proceeds of the Obligation or take or omit to take any action that would

cause the Bonds to be obligations that are "federally guaranteed" within the meaning of section 149(b) of the Code. In furtherance of this covenant, the Lessee will not allow the payment of principal or interest with respect to the Obligation to be guaranteed (directly or indirectly) in whole or in part by the United States or any agency or instrumentality thereof. The Lessee will not use five percent (5%) or more of the proceeds of the Obligation to make or finance loans the payment of principal or interest with respect to which is guaranteed in whole or in part by the United States or any agency or instrumentality thereof.

2.5 No Refunding. Proceeds of the Obligation will not be used directly or indirectly to make principal, interest or premium payments with respect to any tax-exempt obligation.

2.6 No Hedge Bonds. The Lessee reasonably expects that more than eighty-five percent (85%) of proceeds of the Obligation will be expended for the purposes of the Obligation within three years.

2.7 Rental Payments. "Payment Account" means the funds or accounts (or any portions of any funds or accounts) that will hold monies that are expected by the Lessee to be used to pay rental payments on the Obligation. "Current Revenues" means revenues which are both received by the Lessee and utilized for the payment of rental payments on the Obligation within a six month period. All amounts used to fund the Payment Account will be deemed to have been made from the Payment Account by using a last-in, first-out accounting method. Lessee agrees that the amounts used to pay debt rental payments shall be both received by the Lessee and utilized for the payment of rental payments on the Obligation within a thirty (30) day period. The Payment Account will be used primarily to achieve a proper matching of revenues and rental payments within each year; a matching of revenues means that revenue and rental payments come in and go out at approximately the same level and the Payment Account is cleared out to a very low balance at least one time during the year. Current Revenues in the Payment Account shall be invested without regard to yield so long as Lessee complies with this section.

2.8 No Other Replacement Proceeds. The Lessee will not use any proceeds of the Obligation to replace funds of the Lessee which are or will be used to acquire Investment Property reasonably expected to produce a yield that is materially higher than the yield on the Obligation.

2.9 No Expected Sale. It is not expected that the Project or any part thereof will be sold or otherwise disposed of so long as the Obligation is outstanding.

2.10 Tax Covenant. The Lessee will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Bonds pursuant to section 103 of the Code and specifically (i) the Lessee will not directly or indirectly use or make any use of the proceeds of the Bonds or any other funds of the Lessee or take or omit to take any action that would cause the Bonds or to be "arbitrage bonds" subject to federal income taxation by reason of section 148 of the Code or

obligations subject to federal income taxation because they are "federally guaranteed" as provided in section 149(b) of the Code, as applicable; and (ii) to that end the Lessee, with respect to the proceeds of the Bonds will comply with all requirements of such sections of the Code to the extent that such requirements are, at the time, applicable and in effect; provided, that if the Lessee shall obtain an Opinion of Counsel nationally recognized in the area of the exemption of interest from gross income under the Code to the effect that any action required under this Section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest evidenced and represented by the Bonds pursuant to section 103 of the Code, as applicable, the Lessee may rely conclusively on such opinion in complying with the provisions hereof.

2.11 Private Use. No more than five percent (5%) of the Project (determined both on the basis of space and cost) shall be used for private use. Private use includes use in the trade or business of any nongovernmental persons, but does not include the portion of the proceeds properly allocable to facilities expected to be used by an organization described in section 501(c)(3) of the Code in a manner that does not constitute an unrelated trade or business of such organization, as defined in section 513(a) of the Code. For purposes of this section, the federal government is considered a nongovernmental person.

(a) For purposes of this section, private use shall include any contract for the management or operation of any portion of the Project unless each of the following conditions is met: (i) the term of such contract (including renewal options) does not exceed five years; (ii) the manager or operator under such contract is not compensated on the basis of a share of net profits; (iii) the compensation of the manager or operator is reasonable; (iv) the Lessee must be able to cancel such contract without penalty or cause at the end of the third year of the contract; and (v) neither the Lessee nor the manager or operator may control more than twenty percent (20%) of the voting power of the other's governing board; and

(b) The service provider's compensation for management or operation services rendered must be pursuant to one of the following four methods: (i) at least fifty percent (50%) of annual compensation is based on a periodic fixed fee; (ii) the compensation is based on a capitation fee or a combination of a capitation fee and a periodic fixed fee; (iii) in the case of certain contracts with a term not longer than three years, the compensation is based on a per-unit fee or a combination of a per-unit fee and periodic fixed fee and the contract is cancelable after two years; and (iv) in the case of certain contracts with a term not longer than two years, the compensation is based on a percentage of fees charged and the contract is cancelable after one year.

(c) The term "renewal option" as used in this Section, means a provision under which the service provider has a legally enforceable right to renew the contract. Thus, for example, a provision under which a contract is automatically renewed for one year periods absent cancellation by either party is not a renewal option (even if it is expected to be renewed).

ARTICLE III. OTHER MATTERS

3.1 **Expectations.** The undersigned is an authorized representative of the Lessee acting for and on behalf of the Lessee in executing this Tax Certificate. To the best of the knowledge and belief of the undersigned, there are no other facts, estimates or circumstances that would materially change the expectations as set forth herein, and said expectations are reasonable.

3.2 **Amendments.** Notwithstanding any other provision of this Tax Certificate, the Lessee may amend this Tax Certificate and thereby alter any actions allowed or required by this Tax Certificate if such amendment is signed by an authorized officer and is supported by formal written agreement by the Lessor.

3.3 **Survival of Defeasance.** Notwithstanding any provision in this Tax Certificate to the contrary, the obligation to comply with all requirements contained in this Tax Certificate shall survive defeasance or prepayment of the Obligation.

CITY OF REDLANDS

By  Dated: Jan. 5, 2007
Jon Harrison
Mayor

Attest: 
Lorrie Poyzer
City Clerk

EXHIBIT I

FORM OF CERTIFICATE OF CHIEF FINANCIAL OFFICER OF THE CITY OF REDLANDS (THE "LESSEE")

The undersigned hereby states and certifies:

- (1) I am the duly qualified and acting chief financial officer of the Lessee, and, as such, am familiar with the facts herein certified and am fully authorized to certify the same.
- (2) The financial data submitted to the California Infrastructure and Economic Development Bank (the "Lessor") by Lessee in the application for financing (including supplements thereto) in connection with the Facility Lease by and between the Lessor and the Lessee (the "Facility Lease") was true at the time submitted to Lessor and as of the date of this certification, remains true and correct in all material respects, and such information did not and does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made.
- (3) The Base Rental Payments and Additional Rental Payments for the current fiscal year will be amended into the adopted budget of the Lessee.
- (4) The Lessee does not have any agreements outstanding relating to the Project other than related to construction and other than the agreement by and between Lessee and the American Youth Soccer Organization dated as of November 1, 2005. All other agreements related to the use and operation of the Project, and any amendments to such current or future agreements, are subject to CIEDB prior approval as set forth in Article IV.
- (5) The Lessee is not in breach of or in default under any bond indenture, loan agreement, note, lease or other instrument to which it is a party.
- (6) The representations and warranties made in the Facility Lease are true and correct as if made on the date of this certificate.
- (7) All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Facility Lease.

Dated: _____, _____

CITY OF REDLANDS

By _____
Tina Kundig, Finance Director

EXHIBIT J

Reserved

EXHIBIT K

FORM OF CERTIFICATE OF THE CITY MANAGER OF THE CITY OF REDLANDS (THE "LESSEE") (Phase _____ of Project)

The undersigned hereby states and certifies:

- (1) I am the duly qualified and acting City Manager of the Lessee, and, as such, am familiar with the facts herein certified and am fully authorized to certify the same.
- (2) The Lessee has obtained any and all lands, rights-of-way, easements, lot line adjustments, and orders of possession which are required for construction and operation of the _____ Phase of the Project;
- (3) All required permits have been obtained for the construction of the _____ Phase of the Project;
- (4) Performance and Payment Bonds complying with Section 12.12 have been obtained for the _____ Phase of the Project.
- (5) Regarding the construction contracts for the _____ Phase of the Project:
 - (A) All construction contracts and subcontracts necessary for construction have been awarded, and were awarded pursuant to competitive bidding and Lessee procedures normally required for similar construction projects;
 - (B) Costs are consistent with the Exhibit D budget;
 - (C) All prime contracts require the contractor to maintain appropriate builder's risk insurance and name Lessee as loss payee and additional insured, require the contractor to maintain liability insurance and name the Lessee as a loss payee and an additional insured, and include the performance and payment bond provisions set forth in Section 12.12 of this Facility Lease and name the Lessee as loss payee and additional insured;
 - (D) All construction contracts are let to the lowest responsible bidder at a fixed price subject to increase only for allowable extra work, change orders approved by Lessee, and damages or delays authorized by the laws of the State. Lessee shall not approve any change orders resulting in an increase in Project costs without having funds committed for the increased Project costs;
 - (E) All construction contracts require payment of prevailing wage rates and compliance with Chapter 1 (commencing with section 1720) of Part 7 of Division 2 of the California Labor Code;

(F) All construction contracts require payment of workers' compensation insurance by contractors and subcontractors; and

(G) All construction contracts include the nondiscrimination provisions set forth in Section 13.01; and.

(6) All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Facility Lease.

Dated: _____

CITY OF REDLANDS

By _____

John Davidson
City Manager

EXHIBIT L

Attorney letterhead

To be signed and dated as of the Effective Date

CITY OF REDLANDS
P.O. Box 3005
Redlands, CA 92373

California Infrastructure and Economic Development Bank
P.O. Box 2830
Sacramento, CA 95814
Attn: Credit Support Unit, CIEDB B05-071

RE: Facility Lease and Site Lease By and Between the City of Redlands as Lessee and the California Infrastructure and Economic Development Bank, as Lessor, Dated as of December 1, 2006, Agreement No. CIEDB B05-071 in the amount not to exceed one million nine hundred eighty-five thousand dollars (\$1,985,000) for the Redlands Sports Park

Ladies and Gentlemen:

In my capacity as counsel to the City of Redlands (the "Public Agency") and in connection with the above described Facility Lease and Site Lease (together the "Agreements"), I have examined the laws pertaining to the Public Agency; the originals of the Agreements, signed by the Public Agency; the Public Agency's resolution adopted September 5, 2006 (the "Resolution"); and such other information and documents as I considered necessary to render this opinion.

(Other documents to include, if applicable)
1. City Charter

2. Other

Based upon the foregoing, it is my opinion that:

(i) the Public Agency is a body public and corporate, and a public instrumentality of the State of California duly organized and validly existing pursuant to the laws of the State of California;

(ii) the Resolution and other actions of the Public Agency approving and authorizing the execution and delivery of the Agreements were duly adopted at a meeting of the governing body of the

Public Agency which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout;

(iii) the Public Agency has full right and lawful authority to execute and deliver the Agreements and the Agreements have been duly authorized and executed on behalf of the Public Agency and the Agreements are the legal, valid and binding obligations of the Public Agency enforceable in accordance with its respective terms, except as enforcement may be limited by bankruptcy, insolvency, moratorium, or similar laws, or by legal or equitable principles relating to or limiting creditors' rights generally;

(iv) to the best of my knowledge, after due inquiry, the execution and delivery of the Agreements and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the Public Agency a breach of or default under any agreement or other instrument to which the Public Agency is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Public Agency is subject; and

(v) to the best of my knowledge, after due inquiry, there is no action, suit, proceeding, inquiry or investigation before or by any court or public body pending or threatened against or affecting the Public Agency: 1) challenging or questioning the transactions contemplated by the Agreements or any other agreement, document or certificate related to such transactions; 2) challenging or questioning the creation, organization, existence or powers of the Public Agency; 3) seeking to enjoin or restrain the execution of the Agreements or the building of the Project defined in the Agreements or the collection of any of the revenues due under the Agreements; 4) in any way questioning or affecting any of the rights, powers, duties or obligations of the Public Agency with respect to the obligation to budget and appropriate available funds as required by the Agreements; 5) in any way questioning or affecting any authority for the execution of the Agreements or validity or enforceability of the Agreements; or 6) in any way questioning or affecting any other agreement or instrument concerning the Agreements to which the Public Agency is a party.

I do not render any opinion as to any federal or state securities or tax law. I am furnishing this letter solely for your benefit. This letter is not to be used, circulated, quoted or otherwise referred to for any other purpose.

The opinions expressed herein may be affected by actions taken or events occurring after the date hereof. The undersigned has not undertaken to determine or to inform any person whether any such subsequent actions or events are taken or occur.

Sincerely,

Counsel for the Public Agency