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9 UNITED STATES BANKRUPTCY COURT
10 EASTERN DISTRICT OF CALIFORNIA
11 SACRAMENTO DIVISION
12

13 In re:
14 CITY OF STOCKTON, CALIFORNIA,
15 Debtor.

Case No. 2012-32118

D.C. No. OHS-9

Chapter 9

**EXHIBIT A AND B TO THE
DECLARATION OF VANESSA
BURKE IN SUPPORT OF CITY OF
STOCKTON'S MOTION FOR ORDER
PURSUANT TO 11 U.S.C. § 365(D)(4)
EXTENDING TIME WITHIN WHICH
THE CITY MUST ASSUME OR
REJECT UNEXPIRED LEASES OF
NONRESIDENTIAL REAL
PROPERTY**

Date: July 18, 2013
Time: 10:00 a.m.
Dept: Courtroom 35
Judge: Hon. Christopher M. Klein

Exhibit A

LEASE AGREEMENT

Dated as of June 1, 2003

By and between the

**STOCKTON PUBLIC FINANCING AUTHORITY,
as Sublessor**

and the

**CITY OF STOCKTON,
as Sublessee**

Relating to

**\$1,160,000
City of Stockton
Certificates of Participation
(Redevelopment Housing Projects)
Series 2003A**

and

**\$12,140,000
City of Stockton
Certificates of Participation
(Redevelopment Projects)
Taxable Series 2003B**

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EXHIBIT A - LEGAL DESCRIPTION OF LEASED PREMISES

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LEASE AGREEMENT

This LEASE AGREEMENT (this "Lease" or "Lease Agreement"), dated as of June 1, 2003, is between the STOCKTON PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "Authority"), and the CITY OF STOCKTON, a chartered city and municipal corporation duly organized and existing under the Constitution and laws of the State of California (the "City");

WITNESSETH:

WHEREAS, the City is proposing to assist the Redevelopment Agency of the City of Stockton (the "Agency") in undertaking various redevelopment housing projects (the "Project") of benefit to the Agency's several redevelopment project areas; and

WHEREAS, in order to provide funds for the Project, the City has agreed to lease the Leased Premises, as described more fully in Exhibit A attached hereto and by this reference made a part hereof, to the Authority as provided in the Site Lease, and has further agreed to sublease the Leased Premises back from the Authority pursuant to this Lease; and

WHEREAS, the City proposes to assign and transfer certain of its rights under this Lease to Wells Fargo Bank, National Association, as trustee (the "Trustee") and, in consideration of such assignment and the execution of this Trust Agreement, the Trustee has agreed to execute and deliver City of Stockton Certificates of Participation (Redevelopment Housing Projects) Series 2003A (the "Series 2003A Certificates") in the aggregate principal amount of \$1,160,000 and City of Stockton Certificates of Participation (Redevelopment Housing Projects) Taxable Series 2003B in the aggregate principal amount of \$12,140,000 (the "Taxable Series 2003B Certificates" and, together with the Series 2003A Certificates, the "Certificates"), each evidencing a direct, undivided fractional interest in the lease payments to be paid by the City pursuant to the Lease Agreement; and

WHEREAS, the Authority and the City have each duly authorized the execution and delivery of this Lease; and

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

ARTICLE I

DEFINITIONS; COVENANTS, REPRESENTATIONS AND WARRANTIES

SECTION 1.1. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Lease shall have the respective meanings specified in Exhibit A to the Trust Agreement.

SECTION 1.2. *Covenants, Representations and Warranties of the City.* The City makes the following covenants, representations and warranties to the Authority that as of the date of the execution of this Lease and as of the Closing Date:

(a) Due Organization and Existence. The City is a municipal corporation duly organized and validly existing under the laws of the State, has full legal right, power and authority to enter into this Lease and to carry out and consummate all transactions contemplated hereby and thereby, and by proper action has duly authorized the execution and delivery of the Site Lease, the Trust Agreement and this Lease.

(b) Authorized Execution. The representatives of the City executing the Site Lease, the Trust Agreement and this Lease are fully authorized to execute the same.

(c) Binding Obligations. This Lease has been duly authorized, executed and delivered by the City and constitutes the legal, valid and binding agreement of the City, enforceable against the City in accordance with its terms.

(d) No Violations. The execution and delivery of the Site Lease, the Trust Agreement and this Lease, and the consummation of the transactions herein and therein contemplated, and the fulfillment of or compliance with the terms and conditions hereof and thereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under the organizational instruments of the City, or any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the City is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the City, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Site Lease, the Trust Agreement and this Lease, or the financial condition, assets, properties or operations of the City.

(e) Consents Not Required. No consent or approval of any trustee or holder of any indebtedness of the City or of the voters of the City, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of the Site Lease, the Trust Agreement or this Lease, or the consummation of any transaction herein and therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) No Litigation. There is no known action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the City after reasonable investigation, threatened against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Lease or upon the financial condition, assets, properties or operations of the City, and the City is not in any known default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Site Lease, the Trust Agreement and this Lease, or the financial conditions, assets, properties or operations of the City.

SECTION 1.3. *Covenants, Representations and Warranties of the Authority*. The Authority makes the following covenants, representations and warranties as the basis for its undertakings herein contained:

(a) Due Organization and Existence. The Authority is a joint powers agency organized and existing under the laws of the State. The Authority has the power to enter into the transactions contemplated by this Lease and to carry out its obligations hereunder. By proper action of its governing body, the Authority has been duly authorized to execute, deliver and duly perform this Lease, the Site Lease, the Assignment Agreement and the Trust Agreement.

(b) Authorized Execution. The representatives of the Authority executing this Lease are fully authorized to execute the same.

(c) Assignment to Trustee. To finance the amounts referred to in Section 2.2 hereof, the Authority has assigned its rights hereunder to the Trustee pursuant to the Assignment Agreement as security for payment of the principal, premium, if any, and interest represented by the Certificates, and has caused the Trustee to execute the Certificates in accordance with the Trust Agreement.

(d) No Defaults. The Authority is not in default under any of the provisions of the laws of the State which default would affect its existence or its powers referred to in subsection (a) of this Section 1.3.

(e) Authorized Purposes. The Authority has found and determined and hereby finds and determines that all requirements of law with respect to the execution of this Lease have been complied with and that the entering into this Lease, the Site Lease, the Assignment Agreement and the Trust Agreement will be in furtherance of the purposes of the Authority.

(f) No Violations. The execution and delivery of this Lease, the Site Lease, the Assignment Agreement and the Trust Agreement, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under the organizational instruments of the Authority, or any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the Authority is a party

or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Authority, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease, the Site Lease, the Assignment Agreement or the Trust Agreement, or the financial condition, assets, properties or operations of the Authority.

(g) Consents Not Required. No consent or approval of any trustee or holder of any indebtedness of the Authority, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Lease, the Site Lease, the Trust Agreement and the Assignment Agreement, or the consummation of any transaction herein and therein contemplated, except as have been obtained or made and as are in full force and effect.

(h) No Litigation. There is no known action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the Authority after reasonable investigation, threatened against or affecting the Authority or the assets, properties or operations of the Authority which, if determined adversely to the Authority or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Lease, the Site Lease, the Trust Agreement and the Assignment Agreement, or upon the financial condition, assets, properties or operations of the Authority, and the Authority is not in any known default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease, the Site Lease, the Trust Agreement and the Assignment Agreement, or the financial conditions, assets, properties or operations of the Authority.

ARTICLE II

DELIVERY OF CERTIFICATES; APPLICATION OF PROCEEDS; RIGHT OF SUBSTITUTION AND RELEASE OF LEASED PREMISES

SECTION 2.1. *The Certificates.* The proceeds of the Certificates shall be deposited with the Trustee and shall be applied in accordance with Article III of the Trust Agreement. The City hereby approves the assignment to the Trustee of the rights of the Authority assigned or purported to be assigned under and pursuant to the Assignment Agreement.

SECTION 2.2. *Application of Proceeds.* The Authority hereby agrees that the proceeds of the Certificates shall be held and administered in accordance with the provisions of the Trust Agreement, and that the net proceeds thereof shall be applied as provided therein.

SECTION 2.3. *Substitution of Leased Premises.* The City shall have, and is hereby granted, the option at any time and from time to time, to substitute other land, facilities, improvements, equipment or other property (the "Substitute Leased Premises") for the Leased Premises or any portion thereof (the "Former Leased Premises"), provided that the City shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such substitution:

- (a) No Event of Default of this Lease shall have occurred and be continuing;
- (b) The City shall file with the Authority and the Trustee, and (in the case of Substitute Leased Premises consisting of real property) cause to be recorded in the Office of the San Joaquin County Recorder sufficient memorialization of, an amended Exhibit A to the Site Lease and to this Lease which adds thereto a description of such Substitute Leased Premises and deletes therefrom the description of such Former Leased Premises;
- (c) In the case of Substitute Leased Premises consisting of real property, the City shall obtain a CLTA policy of title insurance insuring the City's leasehold estate hereunder in such Substitute Leased Premises, in an amount at least equal to the aggregate principal amount of the Outstanding Certificates;
- (d) The City shall certify in writing to the Authority and the Trustee that such Substitute Leased Premises serves the municipal purposes of the City and constitutes property which the City is permitted to lease under the laws of the State;
- (e) The City delivers to the Trustee and the Authority evidence in the form of a written appraisal that such Substitute Leased Premises is of a value at least equal to the principal amount of the Outstanding Certificates and has a useful life at least equal to the remaining term of any Outstanding Certificates;
- (f) The Substitute Leased Premises shall not cause the City to violate any of its covenants, representations and warranties made herein;
- (g) The City shall obtain the written consent of the Insurer;
- (h) The City shall obtain an opinion of Special Counsel that the Substitute Leased Premises shall not adversely affect the exclusion from gross income for purposes

of federal income taxation of the interest component of the Lease Payments relating to the Series A Certificates; and

(i) Written notice of such substitution shall be given by the City to any Rating Agency then rating the Certificates.

Upon the satisfaction of all such conditions precedent, the Term of this Lease shall thereupon end as to the Former Leased Premises and shall thereupon commence as to the Substitute Leased Premises. The Authority and the City shall execute, deliver and cause to be recorded all documents required to discharge this Lease of record against the Former Leased Premises.

SECTION 2.4. *Release of Leased Premises.* The City shall have, and is hereby granted, the option at any time and from time to time during the Term of the Lease Agreement with the written consent of the Insurer to release any portion of the Leased Premises, provided that the City shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such release:

(a) The City shall file with the Authority and the Trustee an amended Exhibit A to the Site Lease which describes the Leased Premises, as revised by such release;

(b) The City shall file with the Authority and the Trustee an amended Exhibit A to this Lease Agreement which describes the Leased Premises, as revised by such release;

(c) The City delivers to the Trustee and the Authority evidence in the form of a written appraisal that the Leased Premises, as revised by such release, is of a value at least equal to the principal amount of the Outstanding Certificates and has a useful life at least equal to the remaining term of any Outstanding Certificates;

(d) The City shall obtain an amendment to the title insurance policy required pursuant to Section 4.6 hereof which describes the Site, as revised by such release;

(e) The City shall obtain the written consent of the Insurer; and

(f) Written notice of such release shall be given by the City to any Rating Agency then rating the Certificates.

ARTICLE III

SUBLEASE OF LEASED PREMISES; LEASE PAYMENTS

SECTION 3.1. *Lease of Leased Premises.* The Authority hereby subleases the Leased Premises to the City, and the City hereby subleases the Leased Premises from the Authority, in accordance with the terms and provisions of this Lease. The City shall be entitled to, and shall, take possession of the Leased Premises on the date of execution, delivery and recordation hereof.

SECTION 3.2. *Term.* The Term of this Lease shall commence on the date of recordation hereof in the Office of the San Joaquin County Recorder and shall end on June 1, 2033, unless such term is extended or sooner terminated as hereinafter provided. If on June 1, 2033, the Trust Agreement shall not be discharged by its terms, or if the Lease Payments payable hereunder shall have been abated at any time pursuant to Sections 5.1 or 5.3, then the Term of this Lease shall be extended until the Trust Agreement shall be discharged by its terms, but not beyond June 1, 2043. If prior to June 1, 2033, the Trust Agreement shall be discharged by its terms, the Term of this Lease shall thereupon end. The provisions of this Section 3.2 are subject in all respects to any other provisions of this Lease relating to the termination hereof.

SECTION 3.3. *Possession.* The City shall be entitled to, and shall, take possession of the Leased Premises on the date of execution, delivery and recordation hereof. The City shall be entitled to possession of the Leased Premises at all times during the Term of this Lease, subject to the terms and provisions hereof.

SECTION 3.4. *Lease Payments.*

(a) *Obligation to Pay.* Subject to the provisions of Sections 5.1 and 5.3 and the provisions of Article IX hereof, the City agrees to pay to the Authority the Lease Payments (denominated into components of principal and interest with respect to both the Series 2003A Certificates and the Taxable Series 2003B Certificates) in the respective amounts specified in Exhibit B hereto, to be due and payable in immediately available funds on the Interest Payment Dates immediately following each of the respective Lease Payment Dates specified in Exhibit B, and to be deposited by the City with the Trustee on each of the Lease Payment Dates specified in Exhibit B. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole pursuant to Article IX and other than amounts required for payment of past due principal or interest represented by any Certificates not presented for payment) shall be credited towards the Lease Payment then required to be paid hereunder; and no Lease Payment need be deposited with the Trustee on any Lease Payment Date if the amounts then held in the Lease Payment Fund are at least equal to the Lease Payment then required to be deposited with the Trustee. The Lease Payments payable in any Rental Period shall be for the use of the Leased Premises during such Rental Period.

(b) *Effect of Prepayment.* In the event that the City prepays all Lease Payments in full pursuant to Article IX, the City's obligations under this Lease shall thereupon cease and terminate, including but not limited to the City's obligation to pay Lease Payments under this Section 3.4. In the event that the City prepays the Lease Payments in part but not in whole pursuant to Article IX, the principal components of the remaining Lease Payments shall be reduced in integral multiples of \$5,000 as determined by the City; and the interest component of each remaining Lease Payment

shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Certificates thereby prepaid pursuant to Sections 4.01(a) or 4.01(b) of the Trust Agreement, as the case may be.

(c) *Rate on Overdue Payments.* In the event the City should fail to make any of the payments required in this Section 3.4, the payment in default shall continue as an obligation of the City until the amount in default shall have been fully paid, and the City agrees to pay the same with interest thereon, from the date of default to the date of payment, at the rate of eight percent (8%) per annum.

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

(e) *Source of Payments; Budget and Appropriation.* The Lease Payments shall be payable from any source of available funds of the City, subject to the provisions of Sections 5.1, 5.3 and 9.3. The City covenants to take such action as may be necessary to include all Lease Payments in each of its annual budgets during the Term of this Lease and to make the necessary annual appropriations for all such Lease Payments. Annually, the City will furnish to the Trustee a certificate of the City Representative stating that the Lease Payments have been included in the final budget of the City for the current Fiscal Year, to the full extent required hereunder, such certificate to be filed within thirty (30) days after the adoption of such budget and in any event no later than September 1 in the calendar year in which the City adopts such budget. The covenants on the part of the City herein contained shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the City 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 City to carry out and perform the covenants and agreements in this Lease agreed to be carried out and performed by the City.

(f) *Assignment.* The City understands and agrees that all Lease Payments have been assigned by the Authority to the Trustee in trust, pursuant to the Assignment Agreement, for the benefit of the Insurer and the Owners of the Certificates, and the City hereby assents to such assignment. The Authority hereby directs the City, and the City hereby agrees to pay to the Trustee at its Office, all payments payable by the City pursuant to this Section 3.4 and all amounts payable by the City pursuant to Article IX.

SECTION 3.5. *Quiet Enjoyment.* From and after the Closing Date, and continuing throughout the Term of this Lease, the Authority shall provide the City with quiet use and enjoyment of the Leased Premises and the City shall peaceably and quietly have and hold and enjoy the Leased Premises, without suit, trouble or hindrance from the Authority, except as expressly set forth in this Lease. The Authority will, at the request of the City and at the City's cost, join in any legal action in which the City asserts its right to such possession and enjoyment to the extent the Authority may lawfully do so. Notwithstanding the foregoing, the Authority shall have the right to inspect the Leased Premises as provided in Section 6.2.

SECTION 3.6. *Title; No Merger.* At all times during the term of the Site Lease and subject to all of the terms and provisions thereof, the City shall hold fee title to the Leased Premises. Upon the termination of this Lease, other than upon the termination hereof pursuant to Section 8.2, all right, title and interest of the Authority hereunder in and to the Leased Premises shall be transferred to and vested in the City. Upon the payment in full of all Lease Payments allocable to the Leased Premises, or upon the deposit by the City of security for such Lease Payments as provided in Section 9.1, all interest of the Authority hereunder in and to the Leased Premises shall be terminated. The Authority agrees to take any and all steps and execute and record any and all documents reasonably required by the City to consummate the termination of its interests hereunder.

It is the express intention of the parties hereto that this Lease and the obligations of the parties hereunder, shall be and remain separate and distinct from the Site Lease, and the obligations of the parties thereunder, and that, during the term of the Site Lease, no merger of title or interest shall occur or be deemed to occur as a result of the position of the City as lessor under the Site Lease and as sublessee hereunder, or the position of the Authority as lessee under the Site Lease and as sublessor under this Lease.

SECTION 3.7. *Additional Payments.* In addition to the Lease Payments, the City shall pay when due all costs and expenses incurred by the Authority to comply with the provisions of the Trust Agreement, including without limitation all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund), indemnification and annual compensation due to the Trustee and all of its reasonable costs payable as a result of the performance of and compliance with its duties under the Trust Agreement, and all costs and expenses of attorneys, auditors, engineers and accountants. Such costs and expenses shall be payable as additional amounts of rental hereunder in consideration of the right of the City to the use and occupancy of the Leased Premises.

ARTICLE IV

MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS

SECTION 4.1. *Maintenance, Utilities, Taxes and Assessments.* Throughout the Term of this Lease, as part of the consideration for the rental of the Leased Premises, all improvement, repair and maintenance of the Leased Premises shall be the responsibility of the City, and the City shall pay for or otherwise arrange for the payment of all utility services supplied to the Leased Premises, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Leased Premises resulting from ordinary wear and tear. In exchange for the City's undertakings hereunder, the Authority agrees to provide only the Leased Premises, as hereinbefore more specifically set forth. The City waives the benefits of subsections 1 and 2 of Section 1932 of the California Civil Code, but such waiver shall not limit any of the rights of the City under the terms of this Lease.

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

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

SECTION 4.2. *Modification of Leased Premises.* The City shall, at its own expense, have the right to make additions, modifications and improvements to the Leased Premises. All additions, modifications and improvements to the Leased Premises shall thereafter comprise part of the Leased Premises and be subject to the provisions of this Lease. Such additions, modifications and improvements shall not in any way damage the Leased Premises or cause the Leased Premises to be used for purposes other than those authorized under the provisions of State and federal law; and the City shall file with the Trustee and the Authority a Written Certificate of the City stating that the Leased Premises, upon completion of any additions, modifications and improvements made thereto pursuant to this Section 4.2, shall be of a value which is not substantially less than the value of the Leased Premises immediately prior to the making of such additions, modifications and improvements. The City will not permit any mechanic's or other lien to be established or remain against the Leased Premises for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the City pursuant to this Section 4.2; provided that if any such lien is established and the City shall first notify or cause to be notified the Authority of the City's intention to do so, the City may in good faith contest any lien filed or established

against the Leased Premises, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Authority with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Authority. The Authority will cooperate fully in any such contest, upon the request and at the expense of the City.

SECTION 4.3. *Liability Insurance.* The City shall maintain or cause to be maintained throughout the Term of this Lease a standard comprehensive general insurance policy or policies in protection of the City, and its members, officers, agents, employees and assigns. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Premises. Such policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the City shall deem adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and such liability insurance may be maintained in whole or in part in the form of self-insurance by the City, subject to the provisions of Section 4.7(b), or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance shall be applied by the City toward extinguishment or satisfaction of the liability with respect to which paid.

SECTION 4.4. *Fire and Extended Coverage Insurance.* The City shall procure and maintain, or cause to be procured and maintained throughout the Term of this Lease, insurance against loss or damage to any improvements constituting any part of the Leased Premises by fire and lightning, with extended coverage and vandalism and malicious mischief insurance, and earthquake insurance (but with respect to such earthquake insurance, only if and to the extent available at reasonable cost from reputable insurers). Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in a loss recoverable amount at least equal to the greater of (a) one hundred percent (100%) of the aggregate principal amount of the Outstanding Certificates, or (b) one hundred percent (100%) of the replacement cost of the insured property. Such insurance may be subject to deductible clauses of not to exceed \$250,000 for any one loss to the Leased Premises and such earthquake insurance may be subject to a deductible clause of not to exceed ten percent (10%) of said replacement cost for any one loss to the insured improvements. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and such insurance may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained in the form of self-insurance. The proceeds of such insurance shall be applied as provided in Section 5.2(a).

SECTION 4.5. *Rental Interruption Insurance.* The City shall procure, and maintain throughout the Term of this Lease, for the benefit of the Authority, rental interruption insurance to cover loss, total or partial, of the rental payments as a result of any of the hazards covered in the insurance required by Section 4.4, in an amount at least equal to the maximum Lease Payments payable with respect to the improvements during the current or any future twenty-four (24) month period. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and such insurance may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained in the form of self-insurance. The proceeds of such insurance shall be paid to the Trustee and shall be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable.

SECTION 4.6. *Recordation Hereof; Title Insurance.* On or before the Closing Date the City shall, at its expense, (a) cause the Assignment Agreement, the Site Lease and this Lease, or a memorandum hereof or thereof in form and substance approved by Special Counsel, to be recorded in the office of the San Joaquin County Recorder with respect to the Leased Premises, and (b) obtain a title insurance policy insuring the City's leasehold estate hereunder in the Leased Premises, subject only to Permitted Encumbrances, in an amount at least equal to the aggregate original principal amount of the Certificates. All Net Proceeds received under any such title insurance policy shall be deposited with the Trustee in the Lease Payment Fund and shall be credited towards the prepayment of the remaining Lease Payments pursuant to Section 9.3.

SECTION 4.7. *Insurance Net Proceeds; Form of Policies.*

(a) Each policy of insurance required by Sections 4.4, 4.5 and 4.6 shall name the Authority, the City and the Trustee as insureds and the Trustee as loss payee so as to provide that all proceeds thereunder shall be payable to the Trustee. The City shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease. All such policies shall provide that the Trustee shall be given thirty (30) days' prior notice of expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Trustee shall not be responsible for the sufficiency of any insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss. The City shall cause to be delivered to the Insurer and to the Trustee annually, within sixty (60) days following the close of each Fiscal Year, a certificate executed by a City Representative stating whether the insurance policies required by this Lease are in full force and effect.

(b) In the event that any insurance required pursuant to Section 4.3 shall be provided in the form of self-insurance, the City shall file with the Trustee and the Insurer annually, within ninety (90) days following the close of each Fiscal Year, a statement of the risk manager of the City or an independent insurance advisor engaged by the City identifying the extent of such self-insurance and stating the determination that the City maintains sufficient reserves with respect thereto, and the Trustee and the Insurer may conclusively rely on such statement. In the event that any such insurance shall be provided in the form of self-insurance by the City, the City shall not be obligated to make any payment with respect to any insured event except from such reserves. The provisions of this paragraph shall not be applicable to insurance provided in the form of the participation by the City in a joint powers agency or other program providing pooled insurance.

SECTION 4.8. *Advances.* If the City shall fail to perform any of its obligations under this Article IV, the Authority or the Trustee may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and in such event the City shall be obligated to repay all such advances as soon as possible, with interest at a rate equal to the rate or rates of interest then represented by the Outstanding Certificates.

SECTION 4.9. *Installation of Personal Property.* The City may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Leased Premises. All such items shall remain the sole property of the City, in which neither the Authority nor the Trustee shall have any interest, and may be modified or removed by the City at any time provided that the City shall repair and restore any and all damage to the Leased Premises resulting from the installation, modification or removal of any such items. Nothing in this Lease shall prevent the City from purchasing or leasing items to be installed pursuant to this Section under a lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the

unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Leased Premises.

SECTION 4.10. *Liens.* Neither the City nor the Authority shall, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to all or any portion of the Leased Premises, other than the respective rights of the Authority and the City as herein provided and Permitted Encumbrances. Except as expressly provided in this Article, the Authority and the City shall promptly, at their own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time. The City shall reimburse the Authority for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

SECTION 4.11. *Tax Covenants.*

(a) Private Activity Bond Limitation. The City and the Authority shall assure that proceeds of the Series 2003A Certificates are not used so as to cause the obligations represented by the Series 2003A Certificates to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The City and the Authority shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the obligations represented by the Series 2003A Certificates to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

(c) Rebate Requirement. The City shall take any and all actions necessary to assure compliance with section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Series 2003A Certificates.

(d) No Arbitrage. The Authority and the City shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Series 2003A Certificates which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of execution of the Lease Agreement would have caused the Lease or the Series 2003A Certificates to be "arbitrage bonds" within the meaning of section 148 of the Tax Code.

ARTICLE V

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF PROCEEDS

SECTION 5.1. *Eminent Domain; Abatement.* If all of the Leased Premises shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of this Lease shall cease with respect to the Leased Premises as of the day possession shall be so taken. If less than all of the Leased Premises shall be taken permanently, or if all of the Leased Premises or any part thereof shall be taken temporarily, under the power of eminent domain, (a) this Lease shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (b) there shall be an abatement of Lease Payments payable with respect to Leased Premises in an amount agreed upon by the City and the Authority such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining portions of the Leased Premises. Notwithstanding the foregoing, there shall be no abatement of the Lease Payments under this Section 5.1 in the event and to the extent that amounts in the Insurance and Condemnation Fund or the Lease Payment Fund are available to pay Lease Payments which would otherwise be abated, it being hereby declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

SECTION 5.2. *Application of Proceeds.*

(a) From Insurance Award. The Net Proceeds of any insurance award resulting from any damage to or destruction of the Leased Premises by fire or other casualty shall be paid to the Trustee. In accordance with the Trust Agreement, the Trustee shall deposit such Net Proceeds in the Insurance and Condemnation Fund established under the Trust Agreement, to be applied as set forth in Section 6.01 of the Trust Agreement.

(b) From Eminent Domain Award. The Net Proceeds of any eminent domain award resulting from any event described in Section 5.1 shall be paid to the Trustee. In accordance with the Trust Agreement, the Trustee shall deposit such Net Proceeds in the Insurance and Condemnation Fund established under the Trust Agreement, to be applied as set forth in Section 6.02 of the Trust Agreement.

SECTION 5.3. *Abatement of Rental in the Event of Damage or Destruction.*

(a) Lease Payments shall be abated during any period in which, by reason of damage, destruction or other event (other than by eminent domain which is hereinbefore provided for), there is substantial interference with the use and occupancy by the City of the Leased Premises or any portion thereof. The extent of such abatement shall be agreed upon by the City and the Authority, such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Leased Premises not damaged, destroyed, incomplete or otherwise unavailable for use and occupancy by the City. Such abatement shall continue for the period commencing with such damage, destruction or other event and ending with the substantial completion of the work of repair or reconstruction or of completion of the Leased Premises or of the regained availability of use and occupancy. In the event of any such damage, destruction, non-completion or non-availability, this Lease shall continue in full force and effect and the City waives any right to terminate this Lease by virtue of any such damage, destruction, non-completion or unavailability.

(b) Notwithstanding the foregoing, there shall be no abatement of Lease Payments under this Section 5.3 by reason of damage, destruction or unavailability of all or a portion of the Leased Premises to the extent that:

(i) the value of the portions of the Leased Premises not damaged, destroyed, incomplete or otherwise unavailable for use and occupancy by the City (giving due consideration to the factors identified in the last sentence of Section 3.4(d)), based upon a written appraisal, is equal to or greater than the Outstanding Certificates; or

(ii) the proceeds of rental interruption insurance or amounts in the Insurance and Condemnation Fund or the Lease Payment Fund are available to pay Lease Payments which would otherwise be abated under this Section 5.3, it being hereby declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

ARTICLE VI

DISCLAIMER OF WARRANTIES; ACCESS

SECTION 6.1. *Disclaimer of Warranties.* THE AUTHORITY MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE CITY OF THE LEASED PREMISES OR ANY PORTION THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE LEASED PREMISES OR ANY PORTION THEREOF. THE CITY ACKNOWLEDGES THAT THE AUTHORITY IS NOT A MANUFACTURER OF ANY PORTION OF THE LEASED PREMISES OR A DEALER THEREIN, THAT THE CITY LEASES THE LEASED PREMISES AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE CITY. In no event shall the Authority be liable for incidental, indirect, special or consequential damages, in connection with or arising out of this Lease or the Trust Agreement for the existence, furnishing, functioning or City's use of the Leased Premises.

SECTION 6.2. *Rights of Access.* The City agrees that any authorized representative of the Authority, the Insurer or the Trustee, shall have the right at all reasonable times to enter upon and to examine and inspect the Leased Premises. The City further agrees that any such authorized representative shall have such rights of access to the Leased Premises as may be reasonably necessary to cause the proper maintenance of the Leased Premises in the event of failure by the City to perform its obligations hereunder.

SECTION 6.3. *Release and Indemnification Covenants.* The City shall and hereby agrees to indemnify and save the Authority and the Trustee and their respective officers, agents, successors and assigns, harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of or in connection with (a) the use, maintenance, condition or management of, or from any work or thing done on the Leased Premises by the City, (b) any breach or default on the part of the City in the performance of any of its obligations under this Lease, (c) any negligence or willful misconduct of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Leased Premises, (d) any negligence or willful misconduct of any sublessee of the City with respect to the Leased Premises, (e) the payment and application of the proceeds of the Certificates, (f) the presence on, under or about, or the release from, the Leased Premises of any substances, materials or wastes which are, or which become, regulated or classified as toxic under relevant federal, state or local law, or (g) the delivery of the Certificates and the acceptance or administration of the trust of the Trust Agreement by the Trustee. No indemnification is made under this Section or elsewhere in this Lease for willful misconduct, negligence, or breach of duty under this Lease by the Authority or the Trustee, their officers, agents, employees, successors or assigns. The indemnification furnished by this Section shall survive the payment in full of the Lease Payments and Additional Payments, and the discharge of the Certificates and the Trust Agreement.

ARTICLE VII

ASSIGNMENT, SUBLEASING AND AMENDMENT

SECTION 7.1. *Assignment by the Authority.* The Authority's rights under this Lease, including the right to receive and enforce payment of the Lease Payments to be made by the City under this Lease have been pledged and assigned to the Trustee pursuant to the Assignment Agreement, to which pledge and assignment the City hereby consents.

SECTION 7.2. *Assignment and Subleasing by the City.* This Lease may not be assigned by the City. The City may sublease the Leased Premises, or portion thereof, but only with the written consent of the Authority and the Insurer, and subject to all of the following conditions:

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

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

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

(d) The City shall furnish the Authority and the Trustee with a written opinion of Special Counsel, stating that such sublease does not cause the interest represented by the Series A Certificates to become subject to federal or State personal income taxes.

SECTION 7.3. *Amendment of this Lease.* The Authority and the City may at any time amend or modify any of the provisions of this Lease with the prior written consents of the Insurer and of the Owners of a majority in aggregate principal amount of the Outstanding Certificates; or (b) without the consent of the Trustee or any of the Certificate Owners, but with the written consent of the Insurer and only if such amendment or modification is for any one or more of the following purposes-

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

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

(iii) to amend any provision thereof relating to the Tax Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest represented by the Series A Certificates under the Tax Code, in the opinion of Special Counsel;

(iv) to amend the description of the Leased Premises set forth in Exhibit A hereto, as permitted by Section 2.3 or Section 2.4, or otherwise to more precisely identify the Leased Premises originally intended to be leased hereunder; or

(v) to obligate the City to pay additional amounts of rental hereunder for the use and occupancy of the Leased Premises (other than as described in clause (v) above) provided that (A) such additional amounts of rental do not cause the total rental payments made by the City hereunder to exceed the fair rental value of the Leased Premises, as set forth in a certificate of the City filed with the Trustee and the Authority, (B) the City shall have obtained and filed with the Trustee, the Insurer and the Authority an appraisal of the Leased Premises showing that the estimated fair market value thereof is not less than the aggregate principal amount of the Outstanding Certificates and the aggregate principal components of such additional amounts of rental, and (C) such additional amounts of rental are pledged or assigned for the payment of any bonds, notes, leases or other obligations the proceeds of which shall be applied to finance the construction or acquisition of land, facilities or other improvements which are authorized pursuant to the laws of the State of California.

ARTICLE VIII

EVENTS OF DEFAULT; REMEDIES

SECTION 8.1. *Events of Default Defined.* The following events shall be Events of Default hereunder:

(a) Failure by the City to pay any Lease Payment when due and payable hereunder.

(b) Failure by the City to pay any Additional Payment when due and payable hereunder, and the continuation of such failure for a period of ten (10) days.

(c) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder or under the Trust Agreement, other than as referred to in the preceding clause (a) or clause (b) of this Section, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority, the Insurer or the Trustee; *provided, however*, if in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such thirty (30) day period, the Authority, the Insurer and the Trustee shall not unreasonably withhold their consent to an extension of the period of time to remedy such failure if corrective action is instituted by the City within the applicable period and diligently pursued until such failure is corrected.

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

SECTION 8.2. *Remedies on Default.* Whenever any Event of Default shall have happened and be continuing, the Authority may exercise any and all remedies available pursuant to law or granted pursuant to this Lease; *provided, however*, that notwithstanding any contrary implication herein or in the Trust Agreement, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each and every covenant hereof to be kept and performed by the City is expressly made a condition and upon the breach thereof the Authority may exercise any and all rights of entry and re-entry upon the Leased Premises, and also, at its option, with or without such entry, may terminate this Lease; *provided*, that no such termination shall be effected either by operation of law or acts of the parties hereto, except only in the manner herein expressly provided. Upon the occurrence of an Event of Default and notwithstanding any re-entry by the Authority, the Authority may commence an action for damages and the City shall, as herein expressly provided, continue to remain liable for the payment of the Lease Payments and/or damages for breach of this Lease and the performance of all conditions herein contained and, in any event such rent and/or damages shall be payable to the Authority at the time and in the manner as herein provided, to wit:

(a) The City agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions herein contained and shall reimburse the Authority for any deficiency arising out of the re-leasing of the Leased Premises, or, in the event the Authority is unable to re-lease the Leased Premises, then for the full amount of all Lease Payments to the end of the Term of this Lease, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments hereunder, notwithstanding such entry or re-entry by the Authority or any suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Leased Premises or the exercise of any other remedy by the Authority.

(b) The City hereby irrevocably appoints the Authority as the agent and attorney-in-fact of the City to enter upon and re-lease the Leased Premises in the event of default by the City in the performance of any covenants herein contained to be performed by the City and to remove all personal property whatsoever situated upon the Leased Premises to place such personal property in storage or other suitable place in the County of San Joaquin, for the account of and at the expense of the City, and the City hereby exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Leased Premises and the removal and storage of such personal property by the Authority or its duly authorized agents in accordance with the provisions herein contained.

(c) The City hereby waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Leased Premises as herein provided and all claims for damages that may result from the destruction of or injury to the Leased Premises and all claims for damages to or loss of any property belonging to the City that may be in or upon the Leased Premises.

(d) The City agrees that the terms of this Lease constitute full and sufficient notice of the right of the Authority to re-lease the Leased Premises in the event of such re-entry without effecting a surrender of this Lease, and further agrees that no acts of the Authority in effecting such re-leasing shall constitute a surrender or termination of this Lease irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise.

(e) The City further waives the right to any rental obtained by the Authority in excess of the Lease Payments and hereby conveys and releases such excess to the Authority as compensation to the Authority for its services in re-leasing the Leased Premises.

Notwithstanding any other provisions of this Lease, so long as the Insurer is not in default in its payment obligations under the Insurance Policy, the Insurer shall have the right to direct the remedies to be taken upon any Event of Default or Default hereunder, and the Insurer's consent shall be required for remedial action taken by the Trustee or the Authority hereunder.

SECTION 8.3. *No Remedy Exclusive.* No remedy herein conferred upon or reserved to the Authority is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default

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

SECTION 8.4. *Agreement to Pay Attorneys' Fees and Expenses.* In the event either party to this Lease should default under any of the provisions hereof and the nondefaulting party, the Trustee or the Owner of any Certificates should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the prevailing party, the Trustee or such owner, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred.

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

SECTION 8.6. *Exercise of Rights.* Such rights and remedies as are given to the Authority under this Article VIII have been assigned by the Authority to the Trustee pursuant to the Assignment Agreement, to which assignment the City hereby consents. Such rights and remedies shall be exercised by the Trustee, the Insurer and the Owners of the Certificates solely as provided in the Trust Agreement, notwithstanding anything herein to the contrary.

ARTICLE IX

PREPAYMENT OF LEASE PAYMENTS

SECTION 9.1. *Security Deposit.* Notwithstanding any other provision of this Lease, the City may on any date secure the payment of the Lease Payments in whole or in part by depositing with the Trustee an amount of cash which, together with other available amounts on deposit in the funds and accounts established under the Trust Agreement, is either (a) sufficient to pay such Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule set forth in Exhibit B, or (b) invested in whole or in part in non-callable Federal Securities in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay such Lease Payments when due pursuant to Section 3.4(a) or when due on any optional prepayment date pursuant to Section 9.2, as the City shall instruct at the time of said deposit. In the event of a security deposit pursuant to this Section with respect to all unpaid Lease Payments, and notwithstanding the provisions of Section 3.2, (a) the Term of this Lease shall cease, and (b) all obligations of the City under this Lease, and all security provided by this Lease for said obligations, shall thereupon cease and terminate, excepting only the obligation of the City to make, or cause to be made all of the Lease Payments from such security deposit, and title to the Leased Premises shall vest in the City on the date of said deposit automatically and without further action by the City or the Authority. Said security deposit shall be deemed to be and shall constitute a special fund for the payment of Lease Payments in accordance with the provisions of this Lease. Upon said deposit, the Authority will execute or cause to be executed any and all documents as may be necessary to confirm title to the Leased Premises in accordance with the provisions hereof. In addition, the Authority hereby appoints the City as its agent to prepare, execute and file or record, in appropriate offices, such documents as may be necessary to place record title to the Leased Premises in the City.

SECTION 9.2. *Optional Prepayment.* The City shall have the right, on any date on which the Certificates are subject to optional prepayment pursuant to Section 4.01(a) of the Trust Agreement, to prepay the principal components of the Lease Payments from any source of legally available funds, in whole or in part in any integral multiple of an Authorized Denomination, and the Authority agrees that the Trustee shall accept such prepayments when the same are tendered by the City. The amount to be prepaid by the City pursuant to this Section 9.2 shall be equal to the principal components of the Lease Payments to be prepaid, together with (a) the interest component of the Lease Payment required to be paid on such Lease Payment Date and (b) a premium equal to the amount of premium (if any) required to be paid upon the corresponding redemption of such Certificates under Section 4.01(a) of the Trust Agreement. Notwithstanding any such prepayment, as long as any Lease Payments or any Additional Payments remain unpaid, the City shall not be relieved of its obligations hereunder.

SECTION 9.3. *Mandatory Prepayment From Net Proceeds of Insurance or Eminent Domain.* The City shall be obligated to prepay the Lease Payments in whole or in part in any integral multiple of an Authorized Denomination, on any date on which the Certificates are subject to prepayment pursuant to Section 4.01(b) of the Trust Agreement, from and to the extent of any Net Proceeds of an insurance award or a condemnation award theretofore deposited in the Lease Payment Fund for such purpose pursuant to Article V hereof and Article VI of the Trust Agreement. The City and the Authority hereby agree that such Net Proceeds, to the extent remaining after payment of any delinquent Lease Payments, shall be credited towards the City's obligations under this Section 9.3.

SECTION 9.4. *Credit for Amounts on Deposit.* In the event of prepayment of the principal components of the Lease Payments in full under this Article IX, such that the Trust Agreement shall be discharged by its terms as a result of such prepayment, all amounts then on deposit in the Lease Payment Fund shall be credited towards the amounts then required to be so prepaid.

ARTICLE X

MISCELLANEOUS

SECTION 10.1. *Notices.* Any notice, request, complaint, demand or other communication under this Lease shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth in Section 13.03 of the Trust Agreement, or by telecopy, telex or other form of telecommunication, at its number set forth in Section 13.03 of the Trust Agreement. Notice shall be effective either (a) upon transmission by telecopy, telex or other form of telecommunication, (b) upon receipt after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The City, the Authority, the Trustee or the Rating Agency may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

SECTION 10.2. *Governing Law.* This Lease shall be construed in accordance with and governed by the Constitution and laws of the State.

SECTION 10.3. *Binding Effect.* This Lease shall inure to the benefit of and shall be binding upon the Authority, the City and their respective successors and assigns, subject, however, to the limitations contained herein.

SECTION 10.4. *Severability of Invalid Provisions.* If any one or more of the provisions contained in this Lease shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Lease and such invalidity, illegality or unenforceability shall not affect any other provision of this Lease, and this Lease shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority and the City each hereby declares that it would have entered into this Lease and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Lease may be held illegal, invalid or unenforceable.

SECTION 10.5. *Article and Section Headings and References.* The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Lease. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Lease; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

SECTION 10.6. *Net-net-net Lease.* This Lease shall be deemed and construed to be a "net-net-net lease" and the City hereby agrees that the Lease Payments shall be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever.

SECTION 10.7. *Execution of Counterparts.* This Lease may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

SECTION 10.8. *Waiver of Personal Liability.* No officer, agent or employee of the City shall be individually or personally liable for the payment of Lease Payments or Additional Payments or be subject to any personal liability or accountability by reason of this Lease; but

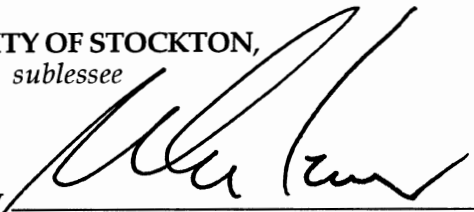
nothing herein contained shall relieve any such officer, agent or employee from the performance of any official duty provided by law or by this Lease.

SECTION 10.9. *Further Assurances.* The City agrees that it will execute and deliver any and all such further agreements, instruments, financing statements or other assurances as may be reasonably necessary or requested by the Authority or the Trustee to carry out the intention or to facilitate the performance of this Lease, including, without limitation, to perfect and continue the security interests herein intended to be created.

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

CITY OF STOCKTON,
as sublessee

By


Mark Lewis, Esq.
City Manager

ATTEST

By


for Katherine Gong Meissner,
City Clerk



APPROVED AS TO FORM

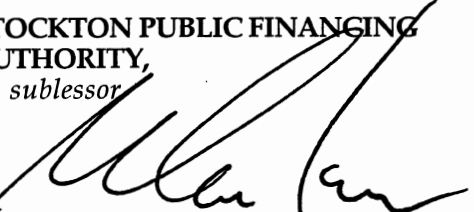
CITY ATTORNEY

BY


Assistant City Attorney

STOCKTON PUBLIC FINANCING
AUTHORITY,
as sublessor

By


Mark Lewis, Esq.
Executive Director

ATTEST

By


for Katherine Gong Meissner,
Secretary

APPROVED AS TO FORM

CITY ATTORNEY

BY



Assistant City Attorney

EXHIBIT A

LEGAL DESCRIPTION

The Leased Premises referred to herein are comprised of the land situated in the State of California, San Joaquin County, City of Stockton as described as follows, together with all facilities located thereon:

EXHIBIT B

SCHEDULE OF LEASE PAYMENTS

Series 2003A Certificates

| <u>Lease Payment Date</u> | <u>Series 2003A Principal Component</u> | <u>Series 2003 A Interest Component</u> | <u>Aggregate Series 2003A Lease Payment</u> |
|-------------------------------|---|---|---|
| February 15, 2004 | | \$31,874.19 | \$31,874.19 |
| August 15, 2004 | | 23,513.75 | 23,513.75 |
| February 15, 2005 | | 23,513.75 | 23,513.75 |
| August 15, 2005 | | 23,513.75 | 23,513.75 |
| February 15, 2006 | | 23,513.75 | 23,513.75 |
| August 15, 2006 | | 23,513.75 | 23,513.75 |
| February 15, 2007 | | 23,513.75 | 23,513.75 |
| August 15, 2007 | | 23,513.75 | 23,513.75 |
| February 15, 2008 | | 23,513.75 | 23,513.75 |
| August 15, 2008 | | 23,513.75 | 23,513.75 |
| February 15, 2009 | | 23,513.75 | 23,513.75 |
| August 15, 2009 | | 23,513.75 | 23,513.75 |
| February 15, 2010 | | 23,513.75 | 23,513.75 |
| August 15, 2010 | | 23,513.75 | 23,513.75 |
| February 15, 2011 | | 23,513.75 | 23,513.75 |
| August 15, 2011 | \$35,000.00 | 23,513.75 | 58,513.75 |
| February 15, 2012 | | 22,988.75 | 22,988.75 |
| August 15, 2012 | 35,000.00 | 22,988.75 | 57,988.75 |
| February 15, 2013 | | 22,420.00 | 22,420.00 |
| August 15, 2013 | 35,000.00 | 22,420.00 | 57,420.00 |
| February 15, 2014 | | 21,851.25 | 21,851.25 |
| August 15, 2014 | 35,000.00 | 21,851.25 | 56,851.25 |
| February 15, 2015 | | 21,238.75 | 21,238.75 |
| August 15, 2015 | 35,000.00 | 21,238.75 | 56,238.75 |
| February 15, 2016 | | 20,626.25 | 20,626.25 |
| August 15, 2016 | 40,000.00 | 20,626.25 | 60,626.25 |
| February 15, 2017 | | 19,906.25 | 19,906.25 |
| August 15, 2017 | 40,000.00 | 19,906.25 | 59,906.25 |
| February 15, 2018 | | 19,166.25 | 19,166.25 |
| August 15, 2018 | 40,000.00 | 19,166.25 | 59,166.25 |
| February 15, 2019 | | 18,406.25 | 18,406.25 |
| August 15, 2019 | 45,000.00 | 18,406.25 | 63,406.25 |
| February 15, 2020 | | 17,506.25 | 17,506.25 |
| August 15, 2020 | 45,000.00 | 17,506.25 | 62,506.25 |
| February 15, 2021 | | 16,606.25 | 16,606.25 |
| August 15, 2021 | 45,000.00 | 16,606.25 | 61,606.25 |
| February 15, 2022 | | 15,706.25 | 15,706.25 |

| | | | |
|-------------------|-----------|-----------|-----------|
| August 15, 2022 | 50,000.00 | 15,706.25 | 65,706.25 |
| February 15, 2023 | | 14,675.00 | 14,675.00 |
| August 15, 2023 | 50,000.00 | 14,675.00 | 64,675.00 |
| February 15, 2024 | | 13,643.75 | 13,643.75 |
| August 15, 2024 | 50,000.00 | 13,643.75 | 63,643.75 |
| February 15, 2025 | | 12,581.25 | 12,581.25 |
| August 15, 2025 | 55,000.00 | 12,581.25 | 67,581.25 |
| February 15, 2026 | | 11,412.50 | 11,412.50 |
| August 15, 2026 | 55,000.00 | 11,412.50 | 66,412.50 |
| February 15, 2027 | | 10,243.75 | 10,243.75 |
| August 15, 2027 | 60,000.00 | 10,243.75 | 70,243.75 |
| February 15, 2028 | | 8,968.75 | 8,968.75 |
| August 15, 2028 | 60,000.00 | 8,968.75 | 68,968.75 |
| February 15, 2029 | | 7,656.25 | 7,656.25 |
| August 15, 2029 | 65,000.00 | 7,656.25 | 72,656.25 |
| February 15, 2030 | | 6,234.38 | 6,234.38 |
| August 15, 2030 | 65,000.00 | 6,234.38 | 71,234.38 |
| February 15, 2031 | | 4,812.50 | 4,812.50 |
| August 15, 2031 | 70,000.00 | 4,812.50 | 74,812.50 |
| February 15, 2032 | | 3,281.25 | 3,281.25 |
| August 15, 2032 | 75,000.00 | 3,281.25 | 78,281.25 |
| February 15, 2033 | | 1,640.63 | 1,640.63 |
| August 15, 2033 | 75,000.00 | 1,640.63 | 76,640.63 |

Taxable Series 2003B Certificates

| <u>Lease Payment Date</u> | <u>Series 2003A Principal Component</u> | <u>Series 2003 A Interest Component</u> | <u>Aggregate Series 2003A Lease Payment</u> |
|-------------------------------|---|---|---|
| February 15, 2004 | | \$420,290.68 | \$420,290.68 |
| August 15, 2004 | | 310,050.50 | 310,050.50 |
| February 15, 2005 | | 310,050.50 | 310,050.50 |
| August 15, 2005 | | 310,050.50 | 310,050.50 |
| February 15, 2006 | | 310,050.50 | 310,050.50 |
| August 15, 2006 | | 310,050.50 | 310,050.50 |
| February 15, 2007 | | 310,050.50 | 310,050.50 |
| August 15, 2007 | | 310,050.50 | 310,050.50 |
| February 15, 2008 | | 310,050.50 | 310,050.50 |
| August 15, 2008 | | 310,050.50 | 310,050.50 |
| February 15, 2009 | | 310,050.50 | 310,050.50 |
| August 15, 2009 | | 310,050.50 | 310,050.50 |
| February 15, 2010 | | 310,050.50 | 310,050.50 |
| August 15, 2010 | | 310,050.50 | 310,050.50 |
| February 15, 2011 | | 310,050.50 | 310,050.50 |
| August 15, 2011 | \$295,000.00 | 310,050.50 | 605,050.50 |
| February 15, 2012 | | 303,383.50 | 303,383.50 |
| August 15, 2012 | 310,000.00 | 303,383.50 | 613,383.50 |
| February 15, 2013 | | 296,377.50 | 296,377.50 |
| August 15, 2013 | 325,000.00 | 296,377.50 | 621,377.50 |
| February 15, 2014 | | 289,032.50 | 289,032.50 |
| August 15, 2014 | 340,000.00 | 289,032.50 | 629,032.50 |
| February 15, 2015 | | 281,348.50 | 281,348.50 |
| August 15, 2015 | 355,000.00 | 281,348.50 | 636,348.50 |
| February 15, 2016 | | 273,325.50 | 273,325.50 |
| August 15, 2016 | 370,000.00 | 273,325.50 | 643,325.50 |
| February 15, 2017 | | 264,963.50 | 264,963.50 |
| August 15, 2017 | 390,000.00 | 264,963.50 | 654,963.50 |
| February 15, 2018 | | 256,149.50 | 256,149.50 |
| August 15, 2018 | 405,000.00 | 256,149.50 | 661,149.50 |
| February 15, 2019 | | 245,660.00 | 245,660.00 |
| August 15, 2019 | 425,000.00 | 245,660.00 | 670,660.00 |
| February 15, 2020 | | 234,652.50 | 234,652.50 |
| August 15, 2020 | 450,000.00 | 234,652.50 | 684,652.50 |
| February 15, 2021 | | 222,997.50 | 222,997.50 |
| August 15, 2021 | 470,000.00 | 222,997.50 | 692,997.50 |
| February 15, 2022 | | 210,824.50 | 210,824.50 |
| August 15, 2022 | 495,000.00 | 210,824.50 | 705,824.50 |

| | | | |
|-------------------|------------|------------|------------|
| February 15, 2023 | | 198,004.00 | 198,004.00 |
| August 15, 2023 | 520,000.00 | 198,004.00 | 718,004.00 |
| February 15, 2024 | | 184,536.00 | 184,536.00 |
| August 15, 2024 | 550,000.00 | 184,536.00 | 734,536.00 |
| February 15, 2025 | | 170,016.00 | 170,016.00 |
| August 15, 2025 | 575,000.00 | 170,016.00 | 745,016.00 |
| February 15, 2026 | | 154,836.00 | 154,836.00 |
| August 15, 2026 | 610,000.00 | 154,836.00 | 764,836.00 |
| February 15, 2027 | | 138,732.00 | 138,732.00 |
| August 15, 2027 | 640,000.00 | 138,732.00 | 778,732.00 |
| February 15, 2028 | | 121,836.00 | 121,836.00 |
| August 15, 2028 | 675,000.00 | 121,836.00 | 796,836.00 |
| February 15, 2029 | | 104,016.00 | 104,016.00 |
| August 15, 2029 | 710,000.00 | 104,016.00 | 814,016.00 |
| February 15, 2030 | | 85,272.00 | 85,272.00 |
| August 15, 2030 | 745,000.00 | 85,272.00 | 830,272.00 |
| February 15, 2031 | | 65,604.00 | 65,604.00 |
| August 15, 2031 | 785,000.00 | 65,604.00 | 850,604.00 |
| February 15, 2032 | | 44,880.00 | 44,880.00 |
| August 15, 2032 | 830,000.00 | 44,880.00 | 874,880.00 |
| February 15, 2033 | | 22,968.00 | 22,968.00 |
| August 15, 2033 | 870,000.00 | 22,968.00 | 892,968.00 |

Exhibit B

Quint & Thimmig LLP

01/13/04
02/02/04
02/12/04
FINAL 03/18/04
REVISED FINAL 03/19/04

LEASE AGREEMENT

Dated as of March 1, 2004

by and between the

REDEVELOPMENT AGENCY OF THE CITY OF STOCKTON, as Lessor

and the

CITY OF STOCKTON, as Lessee

**Relating to
\$47,000,000
Redevelopment Agency of the City of Stockton
Revenue Bonds, Series 2004
(Stockton Events Center—Arena Project)**

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| EXHIBIT C: | Schedule of Lease Payments |

LEASE AGREEMENT

THIS LEASE AGREEMENT (the "Lease Agreement"), dated for convenience as of March 1, 2004, by and between the REDEVELOPMENT AGENCY OF THE CITY OF STOCKTON, a public body corporate and politic, organized and existing under and by virtue of the laws of the State of California, as lessor (the "Agency"), and the CITY OF STOCKTON, a municipal corporation and chartered city organized and existing under and by virtue of the laws of the State of California, as lessee (the "City");

WITNESSETH:

WHEREAS, pursuant to that certain Site Lease, dated as of March 1, 2004 (the "Site Lease"), the City has leased those certain parcels of real property situated in San Joaquin County, State of California, more particularly described in Exhibit A attached hereto and made a part hereof (collectively, the "Site"), all for the purpose of enabling the City to finance a portion of the costs of the arena component, consisting of approximately 220,000 square feet of space, including media facilities, food services, a playing field, officials' facilities and various support facilities for minor league ice hockey, indoor football, indoor soccer, concerts and other events (the "Project"), of a multi-faceted project to include a baseball stadium with a seating capacity of approximately 5,000, an indoor arena with a seating capacity of approximately 10,000, a 150-unit hotel complex and approximately 60,000 square feet of retail/commercial space, all to be located in downtown Stockton on approximately twenty-four acres immediately north of and adjacent to the Stockton Channel and within the West End Urban Renewal No. 1 Redevelopment Project of the Agency;

WHEREAS, in order to provide the revenues necessary to enable the Agency to pay debt service on the Bonds as it becomes due, the Agency proposes to lease the Site and the Project (collectively, the "Property") to the City pursuant to this Lease Agreement and to assign its right to receive lease payments under this Lease Agreement (the "Lease Payments"), its right to enforce payment of the Lease Payments and otherwise to enforce its interest and rights under this Lease Agreement in the event of a default hereunder by the City, to Wells Fargo Bank, National Association, as trustee (the "Trustee"), pursuant to that certain Indenture of Trust, dated as of March 1, 2004, by and between the Agency and the Trustee (the "Indenture"), and pursuant to which the Agency will issue and the Trustee will authenticate and deliver the \$47,000,000 aggregate principal amount of Redevelopment Agency of the City of Stockton Revenue Bonds, Series 2004 (Stockton Events Center—Arena Project) (the "Bonds"); and

WHEREAS, the Agency and the City have duly authorized the execution and delivery of this Lease Agreement;

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

ARTICLE I

DEFINITIONS AND EXHIBITS

Section 1.1. Definitions. Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Lease Agreement shall have the respective meanings specified in Section 1.01 of the Indenture.

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

- Exhibit A: Description of the Site
- Exhibit B: Description of the Project
- Exhibit C: Schedule of Lease Payments

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1. Representations, Covenants and Warranties of Agency. The Agency makes the following covenants, representations and warranties as the basis for its undertakings herein contained:

(a) *Due Organization and Existence*. The Agency is public body, corporate and politic, organized and existing under and by virtue of the laws of the State; has power to enter into this Lease Agreement, the Site Lease and the Indenture; is possessed of full power to own and hold, improve and equip real and personal property, and to lease and lease back the same; and has duly authorized the execution and delivery of each of the aforesaid agreements and such agreements constitute the legal, valid and binding obligations of the Agency, enforceable against the Agency in accordance with their respective terms.

(b) *Due Execution*. The representatives of the Agency executing this Lease Agreement, the Site Lease and the Indenture are fully authorized to execute the same pursuant to official action taken by the governing body of the Agency.

(c) *Valid, Binding and Enforceable Obligations*. This Lease Agreement, the Site Lease and the Indenture have been duly authorized, executed and delivered by the Agency and constitute the legal, valid and binding agreements of the Agency, enforceable against the Agency in accordance their respective terms.

(d) *No Conflicts*. The execution and delivery of this Lease Agreement, the Site Lease and the Indenture, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the Agency is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Agency, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease Agreement, the Site Lease and the Indenture or the financial condition, assets, properties or operations of the Agency.

(e) *Consents and Approvals*. No consent or approval of any trustee or holder of any indebtedness of the Agency, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Lease Agreement, the Site Lease and the Indenture, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) *No Litigation*. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the Agency after reasonable investigation, threatened against or affecting the Agency or the assets, properties or operations of the Agency which, if determined adversely to the Agency or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Lease Agreement, the Site Lease or the Indenture, or upon the financial condition, assets, properties or operations of the Agency, and

the Agency is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease Agreement, the Site Lease or the Indenture or the financial conditions, assets, properties or operations of the Agency.

Section 2.2. Representations, Covenants and Warranties of the City. The City makes the following covenants, representations and warranties to the Agency as of the date of the execution and delivery of this Lease Agreement:

(a) *Due Organization and Existence*. The City is a municipal corporation and chartered city organized and existing under and by virtue of its charter and the laws of the State, has full legal right, power and authority under the laws of the State to enter into the Site Lease and this Lease Agreement and to carry out and consummate all transactions contemplated hereby and thereby, and by proper action the City has duly authorized the execution and delivery of the Site Lease and this Lease Agreement.

(b) *Due Execution*. The representatives of the City executing the Site Lease and this Lease Agreement have been fully authorized to execute the same pursuant to a resolution duly adopted by the City Council of the City.

(c) *Valid, Binding and Enforceable Obligations*. The Site Lease and this Lease Agreement have been duly authorized, executed and delivered by the City and constitute the legal, valid and binding obligations of the City enforceable against the City in accordance with their respective terms.

(d) *No Conflicts*. The execution and delivery of the Site Lease and this Lease Agreement, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the City is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the City, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Site Lease and this Lease Agreement, or the financial condition, assets, properties or operations of the City.

(e) *Consents and Approvals*. No consent or approval of any trustee or holder of any indebtedness of the City or of the voters of the City, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of the Site Lease and this Lease Agreement, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) *No Litigation*. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the City after reasonable investigation, threatened against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Site Lease and this Lease Agreement, or upon the financial condition, assets, properties or operations of the City, and the City is not in default

with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Site Lease and this Lease Agreement, or the financial conditions, assets, properties or operations of the City.

ARTICLE III

ISSUANCE OF THE BONDS

Section 3.1. The Bonds. The Agency has authorized the issuance of the Bonds pursuant to the Indenture in the aggregate principal amount of forty-seven million dollars (\$47,000,000). The Agency agrees that the proceeds of sale of the Bonds shall be paid to the Trustee on the Closing Date for deposit and application pursuant to the terms and conditions of the Indenture, which terms and conditions authorize the City to draw upon specified proceeds of the Bonds for purposes of paying the costs of design and construction of the Project. The City hereby approves the Indenture, the assignment to the Trustee of the rights of the Agency assigned or purported to be assigned thereunder, and the issuance of the Bonds by the Agency thereunder.

ARTICLE IV

LEASE OF PROPERTY; TERM OF THE LEASE AGREEMENT; LEASE PAYMENTS

Section 4.1. Lease of Property. The Agency hereby leases the Property to the City, and the City hereby leases the Property from the Agency, upon the terms and conditions set forth in this Lease Agreement.

Section 4.2. Term of Lease. This Lease Agreement shall take effect on the date hereof, and shall end on the earlier of September 1, 2036, or such earlier date on which the Bonds shall no longer be Outstanding under the Indenture. If, on September 1, 2036, the Indenture shall not be discharged by its terms or if the Lease Payments payable hereunder shall have been abated at any time and for any reason, then the Term of the Lease Agreement shall be extended until there has been deposited with the Trustee an amount sufficient to pay all obligations due under the Lease Agreement, but in no event shall the Term of the Lease Agreement extend beyond September 1, 2046.

Section 4.3. Lease Payments.

(a) *Obligation to Pay.* In consideration of the lease of the Property from the Agency hereunder and subject to the provisions of Section 6.2, the City agrees to pay to the Agency, its successors and assigns, as rental for the use and occupancy of the Property during each Fiscal Year, the Lease Payments (denominated into components of principal and interest) for the Property in the respective amounts specified in Exhibit C hereto, to be due and payable on the respective Lease Payment Dates specified in Exhibit C hereto. Any amount held in the Revenue Fund (except the Reserve Account therein), the Interest Account, the Principal Account or the Sinking Account on any Lease Payment Date, derived from Pledge Payments or from any other source of funds of the City or the Agency, shall be credited towards the Lease Payment then due and payable. The Lease Payments coming due and payable in any Fiscal Year shall be for the use of the Property for such Fiscal Year.

The City's obligation to pay Lease Payments hereunder shall be absolute and unconditional subject only to abatement, in the event and to the extent that there is substantial interference with the use and occupancy of the property or any portion thereof.

(b) *Rate on Overdue Payments.* In the event the City should fail to make any of the payments required in this Section 4.3, the payment in default shall continue as an obligation of the City until the amount in default shall have been fully paid, and the City agrees to pay the same with interest thereon, from the date of default to the date of payment at the highest rate of interest borne by any Outstanding Bond. Such interest, if received, shall be deposited in the Revenue Fund.

(c) *Fair Rental Value.* The Lease Payments and Additional Payments coming due and payable in each Fiscal Year shall constitute the total rental for the Property for each Fiscal Year and shall be paid by the City in each Fiscal Year for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of, the Property during each Fiscal Year. The Agency and the City hereby agree and determine that the total Lease Payments do not exceed the fair rental value of the Property. In making such determination, consideration has been given to the obligations of the parties under this Lease Agreement, the value of the Property, the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the City and the general public.

(d) *Source of Payments; Budget and Appropriation.* The Lease Payments shall be payable from any source of available funds of the City, subject to the provisions of Section 6.2. The City covenants to take such action as may be necessary to include all Lease Payments due hereunder in each of its budgets during the Term of the Lease Agreement and to make the necessary annual appropriations for all such Lease Payments. The covenants on the part of the City herein contained shall be deemed to be and shall be construed to be ministerial duties imposed by law and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such official to enable the City to carry out and perform the covenants and agreements in this Lease Agreement agreed to be carried out and performed by the City. During the Term of the Lease Agreement, the City shall furnish to the Agency and the Trustee, no later than ten days following the adoption of a budget for the current Fiscal Year, a certificate stating that the Lease Payments due in that Fiscal Year have been included in the budget approved by the City Council for such Fiscal Year.

(e) *Assignment.* The City understands and agrees that all Lease Payments have previously been assigned by the Agency to the Trustee in trust, pursuant to Section 5.01 of the Indenture, for the benefit of the Owners of the Bonds, and the City hereby assents to such assignment. The Agency hereby directs the City, and the City hereby agrees, to pay all of the Lease Payments to the Trustee at its Office.

(f) *Security Deposit.* Notwithstanding any other provision of this Lease Agreement, the City may on any date secure the payment of the Lease Payments for the Property in whole or in part by depositing with the Trustee an amount of cash which, together with other available amounts, including but not limited to amounts on deposit in the Revenue Fund and the Reserve Account, is either (i) sufficient to pay such Lease Payments, including the principal and interest components thereof, and premium, if any, in accordance with the Lease Payment schedule set forth in Exhibit C, or (ii) invested in whole or in part in Defeasance Obligations in such amount as will, in the opinion of an Independent Accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay such Lease Payments when due hereunder, as the City shall instruct at the time of said deposit. Said security deposit shall be deemed to be and shall constitute a special fund for the payment of Lease Payments in accordance with the provisions of this Lease Agreement.

Section 4.4. Prepayment Option. The Agency hereby grants an option to the City to prepay the principal component of the Lease Payments in full, or in part, without premium.

Said option may be exercised with respect to Lease Payments due on and after September 1, 2015, in whole or in part on any date commencing September 1, 2014. Said option shall be exercised by the City by giving written notice to the Agency and the Trustee of the exercise of such option at least sixty (60) days prior to said Lease Payment Date. Such option shall be exercised in the event of prepayment in full, by depositing with said notice cash in an amount, which, together with amounts then on deposit in the Reserve Account, the Insurance and Condemnation Fund and the Revenue Fund, will be sufficient to pay the aggregate unpaid Lease Payments on said Lease Payment Date as set forth in Exhibit C hereto, together with any Lease Payments then due but unpaid, or, in the event of prepayment in part, by depositing with said notice cash equal to the amount desired to be prepaid (the principal component of which shall be an amount divisible by \$5,000) together with any Lease Payments then due but unpaid. In the event of prepayment in part, the partial prepayment shall be applied against Lease Payments in such manner as the City shall determine and if the City shall fail to make such determination, in inverse order of their payment dates. Lease Payments due after any such partial prepayment shall be in the amounts set forth in a revised Lease Payment schedule which shall be provided by, or caused to be provided by, the City to the Trustee and which shall

represent an adjustment to the schedule set forth in Exhibit C attached hereto taking into account said partial prepayment.

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

Section 4.6. Title. If the City pays all of the Lease Payments and Additional Payments during the Term of the Lease Agreement as the same become due and payable, or if the City posts a security deposit for payment of the Lease Payments pursuant to Section 4.3(f), and if the City has paid in full all of the Additional Payments coming due and payable as of such date, and provided in any event that no Event of Default shall have occurred and be continuing, all right, title and interest of the Agency in and to the Property shall be transferred to and vested in the City. The Agency agrees to take any and all steps and execute and record any and all documents reasonably required by the City to consummate any such transfer of title.

Section 4.7. Additional Payments. In addition to the Lease Payments, the City shall pay when due the following Additional Payments:

(a) Any fees and expenses incurred by the Agency in connection with or by reason of its leasehold estate in the Property as and when the same become due and payable;

(b) Any amounts due to the Trustee pursuant to Section 8.06 of the Indenture for all services rendered under the Indenture and for all reasonable expenses, charges, costs, liabilities, legal fees and other disbursements incurred in and about the performance of its powers and duties under the Indenture;

(c) Any reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Agency or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under this Lease Agreement or the Indenture; and

(d) Any reasonable out-of-pocket expenses of the Agency in connection with the execution and delivery of this Lease Agreement or the Indenture, or in connection with the issuance of the Bonds, including any and all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds, or incurred by the Agency in connection with any litigation which may at any time be instituted involving this Lease Agreement, the Bonds, the Indenture or any of the other documents contemplated hereby or thereby, or incurred by the Agency in connection with the Continuing Disclosure Certificate, or otherwise incurred in connection with the administration hereof or thereof.

ARTICLE V

MAINTENANCE, TAXES, INSURANCE AND OTHER
MATTERS

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

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

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

Section 5.2. Modification of Property. The City shall, at its own expense, have the right to make additions, modifications and improvements to the Property. All additions, modifications and improvements to the Property shall thereafter comprise part of the Property and be subject to the provisions of this Lease Agreement. Such additions, modifications and improvements shall not in any way damage the Property or cause the Property to be used for purposes other than those authorized under the provisions of State and federal law; and the City shall file with the Trustee and the Agency a Written Certificate of the City stating that the Property, upon completion of any additions, modifications and improvements made thereto pursuant to this Section 5.2, shall be of a value which is not substantially less than the value of the Property immediately prior to the making of such additions, modifications and improvements. The City will not permit any mechanic's or other lien to be established or remain against the Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the City pursuant to this Section 5.2; provided that if any such lien is established and the City shall first notify or cause to be notified the Agency of the City's intention to do so, the City may in good faith contest any lien filed or established against the Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Agency with full security against any loss or

forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Agency. The Agency will cooperate fully in any such contest, upon the request and at the expense of the City.

Section 5.3. Public Liability and Property Damage Insurance. The City shall maintain or cause to be maintained throughout the Term of the Lease Agreement, a standard comprehensive general insurance policy or policies in protection of the Agency, City, and their respective members, officers, agents, employees and assigns. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Property. Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$100,000 (subject to a deductible clause of not to exceed \$5,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and such liability insurance may be maintained in whole or in part in the form of self-insurance by the City, subject to the provisions of Section 5.7, or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance shall be applied by the City toward extinguishment or satisfaction of the liability with respect to which paid.

Section 5.4. Fire and Extended Coverage Insurance. The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease Agreement, insurance against loss or damage to the improvements constituting a part of the Property by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance, when required, shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and shall include earthquake coverage if such coverage is available at reasonable cost from reputable insurers in the judgment of the City. Such insurance shall be in an amount at least equal to the lesser of (a) one hundred percent (100%) of the replacement cost of all of the insured improvements, or (b) the aggregate principal amount of the outstanding Bonds. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided however, that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance shall be applied as provided in Section 6.1(a).

Section 5.5. Rental Interruption Insurance. The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the Property as a result of any of the hazards covered in the insurance required by Section 5.4, in an amount at least equal to the maximum Lease Payments coming due and payable during any future twenty-four (24) month period. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained in the form of self-insurance. The proceeds of such insurance, if any, shall be paid to the Trustee and deposited in the Revenue Fund, and shall be credited towards the payment of the Lease Payments as the same become due and payable.

Section 5.6. Recordation Hereof; Title Insurance. On or before the Closing Date the City shall, at its expense, (a) cause the Site Lease and this Lease Agreement, or a memorandum hereof or thereof, in each case in form and substance approved by Bond Counsel, to be recorded in the office of the San Joaquin County Recorder, and (b) obtain a CLTA policy of title insurance which insures the City's leasehold estate in the Property in an amount equal to the aggregate principal amount of the Bonds. All Net Proceeds received under said policy shall be deposited with the Trustee in the Redemption Fund and shall be applied to the redemption of Bonds pursuant to Section 4.01(c) of the Indenture.

Section 5.7. Net Proceeds of Insurance; Form of Policies. Each policy of insurance maintained pursuant to Sections 5.4, 5.5 and 5.6 shall name the Trustee as loss payee so as to provide that all proceeds thereunder shall be payable to the Trustee. All required insurance policies shall be provided by a commercial insurer in one of the two highest rating categories by Moody's and S&P (without regard to designations of plus (+) or minus (-)). The City shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease Agreement. All such policies shall provide that the Trustee shall be given thirty (30) days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Trustee shall not be responsible for the sufficiency or amount of any insurance or self-insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss. The City shall cause to be delivered to the Trustee and to Financial Guaranty annually, no later than August 1 in each year, a certificate stating that all of the insurance policies required by this Lease Agreement are in full force and effect and identifying whether any such insurance is then maintained in the form of self-insurance.

In the event that any insurance maintained pursuant to Section 5.3 shall be provided in the form of self-insurance, the City shall file with the Trustee annually, within ninety (90) days following the close of each Fiscal Year, a statement of the City risk manager, insurance consultant or actuary identifying the extent of such self-insurance and stating the determination that the City maintains sufficient reserves with respect thereto. In the event that any such insurance shall be provided in the form of self-insurance by the City, the City shall not be obligated to make any payment with respect to any insured event except from such reserves. The results of such review shall be filed with the Trustee.

Section 5.8. Installation of Personal Property. The City may, at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed items of equipment or other personal property in or upon any portion of the Property. All such items shall remain the sole property of the City, in which neither the Agency nor the Trustee shall have any interest, and may be modified or removed by the City at any time provided that the City shall repair and restore any and all damage to the Property resulting from the installation, modification or removal of any such items. Nothing in this Lease Agreement shall prevent the City from purchasing or leasing items to be installed pursuant to this Section 5.8 under a lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Property.

Section 5.9. Liens. Neither the City nor the Agency shall, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to any portion of the Property, other than the respective rights of the Trustee, the Agency and the City as provided herein and Permitted Encumbrances. Except as expressly provided in this Article V, the City and the Agency shall promptly, at their own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time. The

City shall reimburse the Agency for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Section 5.10. Tax Covenants.

(a) *Private Activity Bond Limitation.* The City shall assure that proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

(b) *Federal Guarantee Prohibition.* The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

(c) *Rebate Requirement.* The City shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds.

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

(e) *Maintenance of Tax-Exemption.* The City shall take all actions necessary to assure the exclusion of interest with respect to the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the Closing Date.

Section 5.11. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Lease Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not constitute an Event of Default hereunder; *provided, however*, that the Participating Underwriter or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance by the City of its obligations under this Section 5.11, including seeking mandate or specific performance by court order.

Section 5.12. Development of Project. In consideration for the Agency's agreement to make specified proceeds of the Bonds available to the City pursuant to the Indenture and the Agency's execution and performance of the Pledge Agreement, the City agrees to use all Bond proceeds disbursed to the City pursuant to the Indenture for purposes of financing the Project and shall use diligent good faith efforts to complete the Project in a timely manner to facilitate redevelopment of the Redevelopment Project in accordance with the Redevelopment Plan.

Section 5.13. Environmental Covenants.

(a) The City shall not cause or permit the Property or any part thereof to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Materials, except in compliance with all applicable Federal, state and local laws or regulations, nor shall the City cause or permit, as a result of any intentional or unintentional act or omission on the part of the City or any tenant or subtenant, a release of Hazardous Materials onto the Property. The City shall comply with and ensure compliance by all tenants and subtenants with all applicable Federal, state and local laws, ordinances, rules and regulations, whenever and by whomever triggered, and shall obtain and comply with, and

ensure that all tenants and subtenants obtain and comply with, any and all approvals, registrations or permits required thereunder.

(b) The City shall (i) conduct and complete all investigations, studies, sampling and testing, and all remedial, removal, and other actions necessary to clean up and remove all Hazardous Materials, on, from, or affecting the Property (A) in accordance with all applicable Federal, state and local laws, ordinances, rules, regulations, and policies, (B) to the satisfaction of the Trustee, and (C) in accordance with the orders and directives of all Federal, state and local governmental authorities, and (ii) defend, indemnify, and hold harmless the Trustee and Financial Guaranty from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs, or expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way related to, (A) the presence, disposal, release, or threatened release of any Hazardous Materials which are on, from, or affecting the soil, water, vegetation, buildings, personal property, persons, animals, or otherwise; (B) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials, and/or (C) any violation of laws, orders, regulations, requirements or demands of government authorities, or any policies or requirements of the mortgage trustee, which are based upon or in any way related to such Hazardous Materials including, without limitation, attorney and consultant fees, investigation and laboratory fees, court costs, and litigation expenses.

(c) In the event that the Trustee elects to control, operate, sell or otherwise claim property rights in the Property, the City shall deliver the Property free of any and all Hazardous Materials so that the conditions of the Property shall conform with all applicable Federal, state and local laws, ordinances, rules or regulations affecting the Property. Prior to any such delivery of the Property, the City shall pay the Trustee, from its own funds, any amounts then required to be paid under subsection (ii) above.

(d) The provisions of this Section 5.13 shall survive any termination of this Lease Agreement due to non-appropriation or other event prior to payment in full of the Bonds.

(e) For purposes of this Section 5.13, "Hazardous Materials" includes, without limit, any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. §§ 9601 *et seq.*), the Hazardous Materials Transportation Act, as amended (49 U.S.C. §§ 1801 *et seq.*), the Resource Conservation and Recovery Act, as amended (42 U.S.C. §§ 9601 *et seq.*), and in the regulations adopted and publications promulgated pursuant thereto, or any other Federal, state or local environmental law, ordinance, rule, or regulation.

ARTICLE VI

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; ABATEMENT OF LEASE PAYMENTS

Section 6.1. Application of Net Proceeds.

(a) *From Insurance Award.* The Net Proceeds of any insurance award resulting from any damage to or destruction of the Property by fire or other casualty shall be paid by the City to the Trustee and shall be deposited in the Insurance and Condemnation Fund by the Trustee and applied as set forth in Section 5.08 of the Indenture.

(b) *From Eminent Domain Award.* If the Property or any portion thereof shall be taken permanently or temporarily under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Net Proceeds resulting therefrom shall be deposited in the Insurance and Condemnation Fund and applied as set forth in Section 5.08 of the Indenture.

(c) *From Title Insurance Award.* The Net Proceeds of any title insurance award shall be paid to the Trustee, deposited in the Insurance and Condemnation Fund and applied as set forth in Section 5.08 of the Indenture.

Section 6.2. Abatement of Lease Payments.

(a) *Abatement Due to Damage or Destruction of the Property; Non-Completion.* The Lease Payments shall be abated during any period in which by reason of damage to or destruction of the Property (other than by eminent domain which is hereinafter provided for) or non-completion of the Project there is substantial interference with the use and occupancy by the City of the Property or any portion thereof. The amount of such abatement shall be an amount agreed upon by the City and the Agency such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Property not damaged or destroyed or the portion of the Project completed and available for use and possession by the City. Such abatement shall continue for the period commencing with such damage or destruction or date of expiration of capitalized interest but prior to completion of the Project, and ending with the completion of the Project or the substantial completion of the work of repair or reconstruction or the date when the remaining portion of the Property is available for use and possession by the City. In the event of any such damage, destruction or non-completion, this Lease Agreement shall continue in full force and effect and the City waives any right to terminate this Lease Agreement by virtue of any such damage, destruction or non-completion. There shall be no abatement of the Lease Payments to the extent that moneys derived from any person as a result of such damage or destruction are available to pay the amount which would otherwise be abated or if there is any money available in the Revenue Fund or the Reserve Account to pay the amount which would otherwise be abated.

(b) *Abatement Due to Eminent Domain.* If all of the Property shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease Agreement shall cease with respect to the Property as of the day possession shall be so taken. If less than all of the Property shall be taken permanently, or if all of the Property or any part thereof shall be taken temporarily under the power of eminent domain, (a) this Lease Agreement shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (b) there shall be a partial abatement of Lease Payments in an amount to be agreed upon by the City and the Agency such that the resulting Lease Payments for the Property represent fair consideration for the use and occupancy of the remaining usable portion of the Property.

ARTICLE VII

DISCLAIMER OF WARRANTIES; ACCESS

Section 7.1. Disclaimer of Warranties. THE AGENCY MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE CITY OF THE PROPERTY, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE PROPERTY. IN NO EVENT SHALL THE AGENCY AND ITS ASSIGNS BE LIABLE FOR INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES IN CONNECTION WITH OR ARISING OUT OF THE SITE LEASE, THIS LEASE AGREEMENT OR THE INDENTURE FOR THE EXISTENCE, FURNISHING, FUNCTIONING OR THE CITY'S USE OF THE PROPERTY.

Section 7.2. Rights of Access. The City agrees that the Agency and any Authorized Representative of the Agency, and the Agency's successors or assigns, and Financial Guaranty, shall have the right at all reasonable times to enter upon and to examine and inspect the Property. The City further agrees that the Agency, any Authorized Representative of the Agency, and the Agency's successors or assigns, and Financial Guaranty, shall have such rights of access to the Property as may be reasonably necessary to cause the proper maintenance of the Property in the event of failure by the City to perform its obligations hereunder; provided, however, that the Agency's assigns shall not be required to cause such proper maintenance.

Section 7.3. Release and Indemnification Covenants. The City shall and hereby agrees to indemnify and save the Agency, the Trustee and their respective officers, agents, successors and assigns, harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on the Property by the City, (b) any breach or default on the part of the City in the performance of any of its obligations under this Lease Agreement, (c) any act or negligence of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Property, (d) any act or negligence of any lessee of the City with respect to the Property, or (e) the performance by the Trustee of its duties hereunder or under the Indenture. No indemnification is made under this Section 7.3 or elsewhere in this Lease Agreement for willful misconduct or negligence under this Lease Agreement by the Agency, the Trustee or any of their respective officers or employees. The indemnification hereunder shall survive removal or resignation of the Trustee, termination of this Lease Agreement or discharge of the Bonds.

ARTICLE VIII

ASSIGNMENT, LEASING AND AMENDMENT

Section 8.1. Assignment by the Agency. Certain rights of the Agency under this Lease Agreement, including the right to receive and enforce payment of the Lease Payments to be made by the City under this Lease Agreement, have been pledged and assigned to the Trustee for the benefit of the Owners of the Bonds pursuant to the Indenture, to which pledge and assignment the City hereby consents. The assignment of this Agreement to the Trustee is solely in its capacity as Trustee under the Indenture and the duties, powers and liabilities of the Trustee in acting hereunder shall be subject to the provisions of the Indenture, including, without limitation, the provisions of Article VIII thereof.

Section 8.2. Assignment and Subleasing by the City. This Lease Agreement may not be assigned by the City. The City may sublease the Property or any portion thereof, subject to, and delivery to the Agency of a certificate as to, all of the following conditions:

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

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

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

(d) The City shall furnish the Agency and the Trustee with a written opinion of Bond Counsel, stating that such sublease is permitted by this Lease Agreement and the Indenture, and will not cause the interest on the Bonds to become included in gross income for federal income tax purposes.

The requirements of this Section 8.2 shall not apply to any lease agreement, use agreement, permit, license or other instrument in which the City grants the right to use all or a portion of the Project for specified events on a limited number of dates in one or more calendar years, or in which the City grants the right to use a limited portion of the Project on an annual or multi-year basis (such as with respect to locker facilities or administrative offices of a team that plays home games in the Project on a limited number of dates).

Section 8.3. Amendment of Lease.

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

(i) The City shall file with the Agency and the Trustee an amended Exhibit A to the Site Lease which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(ii) The City shall file with the Agency and the Trustee an amended Exhibit A to this Lease Agreement which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(iii) The City shall file with the Agency and the Trustee an amended Exhibit B to the Site Lease which adds thereto a description of such Substitute Project and deletes therefrom the description of the Former Project;

(iv) The City shall file with the Agency and the Trustee an amended Exhibit B to this Lease Agreement which adds thereto a description of such Substitute Project and deletes therefrom the description of the Former Project;

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

(vi) The City delivers to the Trustee and the Agency evidence that the Substitute Site and/or Substitute Project (or the portions to be substituted) are of equal or greater value than the Site and/or Project (or the portions thereof) to be substituted then Outstanding principal component of Bonds;

(vii) The City shall certify the Substitute Site and/or Substitute Project shall not cause the City to violate any of its covenants, representations and warranties made herein;

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

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

(x) The City shall certify that the Substitute Site and/or the Substitute Project has a useful life equal to or longer than the remaining term of the Bonds; and

(xi) The City shall have received the prior written consent of Financial Guaranty to such substitution; and

(xii) The City shall provide notice of such substitution to any rating agency then rating the Bonds.

So long as the requirements set forth above are satisfied, any such substitution may be accomplished administratively and shall not require separate approval by the City Council.

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

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

(ii) The City shall file with the Agency and the Trustee an amended Exhibit A to this Lease Agreement which describes the Site, as revised by such release;

(iii) The City delivers to the Trustee and the Agency evidence that the Site, as revised by such release, together with the Project, has a total value at least equal to 1.25 times the principal amount of the Bonds then outstanding;

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

(v) The City shall have received the prior written consent of Financial Guaranty to such release; and

(vi) The City shall provide notice of such release to any rating agency then rating the Bonds.

So long as the requirements set forth above are satisfied, any such release may be accomplished administratively and shall not require separate approval by the City Council.

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

(i) The City shall file with the Agency and the Trustee an amended Exhibit B to the Site Lease which describes the Project, as revised by such release;

(ii) The City shall file with the Agency and the Trustee an amended Exhibit B to this Lease Agreement which describes the Project, as revised by such release;

(iii) The City delivers to the Trustee and the Agency evidence that the Project, as revised by such release, together with the Site, has a total value at least equal to 1.25 times the principal amount of the Bonds then outstanding;

(iv) The City shall have received the prior written consent of Financial Guaranty to such release; and

(v) The City shall provide notice of such release to any rating agency then rating the Bonds.

So long as the requirements set forth above are satisfied, any such release may be accomplished administratively and shall not require separate approval by the City Council.

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

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

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

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

ARTICLE IX

EVENTS OF DEFAULT; REMEDIES

Section 9.1. Events of Default Defined. The following shall be "Events of Default" under this Lease Agreement:

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

(b) Failure by the City to make any Additional Payment required hereunder and the continuation of such failure for a period of thirty (30) days.

(c) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clauses (a) or (b), for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Agency or the Trustee; provided, however, that if in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such sixty (60) day period, such failure shall not constitute an Event of Default if the City shall commence to cure such failure within such sixty (60) day period and thereafter diligently and in good faith shall cure such failure in a reasonable period of time.

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

Section 9.2. Remedies on Default. Whenever any Event of Default referred to in Section 9.1 shall have happened and be continuing, it shall be lawful for the Agency to exercise any and all remedies available pursuant to law or granted pursuant to this Lease Agreement; provided, however, that notwithstanding anything to the contrary herein or in the Indenture, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable or to terminate this Lease Agreement or to cause the fee interest or the leasehold interest of the City in the Property to be sold, assigned or otherwise alienated. Each and every covenant hereof to be kept and performed by the City is expressly made a condition and, upon the breach thereof, the Agency may exercise any and all rights of entry and re-entry upon the Property. The City hereby irrevocably consents to the Agency's repossession of the Property if such an Event of Default shall occur and consents to the Agency's re-letting of the Property for the account of the City. In the event of such default and notwithstanding any re-entry by the Agency, the City shall, as herein expressly provided, continue to remain liable for the payment of the Lease Payments and/or damages for breach of this Lease Agreement and the performance of all conditions herein contained and, in any event, such rent and/or damages shall be payable to the Agency at the time and in the manner as herein provided, to wit:

(a) The City agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions herein contained and shall reimburse the Agency for any deficiency arising out of the re-leasing of the Property, or, in the event the Agency is unable to re-lease the Property, then for the full amount of all Lease Payments to the end of the Term of the Lease Agreement, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments

hereunder, notwithstanding such entry or re-entry by the Agency or any suit in unlawful detainer, or otherwise, brought by the Agency for the purpose of effecting such re-entry or obtaining possession of the Property or the exercise of any other remedy by the Agency.

(b) The City hereby irrevocably appoints the Agency as the agent and attorney-in-fact of the City to enter upon and re-lease the Property in the event of default by the City in the performance of any covenants herein contained to be performed by the City and to remove all personal property whatsoever situated upon the Property to place such property in storage or other suitable place in San Joaquin County, for the account of and at the expense of the City, and the City hereby exempts and agrees to save harmless the Agency from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Property and the removal and storage of such property by the Agency or its duly authorized agents in accordance with the provisions herein contained.

(c) The City hereby waives any and all claims for damages caused or which may be caused by the Agency in re-entering and taking possession of the Property as herein provided and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the City that may be in or upon the Property.

(d) The City agrees that the terms of this Lease Agreement constitute full and sufficient notice of the right of the Agency to re-lease the Property in the event of such re-entry without effecting a surrender of this Lease Agreement, and further agrees that no acts of the Agency in effecting such re-leasing shall constitute a surrender or termination of this Lease Agreement irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise.

Section 9.3. Limitation on Remedies. Notwithstanding the foregoing provisions of Section 9.2, neither the Agency nor the Trustee shall exercise any remedies against the Property to the extent such remedies would generate funds which are not available to satisfy the obligations of this Lease Agreement or the Indenture.

Section 9.4. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Agency is intended to be exclusive and every such remedy shall be cumulative and shall, except as herein expressly provided to the contrary, be in addition to every other remedy given under this Lease Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Agency to exercise any remedy reserved to it in this Article IX it shall not be necessary to give any notice, other than such notice as may be required in this Article IX or by law.

Section 9.5. Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Lease Agreement should default under any of the provisions hereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

Section 9.6. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Lease Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 9.7. Trustee and Bond Owners to Exercise Rights. Such rights and remedies as are given to the Agency under this Article IX have been assigned by the Agency to the Trustee under the Indenture, to which assignment the City hereby consents. Such rights and remedies shall be exercised by the Trustee and the Owners of the Bonds as provided in the Indenture. The Trustee shall be considered a third party beneficiary for enforcing its rights under this Lease Agreement.

ARTICLE X

MISCELLANEOUS

Section 10.1. Notices. All written notices to be given under this Lease Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, confirmed by telephone, (b) upon receipt after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt.

| | |
|-------------------|--|
| If to the Agency: | Redevelopment Agency of the City of Stockton 425 North El Dorado Street Stockton, CA 95202-1997 Attention: Executive Director Phone: (209) 937-8212 Fax: (209) 937-7149 |
|-------------------|--|

| | |
|-----------------|--|
| If to the City: | City of Stockton 425 North El Dorado Street Stockton, CA 95202-1997 Attention: City Manager Phone: (209) 937-8212 Fax: (209) 937-7149 |
|-----------------|--|

| | |
|--------------------|--|
| If to the Trustee: | Wells Fargo Bank, National Association 555 Montgomery Street, 10th Floor San Francisco CA 94111 Attention: Corporate Trust, MAC A0167-102 Phone: (415) 222-2868 Fax: (415) 395-9064 |
|--------------------|--|

| | |
|---------------------------|---|
| If to Financial Guaranty: | Financial Guaranty Insurance Company 125 Park Avenue New York, NY 10017 Attention: Risk Management |
|---------------------------|---|

| | |
|---|--|
| With a copy to: Financial Guaranty's Fiscal Agent | U.S. Bank Trust National Association 100 Wall Street, 19th Floor New York, NY 10005 Attention: Corporate Trust Department |
|---|--|

The Agency, the City, Financial Guaranty or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

Section 10.2. Information to be Given to Financial Guaranty. The City shall provide Financial Guaranty with the following information:

(a) Within 120 days after the end of each Fiscal Year, the budget for the succeeding year, annual audited financial statements, and a statement of the amount on deposit in the Reserve Account as of the last valuation;

(b) The official statement or other disclosure document, if any, prepared in connection with the issuance of additional debt, whether or not it is on parity with the Lease Agreement;

(c) certification or other evidence satisfactory to Financial Guaranty that construction on the Project is complete and that the premises are ready for use and occupancy;

(d) Any partial or full abatement of the Lease Payment; and

(e) such other information as Financial Guaranty may reasonably request from time to time.

Section 10.3. Binding Effect. This Lease Agreement shall inure to the benefit of and shall be binding upon the Agency and the City and their respective successors and assigns.

Section 10.4. Severability. In the event any provision of this Lease Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 10.5. Net-net-net Lease. This Lease Agreement shall be deemed and construed to be a "net-net-net lease" and the City hereby agrees that the Lease Payments shall be an absolute net return to the Agency, free and clear of any expenses, charges or set-offs whatsoever.

Section 10.6. Further Assurances and Corrective Instruments. The Agency and the City agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Property hereby leased or intended so to be or for carrying out the expressed intention of this Lease Agreement.

Section 10.7. Execution in Counterparts. This Lease Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 10.8. Applicable Law. This Lease Agreement shall be governed by and construed in accordance with the laws of the State.

Section 10.9. Authorized Representatives. Whenever under the provisions of this Lease Agreement the approval of the Agency or the City is required, or the Agency or the City is required to take some action at the request of the other, such approval or such request shall be given for the Agency by an Authorized Representative of the Agency and for the City by an Authorized Representative of the City, and any party hereto shall be authorized to rely upon any such approval or request.

Section 10.10. Waiver of Personal Liability. All liabilities under this Lease Agreement on the part of the City are solely liabilities of the City and the Agency hereby releases each and every member, director, officer, employee and agent of the City of and from any personal or individual liability under this Lease Agreement. No member, director, officer, employee or agent of the City shall at any time or under any circumstances be individually or personally liable under this Lease Agreement for anything done or omitted to be done by the City hereunder.

Section 10.11. Limitation of Rights to Parties and Bond Owners. Nothing in this Lease Agreement expressed or implied is intended or shall be construed to give to any person other than the Agency, the Trustee, the City, the Agency, Financial Guaranty and the Owners of the

Bonds, any legal or equitable right, remedy or claim under or in respect of this Lease Agreement or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Agency, the Trustee, the City, the Agency, Financial Guaranty and the Owners of the Bond.

Section 10.12. Captions. The captions or headings in this Lease Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Lease Agreement.

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

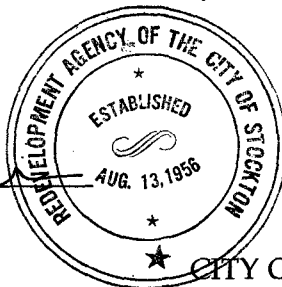
REDEVELOPMENT AGENCY OF THE
CITY OF STOCKTON, as Lessor

By

Mark E. Lewis, Esq.,
Executive Director

Attest:

Katherine Gong Meissner,
Secretary



CITY OF STOCKTON, as Lessee

By

Mark E. Lewis, Esq.,
City Manager

Attest:

Katherine Gong Meissner,
City Clerk



EXHIBIT A

DESCRIPTION OF THE SITE

All that certain real property situate in the City of Stockton, County of San Joaquin, State of California, described as follows:

Parcel 4, as shown on that Parcel Map filed for record in the office of the Recorder of the County of San Joaquin, State of California, on March 4, 2003, in Book 23 of Maps, page 15.

EXHIBIT B

DESCRIPTION OF THE PROJECT

The Project consists of the arena component, consisting of approximately 220,000 square feet of space, including media facilities, food services, a playing field, officials' facilities and various support facilities for minor league ice hockey, indoor football, indoor soccer, concerts and other events, of a multi-faceted project to include a baseball stadium with a seating capacity of approximately 5,000, an indoor arena with a seating capacity of approximately 10,000, a 150-unit hotel complex and approximately 60,000 square feet of retail/ commercial space.

EXHIBIT C
SCHEDULE OF LEASE PAYMENTS

| <u>Lease Payment Date</u> | <u>Principal Component</u> | <u>Interest Component</u> | <u>Total Lease Payment</u> |
|-----------------------------------|--------------------------------|-------------------------------|------------------------------------|
| 08/25/04 | — | \$ 927,964.01 | \$ 927,964.01 |
| 02/25/05 | — | 1,077,635.63 | 1,077,635.63 |
| 08/25/05 | — | 1,077,635.63 | 1,077,635.63 |
| 02/25/06 | — | 1,077,635.63 | 1,077,635.63 |
| 08/25/06 | — | 1,077,635.63 | 1,077,635.63 |
| 02/25/07 | — | 1,077,635.63 | 1,077,635.63 |
| 08/25/07 | \$ 175,000 | 1,077,635.63 | 1,252,635.63 |
| 02/25/08 | — | 1,075,885.63 | 1,075,885.63 |
| 08/25/08 | 225,000 | 1,075,885.63 | 1,300,885.63 |
| 02/25/09 | — | 1,073,635.63 | 1,073,635.63 |
| 08/25/09 | 280,000 | 1,073,635.63 | 1,353,635.63 |
| 02/25/10 | — | 1,070,485.63 | 1,070,485.63 |
| 08/25/10 | 335,000 | 1,070,485.63 | 1,405,485.63 |
| 02/25/11 | — | 1,066,298.13 | 1,066,298.13 |
| 08/25/11 | 395,000 | 1,066,298.13 | 1,461,298.13 |
| 02/25/12 | — | 1,061,113.75 | 1,061,113.75 |
| 08/25/12 | 455,000 | 1,061,113.75 | 1,516,113.75 |
| 02/25/13 | — | 1,054,573.13 | 1,054,573.13 |
| 08/25/13 | 520,000 | 1,054,573.13 | 1,574,573.13 |
| 02/25/14 | — | 1,046,773.13 | 1,046,773.13 |
| 08/25/14 | 590,000 | 1,046,773.13 | 1,636,773.13 |
| 02/25/15 | — | 1,036,448.13 | 1,036,448.13 |
| 08/25/15 | 665,000 | 1,036,448.13 | 1,701,448.13 |
| 02/25/16 | — | 1,025,226.25 | 1,025,226.25 |
| 08/25/16 | 745,000 | 1,025,226.25 | 1,770,226.25 |
| 02/25/17 | — | 1,011,257.50 | 1,011,257.50 |
| 08/25/17 | 830,000 | 1,011,257.50 | 1,841,257.50 |
| 02/25/18 | — | 996,317.50 | 996,317.50 |
| 08/25/18 | 920,000 | 996,317.50 | 1,916,317.50 |
| 02/25/19 | — | 979,297.50 | 979,297.50 |
| 08/25/19 | 1,015,000 | 979,297.50 | 1,994,297.50 |
| 02/25/20 | — | 960,012.50 | 960,012.50 |
| 08/25/20 | 1,115,000 | 960,012.50 | 2,075,012.50 |
| 02/25/21 | — | 937,712.50 | 937,712.50 |
| 08/25/21 | 1,220,000 | 937,712.50 | 2,157,712.50 |
| 02/25/22 | — | 913,312.50 | 913,312.50 |
| 08/25/22 | 1,335,000 | 913,312.50 | 2,248,312.50 |
| 02/25/23 | — | 885,778.13 | 885,778.13 |
| 08/25/23 | 1,455,000 | 885,778.13 | 2,340,778.13 |
| 02/25/24 | — | 855,768.75 | 855,768.75 |
| 08/25/24 | 1,580,000 | 855,768.75 | 2,435,768.75 |
| 02/25/25 | — | 822,193.75 | 822,193.75 |
| 08/25/25 | 1,715,000 | 822,193.75 | 2,537,193.75 |
| 02/25/26 | — | 785,750.00 | 785,750.00 |
| 08/25/26 | 1,865,000 | 785,750.00 | 2,650,750.00 |
| 02/25/27 | — | 739,125.00 | 739,125.00 |
| 08/25/27 | 2,030,000 | 739,125.00 | 2,769,125.00 |
| 02/25/28 | — | 688,375.00 | 688,375.00 |
| 08/25/28 | 2,205,000 | 688,375.00 | 2,893,375.00 |
| 02/25/29 | — | 633,250.00 | 633,250.00 |
| 08/25/29 | 2,395,000 | 633,250.00 | 3,028,250.00 |

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| 02/25/30 | — | 573,375.00 | 573,375.00 |
| 08/25/30 | 2,590,000 | 573,375.00 | 3,163,375.00 |
| 02/25/31 | — | 508,625.00 | 508,625.00 |
| 08/25/31 | 2,795,000 | 508,625.00 | 3,303,625.00 |
| 02/25/32 | — | 438,750.00 | 438,750.00 |
| 08/25/32 | 3,015,000 | 438,750.00 | 3,453,750.00 |
| 02/25/33 | — | 363,375.00 | 363,375.00 |
| 08/25/33 | 3,250,000 | 363,375.00 | 3,613,375.00 |
| 02/25/34 | — | 282,125.00 | 282,125.00 |
| 08/25/34 | 3,495,000 | 282,125.00 | 3,777,125.00 |
| 02/25/35 | — | 194,750.00 | 194,750.00 |
| 08/25/35 | 3,755,000 | 194,750.00 | 3,949,750.00 |
| 02/25/36 | — | 100,875.00 | 100,875.00 |
| 08/25/36 | 4,035,000 | 100,875.00 | 4,135,875.00 |