
PROPERTY LEASE

By and Between the

**CARSON PUBLIC FINANCING AUTHORITY,
as Lessor**

and the

**CITY OF CARSON,
as Lessee**

Dated as of August 1, 2024

Relating to

**\$ _____
CARSON PUBLIC FINANCING AUTHORITY
2024 Lease Revenue Bonds**

TABLE OF CONTENTS

ARTICLE I	
DEFINITIONS	
Section 1.01. Definitions	2
ARTICLE II	
LEASE OF LEASED PROPERTY; TERM	
Section 2.01. Lease of Leased Property	5
Section 2.02. Term	5
Section 2.03. No Merger	5
ARTICLE III	
RENTAL PAYMENTS	
Section 3.01. Base Rental.....	6
Section 3.02. Additional Rental.....	6
Section 3.03. Fair Rental Value.....	7
Section 3.04. Payment Provisions.....	7
Section 3.05. Appropriations Covenant.....	7
Section 3.06. Rental Abatement.....	8
Section 3.07. Application of Rental Payments.....	8
Section 3.08. Prepayment of Rental Payments.....	8
Section 3.09. Governmental Relief.....	9
Section 3.10. No Obligation to Pay Rent for Future Years.....	9
ARTICLE IV	
TITLE TO THE LEASED PROPERTY;	
Section 4.01. Title to the Leased Property.....	10
Section 4.02. Reserved.....	Error! Bookmark not defined.
ARTICLE V	
MAINTENANCE OF THE LEASED PROPERTY; ALTERATIONS AND ADDITIONS	
Section 5.01. Maintenance and Utilities.....	11
Section 5.02. Changes to the Leased Property.....	11
ARTICLE VI	
INSURANCE	
Section 6.01. General Liability and Automobile Liability Insurance.....	12
Section 6.02. Property Insurance.....	12
Section 6.03. Rental Income Interruption Insurance.....	12
Section 6.04. Insurance Proceeds; Forms of Policies.....	12
Section 6.05. Additional Provisions Relating to Insurance.....	12
Section 6.06. Alternative Risk Management Programs; Additional Insurance.....	13
ARTICLE VII	
DEFAULTS AND REMEDIES	
Section 7.01. Defaults and Remedies.....	14
Section 7.02. Waiver.....	17
ARTICLE VIII	
EMINENT DOMAIN	
Section 8.01. Eminent Domain	18
ARTICLE IX	
COVENANTS	
Section 9.01. Right of Entry	19
Section 9.02. Liens.....	19
Section 9.03. Quiet Enjoyment	19
Section 9.04. Authority Not Liable.....	19
Section 9.05. Prohibition Against Encumbrance or Sale	19
Section 9.06. Assignment	19

Section 9.07. Tax Covenants	20
Section 9.08. Nondiscrimination	20
Section 9.09. Continuing Disclosure	21
ARTICLE X	
DISCLAIMER OF WARRANTIES; USE OF THE LEASED PROPERTY	
Section 10.01. Disclaimer of Warranties	22
Section 10.02. Use of the Leased Property	22
ARTICLE XI	
ASSIGNMENT AND INDEMNIFICATION	
Section 11.01. Assignment by Authority	23
Section 11.02. Indemnification	23
ARTICLE XII	
SUBSTITUTION, RELEASE AND ADDITION OF LEASED PROPERTY	
Section 12.01. Substitution of Leased Property	24
Section 12.02. Release of Leased Property	25
Section 12.03. Addition of Leased Property	25
Section 12.04. Amendment of Site Lease	26
ARTICLE XIII	
DISCHARGE OF OBLIGATIONS	
Section 13.01. Discharge of Obligations	27
ARTICLE XIV	
MISCELLANEOUS	
Section 14.01. Law Governing	28
Section 14.02. Notices	28
Section 14.03. Validity and Severability	28
Section 14.04. Net Lease	28
Section 14.05. Taxes	28
Section 14.06. Article and Section Headings	29
Section 14.07. Execution	29
Section 14.08. Third Party Beneficiary	29
Section 14.09. Amendment	29
Exhibit A - Description of the Site	
Exhibit B - Base Rental Payment Schedule	
Exhibit C – Provisions Relating to Bond Insurance Policy	

PROPERTY LEASE

THIS PROPERTY LEASE (this "Property Lease"), made and entered into as of August 1, 2024, by and between the CARSON PUBLIC FINANCING AUTHORITY, a joint powers agency, duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), and the CITY OF CARSON, a municipal corporation, duly organized and existing under and by virtue of the laws of the State of California (the "City").

RECITALS

WHEREAS, in order to finance certain capital improvement projects, the City wishes to lease to the Authority certain real property and the improvements thereon (the "Leased Property"), which Leased Property is described in Exhibit A hereto and incorporated herein by reference, pursuant to the Site and Facilities Lease dated as of August 1, 2024 (the "Site Lease"), which is being recorded concurrently herewith, between the City, as lessor, and the Authority, as lessee; and

WHEREAS, the Leased Property initially is comprised of the _____; and

WHEREAS, in order to obtain the necessary funds to lease the Leased Property from the City pursuant to the Site Lease and, thereby provide to the City, the Authority will issue its Carson Public Financing Authority 2024 Lease Revenue Bonds (the "2024 Bonds"), pursuant to an Indenture, dated as of August 1, 2024 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee, which Indenture is evidenced by a Memorandum of Indenture recorded concurrently herewith and the provisions provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Government Code Sections 6584 *et seq.* (the "Law"); and

WHEREAS, pursuant to this Property Lease, the Authority will lease the Leased Property back to the City; and

WHEREAS, the Authority will use Base Rental (as defined in this Property Lease) payments received from the City to pay debt service on the 2024 Bonds and, if applicable, Additional Bonds; and

WHEREAS, the City has found and determined that the issuance of the 2024 Bonds and the execution of this Property Lease will result in significant public benefits to the City within the contemplation of Section 6586 of the California Government Code; and

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

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter contained, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

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

“Addition” shall have the meaning assigned to such term in Section 12.03 hereof.

“Additional Bonds” means Additional Bonds issued in accordance with Sections 2.14 and 2.15 of the Indenture.

“Additional Rental” means all amounts payable to the Authority from the City as Additional Rental pursuant to Section 3.02 hereof.

“Agreement” shall mean the Joint Exercise of Powers Agreement, dated as of ____, by and between the City of Carson and the Carson Housing Authority, together with any amendments thereof and supplements thereto.

“Base Rental” means all amounts payable to the Authority by the City as Base Rental pursuant to Section 3.01 hereof.

“Base Rental Payment Date” means any date on which Base Rental is scheduled to be paid hereunder, being [April 15 and October 15] of each year, commencing on October 15, 2024 (subject to the provisions of Section 3.06 hereof).

“Base Rental Payment Schedule” means the schedule of Base Rental payments payable to the Authority from the City pursuant to Section 3.01 hereof, as set forth in Exhibit B.

“Bonds” means the 2024 Bonds and any Additional Bonds.

“Business Day” means any day of the year other than (i) a Saturday, (ii) a Sunday, (iii) a day on which banks located in the city in which either the Corporate Trust Office of the Trustee is located or required or authorized by law to be closed or (iv) a day on which the New York Stock Exchange or payment system of the Federal Reserve System is not operational.

“City” means the City of Carson, a municipal corporation duly organized and existing under and the laws and the Constitution of the State of California.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“County” means the County of San Bernardino.

“Facilities” means the improvements located on the Site.

“Indenture” means the Indenture dated as of August 1, 2024, by and between the Authority and the Trustee authorizing the issuance of the 2024 Bonds, as it may from time to time be amended or supplemented by any supplemental trust agreement adopted or entered into pursuant to the provisions thereof.

“Interest Payment Date” means December 1 and June 1 of each year, commencing on December 1, 2024.

“Lease Year” means the period from the date of the issuance and delivery of the 2024 Bonds to June 1, 2025, and, thereafter, the period from each June 2 to and including June 1 of the next succeeding calendar year during the term of this Property Lease.

“Leased Property” means the Site and the Facilities.

“Opinion of Bond Counsel” means a written opinion of an attorney-at-law, or a firm of such attorneys, of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

“Owner” means the registered owner of any of the Bonds.

“Permitted Encumbrances” means, as of any particular time: (i) liens for general ad valorem taxes and assessments, if any, not then delinquent; (ii) the Site Lease and the Property Lease; (iii) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (iv) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of initial delivery of the Bonds and which the City certifies in writing will not materially impair the use of the Leased Property by the City; (v) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Leased Property and to which the Authority and the City consent in writing and which do not materially impair the use or the value of the Leased Property; and (vi) the exceptions listed in title insurance policies issued by _____ with respect to the Leased Property on the date of issuance of the 2024 Bonds.

“Principal Payment Date” means each June 1 on which the principal of the Bonds is scheduled to be paid, commencing June 1, 2025.

“Property Lease” means this lease, as it may be amended in accordance with the terms hereof.

“Risk Manager” means such person or firm of favorable reputation, qualified and experienced in the field of insurance and risk management consultation with respect to structures of the same nature as the Facilities, as may from time to time be designated by the City, and who may be employed by the City.

“Site” means the real properties described in Exhibit A attached hereto and made a part hereof, and, as appropriate, any site relating to Substitute Leased Property.

“Site Lease” means the Site and Facilities Lease dated as of August 1, 2024, between the City, as lessor, and the Authority, as lessee, as it may be amended in accordance with the terms thereof.

“Substitute Leased Property” means any and all real property and the improvements thereon in the City and all additions and extensions or improvements thereto that are hereafter described as Substitute Leased Property by an amendment to this Property Lease as provided herein, including any property constituting Leased Property prior to such amendment that will remain subject to this Property Lease after the Substitution.

“Substitution” means the release of the Leased Property or any portion thereof from the leasehold hereof and the lease of a Substitute Leased Property hereunder as provided in Article XII.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., as trustee under the Indenture.

“2024 Bonds” means the Carson Public Financing Authority 2024 Lease Revenue Bonds.

ARTICLE II

LEASE OF LEASED PROPERTY; TERM

Section 2.01. Lease of Leased Property. The Authority hereby leases to the City, and the City hereby leases from the Authority, the Leased Property on the terms and conditions set forth in this Property Lease. The City hereby agrees and covenants that during the term hereof, except as hereinafter provided, it will use the Leased Property for public purposes, subject to and consistent with all agreements and leases with respect thereto theretofore entered into it, so as to afford the public the benefits contemplated hereby and so as to permit the Authority to carry out its agreements and covenants contained herein and therein and in the Indenture, and the City hereby further agrees and covenants that during the term hereof that it will not abandon or vacate the Leased Property. The Authority and the City are entering into this Property Lease in order to fund .

Section 2.02. Term. The term hereof shall commence on the date of recordation hereof, and shall end on June 1, ____ or, if Additional Bonds have been issued under the Indenture, the last day that precedes the final maturity of Additional Bonds (if later than June 1, ____). If on June 1, ____, or on such later date determined pursuant to the preceding sentence, the Indenture shall not be discharged by its terms, then the term of the Property Lease shall be extended until the Indenture shall be discharged by its terms, except that the term of the Property Lease shall in no event be extended beyond the date that is ten (10) years after such later date determined pursuant to the preceding sentence. If prior to June 1, ____, or such later date the Indenture shall be discharged by its terms, then the term of the Property Lease shall automatically terminate at the same time as the Indenture is discharged.

Section 2.03. No Merger. It is the express intention of the Authority and the City that this Property Lease and the obligations of the parties hereunder are separate and distinct from the Site Lease and the obligations of the parties thereunder, and that during the term of the Site Lease and this Property Lease no merger of title or interest may occur or be deemed to occur as a result of the respective positions of the Authority and the City thereunder and hereunder.

ARTICLE III

RENTAL PAYMENTS

Section 3.01. Base Rental. The City shall pay to the Authority as Base Rental for the use and occupancy of the Leased Property (subject to the provisions of Sections 2.02, 3.03, 3.06 and 8.01 of this Property Lease) the amounts at the times specified in and in accordance with the Base Rental Payment Schedule set forth in Exhibit B. Base Rental shall be payable on each Base Rental Payment Date during the term of this Property Lease. Base Rental shall be for the use and occupancy of the Leased Property for the Lease Year in which such April 15 and October 15 occurs, provided that the Base Rental paid on any April 15 or October 15 shall only be for that portion of the applicable period that the City has use and occupancy of all or a portion of the Leased Property. If the term of this Property Lease is extended pursuant to Section 2.02 hereof, the payments of Base Rental will continue to and including such time as this Property Lease terminates in accordance with Section 2.02 hereof.

The City shall provide written notice to the Trustee at least ten (10) Business Days prior to any Base Rental Payment Date upon which the City expects to be unable to pay all or any portion of the Base Rental payment due on such Base Rental Payment Date, informing the Trustee of such expectation.

The City shall receive a credit for any Base Rental payment if and to the extent a credit is due to the City pursuant to the last sentence of Section 3.04 hereof. Any amount held in the Revenue Fund, the Interest Fund and the Principal Fund on any Base Rental Payment Date (other than amounts resulting from the prepayment of the Base Rental payments in part but not in whole under this Article III and other than amounts required for payment of past due principal or interest on any Bonds not presented for payment) shall be credited towards the Base Rental payment then required to be paid hereunder; and no Base Rental payment need be deposited with the Trustee on any Base Rental Payment Date if the amounts then held in the Revenue Fund, the Interest Fund and the Principal Fund are at least equal to the Base Rental payment then required to be deposited with the Trustee.

Section 3.02. Additional Rental. The City shall also pay to the Authority (but only after payment of Base Rental), as Additional Rental hereunder such amounts as shall be required by the Authority for the payment of the following:

(a) All taxes, assessments or governmental charges of any type or nature charged to the Authority or affecting the Leased Property or the respective interests or estates of the Authority or the City therein, or affecting the amount available to the Authority from rentals received hereunder for the retirement of the Bonds (including taxes, assessments or governmental charges assessed or levied by any governmental agency or district having power to levy taxes, assessments or governmental charges). In addition, the amounts described in the final sentence of Section 14.05 shall constitute Additional Rental.

(b) To the extent permitted by law, all reasonable administrative costs of the Authority relating to the Leased Property including, but without limiting the generality of the foregoing, salaries, wages, all expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply

with the terms of the Bonds or of the Indenture or to defend the Authority and its members, officers, agents and employees.

(c) Insurance premiums for all insurance required pursuant to Article VI of this Property Lease and not obtained by the City.

(d) Amounts, if any, required to be rebated by the Authority to the United States of America pursuant to Section 6.20 of the Indenture.

Such Additional Rental shall be billed to the City by the Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been paid by the Authority or by the Trustee on behalf of the Authority, for one or more of the items above described, or that such amount is then payable by the Authority or the Trustee for such items. Amounts so billed shall be paid by the City within sixty (60) days after receipt of the bill by the City.

Section 3.03. Fair Rental Value. Such payments of the foregoing Base Rental and Additional Rental during the term of this Property Lease shall constitute the total rental for the City's use and occupancy of the Leased Property for the Lease Year in which such payments are scheduled to be made, and the parties hereto have agreed and determined that such total rental represents the fair rental value of the Leased Property. In making such determination, consideration has been given to the costs of financing and leasing of the Leased Property by the Authority, the uses and purposes which may be served by the Leased Property, and the benefits which will accrue to the Authority, the City and the general public therefrom.

Notwithstanding any other provision of this Property Lease, in the event that rental payments due hereunder shall be abated partially for any period of time, the rental payments due for such period of time shall not exceed the fair rental value of that portion of the Leased Property available for use and occupancy by the City during such period of time.

Section 3.04. Payment Provisions. Each installment of Base Rental and Additional Rental payable hereunder shall be paid in lawful money of the United States of America to or upon the order of the Authority at the principal corporate trust office of the Trustee in Los Angeles, California, or such other place as the Authority shall designate. Except as otherwise provided herein or in the Indenture, any installment of Base Rental or Additional Rental accruing hereunder which shall not be paid when due shall, from and after such due date until paid, bear interest at the highest interest rate on any outstanding Bond or such lesser rate as may be permitted by law. Notwithstanding any dispute between the Authority and the City, the City shall make all rental payments when due without deduction or offset of any kind and shall not withhold any rental payments pending the final resolution of such dispute. In the event of a determination that the City was not liable for said rental payments or any portion thereof, said payments or excess of payments, as the case may be, shall be credited against subsequent rental payments due hereunder or, at the City's option, refunded at the time of such determination.

Section 3.05. Appropriations Covenant. The City covenants to take such action as may be necessary to include all Base Rental payments and Additional Rental due hereunder in its annual budgets and to make necessary annual appropriations for all such rental payments. 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 Property Lease agreed to be carried out and performed by the City.

Section 3.06. Rental Abatement.

During any period in which by reason of material damage to or destruction of the Leased Property, or condemnation of or defects in the title of the Leased Property, there is substantial interference with the use and occupancy by the City of any portion of the Leased Property, or the City is otherwise not able to use or enjoy the benefit of the Leased Property, rental payments due hereunder shall be abated proportionately, and the City waives the benefits of Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate the Property Lease by virtue of any such interference or lack of use and the Property Lease shall continue in full force and effect. Subject to Section 3.03 hereof, in the case of abatement relating to the Leased Property, the amount of abatement shall be in that proportion which the value of that portion of the Leased Property rendered unusable bears to the value of the whole of the Leased Property. The City shall calculate such abatement and shall provide the Authority and the Trustee with a certificate setting forth such calculation and the basis therefor. Such abatement shall continue for the period commencing with the date on which there is substantial interference with the use and occupancy by the City of the Leased Property and ending with the substantial completion of the work of repair or replacement of the Leased Property so damaged or destroyed; and the term of this Property Lease shall be extended by the period during which the rental is abated hereunder, except that the term shall in no event be extended beyond the term set forth in Section 2.02 hereof. Notwithstanding the foregoing, the City will still be obligated to apply amounts legally available to the City for payments due hereunder, including without limitation, amounts available pursuant to Section 5.02 of the Indenture (including all subsections thereof), amounts available from any capitalized interest account, any debt service reserve fund maintained under the Indenture and the Surplus Revenue Fund (as defined in the Indenture), and amounts available under Sections 6.13 and 6.17 of the Indenture.

Section 3.07. Application of Rental Payments. All rental payments received shall be applied first to the Base Rental payments due hereunder, and then to the Additional Rental payments due hereunder, but no such application of any payments which are less than the total rental due and owing shall be deemed a waiver of any default hereunder.

Section 3.08. Prepayment of Rental Payments.

(a) The City may prepay, from eminent domain proceeds or net insurance proceeds received by it, all or any portion of the Base Rental payments then unpaid, in whole on any date, or in part on any date in amounts which result in Bonds being redeemed in integral multiples of five thousand dollars (\$5,000) so that the aggregate annual amount of Bonds maturing in each year after such prepayment date shall each be in an integral multiple of five thousand dollars (\$5,000), at a prepayment price equal to the sum of the principal components prepaid plus accrued interest thereon to the date of prepayment. Such prepayment shall be apportioned among Base Rental payments such that Bonds will be redeemed on a proportionate basis among maturities.

(b) The City may optionally prepay the Base Rental payments in whole or in part on any date, in amounts which result in Bonds being redeemed in integral multiples of five thousand dollars (\$5,000) so that the aggregate annual amount of Bonds maturing in each year after such prepayment date shall each be in an integral multiple of five thousand dollars (\$5,000), at a prepayment price equal to the sum of the principal components prepaid plus accrued interest thereon to the date of prepayment. Such prepayment shall be apportioned among Base Rental payments such that Bonds will be redeemed on a proportionate basis among maturities.

Before making any prepayment pursuant to this Section, the City shall give written notice to the Authority and the Trustee specifying the date on which the prepayment will be made, which date shall be not less than forty-five (45) days from the date such notice is given.

The Authority and the City hereby agree that any prepayment in part under this Section and the redemption of any Bonds by the Authority pursuant to Section 2.03(b) of the Indenture shall be credited towards the City's obligations hereunder at the option of the City in any manner determined in writing delivered to the Trustee by the City. A prepayment made pursuant to this Section shall not cause a defeasance of any Bonds unless the requirements of Section 8.03 of the Indenture are satisfied.

In the event of prepayment in full of the Principal Component of all Base Rental Payments, such that this Lease shall be terminated by its terms as provided in Section 2, all amounts then on deposit under the Indenture which are to be credited to the City's obligations to make Base Rental Payments shall be credited towards the amounts then required to be so prepaid.

(c) Before making any prepayment pursuant to this section, the City shall, within five (5) Business Days following the event creating such right or obligation to prepay, give written notice to the Authority and the Trustee describing such event and specifying the amount of the prepayment and the date on which the prepayment will be made, which date shall be not less than forty-five (45) nor more than sixty (60) days from the date such notice is given.

(d) In connection with any prepayment of Base Rental payments, the City and the Authority shall amend the schedules of remaining Base Rental payments attached to this Property Lease as Exhibit B.

Section 3.09. Governmental Relief. The Authority and the City hereby covenant that they will each use their best efforts to appropriate funds and apply for any grants, loans or other relief available from the State or federal government in order to obtain amounts necessary to rebuild any portion of the Leased Property destroyed or damaged in connection with an uninsured or underinsured calamity causing destruction or damage.

Section 3.10. No Obligation to Pay Rent for Future Years. Notwithstanding any other provision of this Property Lease, the City shall in no event be obligated to pay rental due hereunder in any Lease Year for any succeeding Lease Year.

ARTICLE IV

TITLE TO THE LEASED PROPERTY

Section 4.01. Title to the Leased Property. During the term of the Property Lease, the Authority shall hold a leasehold interest in the Leased Property pursuant to the Site Lease. Title to all moveable property that is placed in or about the Leased Property by the City during the term of the Property Lease shall remain in the City during the term of the Property Lease.

The Authority's interest in and title to the Leased Property shall be transferred, conveyed and assigned to and become vested in the City and the Property Lease shall terminate with respect thereto at the end of the term hereof, upon payment in full of all rental payments due hereunder pertaining to the Leased Property, and the Authority will execute and deliver such conveyances, registration documents and other instruments as may be necessary to effect such vesting of record.

ARTICLE V

MAINTENANCE OF THE LEASED PROPERTY; ALTERATIONS AND ADDITIONS

Section 5.01. Maintenance and Utilities. Throughout the term of this Property Lease, as part of the consideration for rental of the Leased Property, all improvement, repair and maintenance of the Leased 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 Leased Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, ventilation, air conditioning, water, sewer and all other utility services, and shall pay for or otherwise arrange for payment of the cost of the repair and replacement of the Leased Property resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof. In exchange for the rental payments herein provided, the Authority agrees to provide only the use, possession and quiet enjoyment of the Leased Property.

Section 5.02. Changes to the Leased Property. The City shall have the right during the term of this Property Lease to make additions, alterations or improvements or to attach fixtures, structures or signs to the Leased Property if said additions, alterations, improvements, fixtures, structures and signs are necessary or beneficial for the use of the Leased Property by the City. The City may remove any fixture, structure or sign added by the City, but such removal shall be accomplished so as to leave the Leased Property in substantially the same condition as it was in before the fixture, structure or sign was attached.

ARTICLE VI

INSURANCE

Section 6.01. General Liability and Automobile Liability Insurance. The City shall maintain or cause to be maintained, throughout the term of this Property Lease, general liability insurance naming the Authority, its members, officers, agents and employees, the Trustee and the City and its officers, agents and employees as insured parties. Said policy or policies shall insure said parties against liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the City deems adequate and prudent.

Section 6.02. Property Insurance.

(a) Throughout the term of this Property Lease, the City shall maintain or cause to be maintained fire and lightning (i.e., property) insurance [(with an extended coverage endorsement and with a vandalism and malicious mischief endorsement)] on all structures constituting any part of the Leased Property in an amount equal to the lesser of (i) one hundred percent (100%) of the replacement cost of such structures or (ii) an amount equal to the then principal amount of the Outstanding Bonds. Such insurance may be subject to such deductibles as the City deems adequate and prudent. Said extended coverage endorsement shall, as nearly as possible, cover loss or damage by such events as explosion, windstorm, hail, riot, civil commotion, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such endorsement, and shall include earthquake coverage if available at reasonable cost from reputable insurers in the judgment of the City.

(b) The City shall provide, or cause to be provided by the Authority, the title insurance required by Section 6.13(b) of the Indenture.

(c) Each policy of insurance described in this Section 6.02 shall contain a replacement cost endorsement providing for no deduction for depreciation.

Section 6.03. Rental Income Interruption Insurance. The City shall maintain or cause to be maintained, throughout the term of this Property Lease, rental income interruption insurance in an amount not less than the maximum total Base Rental payable by the City pursuant to this Property Lease during any consecutive twenty-four (24) month period, to insure against loss of rental income from the Leased Property caused by perils covered by the insurance required by Section 6.02 of this Property Lease.

Section 6.04. Insurance Proceeds; Forms of Policies. So long as any of the Bonds remain outstanding, all policies of insurance required by Sections 6.02 and 6.03 hereof shall provide that all proceeds thereunder shall be payable to the Trustee, and all amounts so paid to the Trustee shall be applied as provided in the Indenture. Following payment in full of all rental payable hereunder, or provision therefor made, all such proceeds of insurance shall be paid to the Authority and to the City as their respective interests may appear.

Section 6.05. Additional Provisions Relating to Insurance. The City shall pay when due the premiums for all insurance policies required by this Property Lease, and not later than August 1 of each year. All insurance required under this Property Lease shall be primary to any other insurance available to the Authority and the Trustee, and shall apply separately to each

insured against whom claim is made or suit is brought and, to the extent possible, shall provide that the Trustee shall be given thirty (30) days' prior written notice of each expiration, any intended cancellation thereof or reduction in amount or material change of the coverage provided thereby, provided that such separate coverage shall not increase the limit of liability under any such insurance. All insurance required to be maintained pursuant to this Property Lease may be maintained either separately or as a 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 participation by the City in a joint powers agency or other program providing pooled issuance. 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 agreed to by the Trustee.

Section 6.06. Alternative Risk Management Programs; Additional Insurance.

Notwithstanding anything in this Article VI to the contrary, the City shall have the right to adopt alternative risk management programs to insure against any of the risks required to be insured against under the terms of this Article VI, including a program of self-insurance (except self-insurance against loss of rental income as required by Section 6.03 hereof), in whole or in part. Any such alternative risk management program must be approved as reasonable and appropriate by a Risk Manager. The approval of the Risk Manager shall be in the form of a report on the nature of the program and the adequacy of its funding which shall be prepared and filed annually with the Trustee not later than August 1 of each year during any period when such program is in effect, commencing on or prior to the date such program is implemented. If such annual approving report is not timely filed with the Trustee, the Trustee shall promptly notify the City in writing and the City shall immediately obtain insurance as required by this Property Lease. In addition, the City Manager of the City may, if it is in the best interests of the City, approve such other types of insurance, including any increases in the insurance coverage required by this Article, upon the recommendation of a Risk Manager, or in connection with obtaining or maintaining any rating on the Bonds.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Defaults and Remedies.

(a) The City shall be deemed to be in default hereunder (i) if it shall (A) fail to pay any rental payable hereunder when the same becomes due and payable, time being expressly agreed to be of the essence in this Property Lease, or (B) fail to keep, observe or perform any other term, covenant or condition contained herein to be kept or performed by the City; or (ii) upon the happening of any of the events specified in subsection (b) of this Section. The Authority may exercise any and all remedies available pursuant to law (other than those specifically waived herein) or granted pursuant to this Property Lease upon the occurrence of any default. The City shall not be in default in the observance or performance of any covenant, condition or agreement in this Property Lease on its part to be observed or performed, other than as referred to in clauses (i)(A), or (ii) of the preceding sentence, unless the City shall have failed, for a period of thirty (30) days or such additional time as is reasonably required, to correct any such default after notice by the Authority to the City properly specifying wherein the City has failed to perform any such covenant, condition or agreement.

Upon any such default, the Authority, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following:

(1) To terminate this Property Lease with respect to that portion or portions of the Leased Property to which the default relates in the manner hereinafter provided on account of default by the City, notwithstanding any re-entry or re-letting of the Leased Property as hereinafter provided for in subparagraph (2) hereof, and to re-enter the Leased Property and remove all persons in possession thereof and all personal property whatsoever situated upon the Leased Property and place such personal property in storage in any warehouse or other suitable place in the City of Carson, or the County. In the event of such termination, the City agrees to immediately surrender possession of the Leased Property, without let or hindrance, and to pay the Authority all damages recoverable at law (other than as specifically waived herein) that the Authority may incur by reason of default by the City, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Leased Property and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions herein contained. Neither notice to pay rent or to deliver up possession of the Leased Property given pursuant to law nor any entry or re-entry by the Authority nor any proceeding in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Leased Property nor the appointment of a receiver upon initiative of the Authority to protect the Authority's interest under this Property Lease shall of itself operate to terminate this Property Lease, and no termination of this Property Lease on account of default by the City shall be or become effective by operation of law or acts of the parties hereto, or otherwise, unless and until the Authority shall have given written notice to the City of the election on the part of the Authority to terminate this Property Lease. The City covenants and agrees that no surrender of the Leased Property or of the remainder of the term hereof or any termination of this Property Lease shall be valid in any manner or for any purpose whatsoever unless stated by the Authority by such written notice.

(2) Without terminating this Property Lease, (i) to collect each installment of rent as it becomes due and enforce any other terms or provision hereof to be kept or performed by the City, and/or (ii) to exercise a right of entry or re-entry, and to re-let the Leased Property. In the event the Authority does not elect to terminate this Property Lease in the manner provided for in subparagraph (1) hereof, the City shall remain liable under this Property Lease and agrees to keep or perform all covenants and conditions herein contained to be kept or performed by the City; provided, however, that for so long as the Leased Property is not re-let, the Authority shall not prevent the City from using, occupying and enjoying the Leased Property, subject only to entry or re-entry by the Authority to perform maintenance, or make repairs or alterations, or engage in such other activities as may be desirable in furtherance of an attempt to preserve or re-let the Leased Property. If the Leased Property is not re-let, the City shall pay the full amount of the rent to the end of the term of this Property Lease as it becomes due, or, in the event that the Leased Property is re-let, to pay any resulting deficiency in rent as such rent becomes due; and further agrees to pay said rent and/or rent deficiency punctually at the same time and in the same manner as hereinabove provided for the payment of rent hereunder, notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years rental in excess of the rental herein specified, and notwithstanding any entry or re-entry by the Authority or suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Leased Property. Should the Authority elect to re-enter as herein provided, the City hereby irrevocably appoints the Authority as the agent and attorney-in-fact of the City to re-let the Leased Property, or any part thereof, from time to time, either in the Authority's name or otherwise, upon such terms and conditions and for such use and period (not to exceed one year, unless approved in writing by the City) as the Authority may deem advisable and to remove all persons in possession thereof and all personal property whatsoever situated upon the Leased Property and to place such personal property in storage in any warehouse or other suitable place in the City of Carson, or the County, 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 out of, in connection with, or incident to any such re-entry upon and re-letting of the Leased Property and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions herein contained. The City agrees that the terms of this Property Lease constitute full and sufficient notice of the right of the Authority to re-let the Leased Property in the event of such re-entry without effecting a surrender of this Property Lease, and further agrees that no acts of the Authority in effecting such re-letting shall constitute a surrender or termination of this Property Lease irrespective of the use or the term (subject to the preceding sentence) for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate this Property Lease shall vest in the Authority to be effected in the sole and exclusive manner provided for in subparagraph (1) hereof. The City further agrees to pay the Authority the cost of any alterations or additions to the Leased Property necessary to place the Leased Property in condition for re-letting immediately upon notice to the City of the completion and installation of such additions or alterations, to the extent such liability does not constitute a debt or an indebtedness within the meaning of Section 18 of Article XVI of the California Constitution.

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 Property as herein provided and all claims for damages that may result from the destruction of or injury to the Leased Property

and all claims for damages to or loss of any property belonging to the City, or any other person, that may be in or upon the Leased Property.

(b) If (1) the City's interest in this Property Lease or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Authority as hereinafter provided for; or (2) the City or any assignee shall file any petition or institute any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such acts or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the City's debts or obligations, or offers to the City's creditors to effect a composition or extension of time to pay the City's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the City's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the City, or if a receiver of the business or of the property or assets of the City shall be appointed by any court, except a receiver appointed at the instance or request of the Authority, or if the City shall make a general or any assignment for the benefit of the City's creditors; or (3) the City shall abandon or vacate any portion or portions of the Leased Property, then the City shall be deemed to be in default hereunder with respect to that portion or portions of the Leased Property to which the default relates.

(c) The Authority shall in no event be in default in the performance of any of its obligations hereunder or imposed by any statute or rule of law unless and until the Authority shall have failed to perform such obligations within thirty (30) days or such additional time as is reasonably required to correct any such default after notice by the City to the Authority properly specifying wherein the Authority has failed to perform any such obligation.

(d) In addition to the other remedies set forth in this section, upon the occurrence of an event of default as described in this Section 7.01, the Authority and its assignee shall be entitled to proceed to protect and enforce the rights vested in the Authority and its assignee by the Property Lease or by law except as specifically waived herein. The provisions of the Property Lease and the duties of the City and of elected officials, officers or employees shall be enforceable by the Authority or its assignee by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Authority and its assignee shall have the right to bring the following actions:

(1) Accounting. By action or suit in equity to require the City and its councilmembers, officers and employees and its assigns to account as the trustee of an express trust.

(2) Injunction. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Authority or its assignee.

(3) Mandamus. By mandamus or other suit, action or proceeding at law or in equity to enforce the Authority's or its assignee's rights against the City (and its councilmembers, officers and employees) and to compel the City to

perform and carry out its duties and obligations under the law and its covenants and agreements with the City as provided herein.

Each and all of the remedies given to the Authority hereunder or by any law now or hereafter enacted are cumulative and the single or partial exercise of any right, power or privilege hereunder shall not impair the right of the Authority to the further exercise thereof or the exercise of any or all other rights, powers or privileges. The terms "relet" or "reletting" as used in this Section 7.01 shall include, but not be limited to, re-letting by means of the operation by the Authority of the Leased Property. If any statute or rule of law validly shall limit the remedies given to the Authority hereunder, the Authority nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law, except those specifically waived herein.

In the event the Authority shall prevail in any action brought to enforce any of the terms and provisions of this Property Lease, the City agrees to pay a reasonable amount as and for attorney's fees incurred by the Authority in attempting to enforce any of the remedies available to the Authority hereunder.

Section 7.02. Waiver.

(a) Failure of the Authority to take advantage of any default on the part of the City shall not be, or be construed as, a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering this instrument be construed to waive or to lessen the right of the Authority to insist upon performance by the City of any term, covenant or condition hereof, or to exercise any rights given the Authority on account of such default. A waiver of a particular default shall not be deemed to be a waiver of the same or any subsequent default. The acceptance of rent hereunder shall not be, or be construed to be, a waiver of any term, covenant or condition of this Property Lease.

(b) The Authority specifically waives its rights under Section 1951.2 of the California Civil Code to accelerate payment of rent in the event of a default by the City hereunder.

ARTICLE VIII

EMINENT DOMAIN

Section 8.01. Eminent Domain. If the entirety of the Leased Property (or portions thereof such that the remainder is not usable for public purposes by the City) shall be taken under the power of eminent domain, the term hereof shall cease as of the day that possession shall be so taken. If less than the entirety of the Leased Property shall be taken under the power of eminent domain and the remainder is usable for public purposes by the City at the time of such taking, then the Property Lease shall continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the rental due hereunder in an amount to be agreed upon by the City and the Authority, but, subject to Section 3.03 hereof, in no event shall the rental be less than the amount required for the retirement of the Bonds and the payment of the interest thereon as such Bonds and interest become due. So long as any of the Bonds shall be outstanding, any award made in eminent domain proceedings for taking the Leased Property or any portion thereof shall be paid to the Trustee and applied as provided in the Indenture. Any such award made after all of the rentals have been fully paid, or previously made, shall be paid to the Authority and to the City as their respective interests may appear.

ARTICLE IX
COVENANTS

Section 9.01. Right of Entry. The Authority and its assignees shall have the right to enter the Leased Property during reasonable business hours (and in emergencies at all times) (a) to inspect the same, (b) for any purpose connected with the Authority's rights or obligations under this Property Lease, and (c) for all other lawful purposes.

Section 9.02. Liens. In the event the City shall at any time during the term of this Property Lease cause any changes, alterations, additions, improvements, or other work to be done or performed or materials to be supplied, in or upon the Leased Property, the City shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the City in, upon or about the Leased Property and which may be secured by a mechanic's, materialman's or other lien against the Leased Property or the Authority's interest therein, and will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that, if the City desires to contest any such lien, it may do so. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the City shall forthwith pay and discharge said judgment.

Section 9.03. Quiet Enjoyment. The parties hereto mutually covenant that the City, by keeping and performing the covenants and agreements herein contained, shall at all times during the term of this Property Lease peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Authority.

Section 9.04. Authority Not Liable. The Authority and its members, officers, agents and employees, shall not be liable to the City or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on or about the Leased Property. The City shall indemnify and hold the Authority and its members, officers, agents and employees, and the Trustee and its officers, agents and employees harmless from, and defend each of them against, any and all claims, liens and judgments arising from the construction or operation of the Leased Property, including, without limitation, death of or injury to any person or damage to property whatsoever occurring in, on or about the Leased Property, but excepting claims, liens and judgments arising from the active negligence of the person or entity seeking indemnity. The provisions of this section shall survive the termination of this Property Lease.

Section 9.05. Prohibition Against Encumbrance or Sale. The Authority and the City will not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Leased Property, or upon any real or personal property essential to the operation of the Leased Property, except Permitted Encumbrances. The Authority and the City will not sell or otherwise dispose of the Leased Property or any property essential to the proper operation of the Leased Property.

Section 9.06. Assignment. Neither this Property Lease nor any interest of the City hereunder shall be mortgaged, pledged, assigned, sublet or transferred by the City by voluntary act or by operation by law or otherwise, except with the prior written consent of the Authority, which shall not be unreasonably withheld. The execution of this Property Lease shall constitute conclusive evidence of approval of the Indenture by the Authority. Whenever the Indenture by its

terms imposes a duty or obligation upon the City, such duty or obligation shall be binding upon the City to the same extent as if the City were an express party to the Indenture, and the City shall carry out and perform all of its obligations under the Indenture as fully as if the City were a party to the Indenture.

Section 9.07. Tax Covenants.

(a) Private Activity Bond Limitation. The City will assure that the proceeds of the 2024 Bonds are not so used as to cause the 2024 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 will not take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the 2024 Bonds to be “federally guaranteed” within the meaning of section 149(b) of the Code.

(c) Rebate Requirement. The City will 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 2024 Bonds.

(d) No Arbitrage. The City will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the 2024 Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2024 Bonds would have caused the 2024 Bonds to be “arbitrage bonds” within the meaning of section 148 of the Code.

(e) Maintenance of Tax-Exemption. The City will take all actions necessary to assure the exclusion of interest on the 2024 Bonds from the gross income of the Owners of the 2024 Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the 2024 Bonds.

(f) Record Retention. The City will retain its records of all accounting and monitoring it carries out with respect to the 2024 Bonds for at least three years after the 2024 Bonds mature or are redeemed (whichever is earlier); however, if the 2024 Bonds are redeemed and refunded, the Authority will retain its records of accounting and monitoring at least three years after the earlier of the maturity or redemption of the obligations that refunded the 2024 Bonds.

(g) Compliance with Tax Certificate. The City will comply with the provisions of the Tax Certificate (as defined in the Indenture) with respect to the 2024 Bonds, which are incorporated herein as if fully set forth herein. The covenants of this Section will survive payment in full or defeasance of the 2024 Bonds.

Section 9.08. Nondiscrimination. The City and the Authority herein covenant by and for themselves and assigns, and all persons claiming under or through them, and this Property Lease is made and accepted upon and subject to the following conditions:

That there shall be no discrimination against or segregation of any person or group of persons, on account of age, race, color, creed, religion, sex, marital status, sexual orientation, national origin, or ancestry, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee itself, or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation

with reference to the selection, location, number, use, or occupancy, of tenants, lessees, subleases, subtenants, or vendees in the premises herein leased.

Section 9.09. Continuing Disclosure. The City hereby covenants and agrees to comply with and carry out all of the provisions of the continuing disclosure certificate or agreement (the "Continuing Disclosure Agreement") as originally executed as of the date of issuance and delivery of the Bonds, and as it may be amended from time to time in accordance with its terms. Notwithstanding any other provision of this Property Lease, failure by the City to comply with the Continuing Disclosure Agreement shall not constitute a default hereunder or under the Indenture; provided, however, that any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or any Owner or beneficial owner of the Bonds may take such action as may be necessary and appropriate to compel performance by the City of its obligations under this Section 9.09, including seeking mandamus or specific performance by court order. All capitalized terms used but not defined in this Section 9.09 shall have the meanings given in the Continuing Disclosure Agreement.

Section 9.10. Provisions Relating to Bond Insurance Policy. [As appropriate].

ARTICLE X

DISCLAIMER OF WARRANTIES; USE OF THE LEASED PROPERTY

Section 10.01. 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 PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY, OR WARRANTY WITH RESPECT THERETO. THE CITY ACKNOWLEDGES THAT THE AUTHORITY IS NOT A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN AND THAT THE CITY LEASES THE LEASED PROPERTY 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 any incidental, indirect, special or consequential damage in connection with or arising out of the Property Lease or the existence, furnishing, functioning or the City's use of the Leased Property as provided hereby.

Section 10.02. Use of the Leased Property. The City will not use, operate or maintain the Leased Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated hereby. The City shall obtain all permits and licenses, if any, necessary for the use of the Leased Property. In addition, the City agrees to comply in all respects with all laws of the jurisdictions in which its operations involving any portion of the Leased Property may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Leased Property; provided, that the City may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not adversely affect the estate of the Authority in and to the Leased Property or its interest or rights hereunder.

ARTICLE XI

ASSIGNMENT AND INDEMNIFICATION

Section 11.01. Assignment by Authority. The parties understand that the Property Lease and the rights of the Authority hereunder will be assigned to the Trustee pursuant to the Indenture (evidenced by a Memorandum of Indenture, recorded concurrently herewith), and, accordingly the City agrees to make all rental payments due hereunder directly to the Trustee, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach hereof or otherwise) that the City may from time to time have against the Authority. The City agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements which may be reasonably requested by the Authority or the Trustee or any Owner to protect their interests in the Leased Property during the term hereof.

Section 11.02. Indemnification. The City shall, to the full extent then permitted by law, indemnify, protect, hold harmless, save and keep harmless the Authority and its members, officers and employees, and the Trustee and its officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof (other than the negligence or willful misconduct of the Authority, or its members, officers and employees, or of the Trustee or its officers and employees), and reasonable expenses in connection therewith, including, without limitation, reasonable counsel fees and expenses, penalties and interest arising out of or as the result of the entering into of the Property Lease, any accident in connection with the operation, use, condition or possession of the Leased Property or any portion thereof resulting in damage to property or injury to or death to any person, including without limitation any claim alleging latent and other defects, whether or not discoverable by the Authority or the City; any claim for patent, trademark or copyright infringement; any claim arising out of strict liability in tort; the presence on, under or about, or release from the Leased Property, or any portion thereof, of any substance, material or waste which is or becomes regulated or classified as hazardous or toxic under State, local or federal law and the violation of, or non-compliance with, any such laws by the City; or the exercise of the rights or duties of the Trustee under the Indenture. The indemnification arising under this section shall continue in full force and effect notwithstanding the full payment of all obligations hereunder or the termination hereof for any reason. The City agrees not to withhold or abate any portion of the payments required pursuant hereto by reason of any defects, malfunctions, breakdowns or infirmities of the Leased Property. The Authority and the City mutually agree to promptly give notice to each other of any claim or liability hereby indemnified against following either's learning thereof.

ARTICLE XII

SUBSTITUTION, RELEASE AND ADDITION OF LEASED PROPERTY

Section 12.01. Substitution of Leased Property.

(a) Whenever the City determines that the annual fair rental value of Substitute Leased Property is at least equal to the maximum annual Base Rental payments and Additional Rental payments yet unpaid hereunder and that the Substitute Leased Property is available for beneficial use and occupancy by the City, the City may amend Exhibit A to this Property Lease to establish the Substitute Leased Property as the Leased Property hereunder upon compliance with all of the conditions set forth in subsection (b), and after a Substitution, all or a portion of the Leased Property originally leased hereunder shall be released from the leasehold hereunder, as appropriate. The Authority and the City shall also make any amendments needed to be made to this Property Lease, and shall enter into any necessary site or ground leases in connection with such Substitution. Such amendments may be made without the consent of Bondowners.

(b) No Substitution shall take place hereunder until the City delivers to the Authority and the Trustee the following:

(1) A certificate of the City stating that: (i) the annual fair rental value of the Substitute Leased Property is no less than the maximum annual Base Rental and Additional Rental remaining unpaid hereunder at the time of Substitution; (ii) the remaining useful life of such Substitute Leased Property is at least equal to the remaining term hereof; and (iii) the City will, at the time of the Substitution, have beneficial use and occupancy of the Substitute Leased Property.

(2) An Opinion of Bond Counsel to the effect that the amendment described in paragraph (3) below has been duly authorized, executed and delivered and the Property Lease as so amended represents a valid and binding obligation of the City and the Authority and that the Substitution will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes or the exemption of interest on the Bonds from State of California personal income tax.

(3) The City shall cause to be recorded in the Office of the San Bernardino County Recorder an executed amendment to this Property Lease containing an amended Exhibit A, or a memorandum reflecting such amendment to Exhibit A.

(4) A CLTA standard form policy of title insurance in substantially the same form as delivered in connection with the issuance and delivery of the Bonds in at least the amount of the aggregate principal amount of outstanding Bonds at the time of the Substitution insuring the City's leasehold interest in the Substitute Leased Property hereunder, together with an endorsement thereto making such policy payable to the Trustee for the benefit of the Owners, and also together with a certificate of the City to the effect that the exceptions, if any, contained in such policy do not interfere with the beneficial use and occupancy of the Substitute Leased Property by the City.

(5) The City shall provide written notice to each rating agency then rating the Bonds of the proposed Substitution.

Section 12.02. Release of Leased Property. The City shall have, and is hereby granted, the option at any time and from time to time during the term of this Property Lease to release from this Property Lease any portion of the Leased Property; provided that the City shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such release:

(a) No event of default has occurred and is continuing under this Property Lease.

(b) The City shall file with the Authority and the Trustee an amended Exhibit A to this Property Lease which deletes the legal description of such Leased Property.

(c) The City shall cause to be recorded in the Office of the San Bernardino County Recorder a copy of an executed amendment to this Property Lease containing an amended Exhibit A, or a memorandum reflecting such amendment to Exhibit A.

(d) The City shall cause to be filed with the Trustee an Opinion of Bond Counsel to the effect that the amendment described in paragraph (c) above has been duly authorized, executed and delivered and the Property Lease as so amended represents a valid and binding obligation of the City and the Authority and that the release of Leased Property will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes or the exemption of interest on the Bonds from State of California personal income tax..

(e) The City shall file with the Authority and the Trustee a certificate stating that (1) the annual fair rental value of the remaining Leased Property, taking into consideration the release of the applicable portion of the Leased Property, is no less than the maximum annual Base Rental and Additional Rental remaining unpaid hereunder at the time of such release and (2) the useful life of the remaining Leased Property is at least as long as the remaining term of this Property Lease.

(f) The City shall provide written notice to each rating agency then rating the Bonds of the proposed release.

Section 12.03. Addition of Leased Property. The City may, at any time it deems it necessary or advisable, amend this Property Lease, and enter into any necessary or advisable site or ground lease, to add additional property to the property originally leased hereunder. No such addition shall take place hereunder until the City delivers to the Authority and the Trustee the opinion set forth in Section 12.01(b)(2), provided that in such instance the opinion shall relate to the addition of Leased Property and not the substitution of Leased Property.

If the addition to the Leased Property (the "Addition") is being done in connection with the issuance of Additional Bonds, the following requirements shall apply:

(a) A certificate of the City (with respect to clauses (i) and (ii) below) stating that: (i) the annual fair rental value of the Leased Property (including the Addition) is no less than the maximum annual Base Rental and Additional Rental remaining unpaid hereunder at the time of such Addition; (ii) the remaining useful life of such Leased Property (including the Addition) is at least equal to the remaining term hereof; and (iii) the City will, at the time of the Addition, have beneficial use and occupancy of all of the Leased Property.

(b) An Opinion of Bond Counsel to the effect that the amendment hereto has been duly authorized, executed and delivered and the Property Lease as so amended represents a valid and binding obligation of the City and the Authority and that the Addition will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes or the exemption of interest on the Bonds from State of California personal income tax.

(c) The City shall cause to be recorded in the Office of the San Bernardino County Recorder an executed amendment to this Property Lease containing an amended Exhibit A, or a memorandum reflecting such amendment to Exhibit A.

(d) A CLTA standard form policy of title insurance in substantially the same form as delivered in connection with the issuance and delivery of the Bonds in at least the amount of the aggregate principal amount of outstanding Bonds at the time of the Addition insuring the City's leasehold interest in the Addition to the Leased Property hereunder, together with an endorsement thereto making such policy payable to the Trustee for the benefit of the Owners, and also together with an opinion of counsel to the City to the effect that the exceptions, if any, contained in such policy do not interfere with the beneficial use and occupancy of the Leased Property by the City.

(e) The City shall provide written notice to each rating agency then rating the Bonds of the proposed addition.

Section 12.04. Amendment of Site Lease. The Authority and the City shall amend the Site Lease as necessary in order to accomplish any Substitution, Addition, or any release of Leased Property pursuant to this Article XII.

ARTICLE XIII

DISCHARGE OF OBLIGATIONS

Section 13.01. Discharge of Obligations. Notwithstanding any other provision of this Property Lease, the City may on any date secure the payment of the Base Rental payments allocable to the Leased Property 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 Indenture, is either:

(a) sufficient to pay such Base Rental payments, including the principal and interest components thereof, in accordance with the Base Rental payments schedule set forth in Appendix B, or

(b) invested in whole or in part in non-callable Defeasance Obligations in such amount as will, in the opinion of an independent certified public accountant, (which opinion must be addressed and delivered to the Trustee), together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay such Base Rental payments when due, as the City instructs at the time of said deposit.

If the City makes a deposit under this Section with respect to all unpaid Base Rental payments, all obligations of the City under this Property Lease, and all security provided by this Property Lease for said Base Rental payments, will thereupon cease and terminate, excepting only the obligation of the City to make, or cause to be made all of said Base Rental payments from such deposit, and title to the Leased Property will vest in the City on the date of said deposit automatically and without further action by the City or the Authority. Said deposit constitutes a special fund for the payment of Base Rental payments in accordance with the provisions of this Property Lease.

ARTICLE XIV

MISCELLANEOUS

Section 14.01. Law Governing. This Property Lease shall be governed exclusively by the laws of the State of California as the same from time to time exist.

Section 14.02. Notices. All notices, statements, demands, consents, approvals, authorizations, offers, designations, requests, agreements or promises or other communications hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States registered mail, return receipt requested, postage prepaid, and, if to the City, the Authority or the Trustee, to the addresses set forth below, or to such other addresses as the respective parties may from time to time designate by notice in writing. A copy of any notice or other document to the City or the Authority shall also be delivered to the Trustee .

If to the City or the Authority: City of Carson or Carson Public Financing Authority
701 E Carson Street,
Carson, California 90745
Attn: City Manager

If to the Trustee: The Bank of New York Mellon Trust Company, N. A.
333 South Hope Street, Suite 2525
Los Angeles, CA 90071
Attention:

Section 14.03. Validity and Severability. If for any reason this Property Lease shall be held by a court of competent jurisdiction to be void, voidable, or unenforceable by the Authority or by the City, or if for any reason it is held by such a court that any of the covenants and conditions of the City hereunder, including the covenant to pay rentals hereunder, is unenforceable for the full term hereof, then and in such event this Property Lease is and shall be deemed to be a Property Lease under which the rental payments due in any fiscal year of the City are subject to annual appropriation and are to be paid by the City annually in consideration of the right of the City to possess, occupy and use the Leased Property, and all of the rental and other terms, provisions and conditions of this Property Lease, except to the extent that such terms, provisions and conditions are contrary to or inconsistent with such holding, shall remain in full force and effect.

Section 14.04. Net Lease. This Property Lease shall be deemed and construed to be a “net lease” and the City hereby agrees that the rentals provided for herein shall be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever.

Section 14.05. Taxes. The parties understand and agree that the Leased Property constitutes public property free and exempt from all taxation; however, the Authority agrees to take whatever steps may be necessary, upon written request by the City, to contest any proposed valuation, the amount of any proposed tax or assessment, or to take steps necessary to recover any tax or assessment paid. The City agrees to reimburse the Authority for any and all costs and expenses thus incurred by the Authority.

Section 14.06. Article and Section Headings. All article and section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Property Lease.

Section 14.07. Execution. This Property Lease may be executed in any number of counterparts, each of which shall be deemed to be an original, but all together shall constitute but one and the same Property Lease. It is also agreed that separate counterparts of this Property Lease may separately be executed by the Authority and the City, all with the same force and effect as though the same counterpart had been executed by both the Authority and the City.

Section 14.08. Third Party Beneficiary. To the extent that this Property Lease confers upon or gives or grants the Trustee any right, remedy or claim under or by reason of this Property Lease, and the Trustee are hereby explicitly recognized as being third-party beneficiaries hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

Section 14.09. Amendment. The Authority and the City may at any time amend or modify any of the provisions of this Property Lease, but only: (a) with the prior written consents of the Owners of a majority in aggregate principal amount of the Outstanding Bonds; or (b) without the consent of the Trustee or 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 Property 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, to conform to the original intention of the City and the Authority;
- (iii) to modify, amend or supplement this Property Lease in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Code;
- (iv) to amend the description of the Leased Property to reflect accurately the property originally intended to be included therein, or in connection with the provisions of Article XII;
- (v) to obligate the City to pay additional amounts of Base Rental in connection with the issuance of Additional Bonds in accordance with the Indenture; or
- (vi) in any other respect whatsoever as the Authority and the City deem necessary or desirable, if in the opinion of Bond Counsel such modifications or amendments do not materially adversely affect the interests of the Owners of the Bonds.

No such modification or amendment may (a) extend or have the effect of extending any Base Rental payment date or reducing any Base Rental payment or any premium payable upon the prepayment thereof, without the express consent of the Owners of the affected Bonds, or (b) modify any of the rights or obligations of the Trustee without its written assent thereto.

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

CARSON PUBLIC FINANCING AUTHORITY,
as Lessor

Attest

By: _____
Secretary

By: _____
Chief Administrative Officer

CITY OF CARSON, *as Lessee*

Attest

By: _____
City Clerk

By: _____
Mayor

[attach Notary acknowledgment]

EXHIBIT A

DESCRIPTION OF THE SITE

The land described herein is situated in the State of California, County of Los Angeles, City of Carson, and is described as follows:

EXHIBIT B
BASE RENTAL PAYMENT SCHEDULE
2024 Bonds

Base Rental Payment <u>Date*</u>	<u>Principal</u>	<u>Interest</u>	Total Base Rental <u>Payment</u>
---	-------------------------	------------------------	---

