

AFTER RECORDATION PLEASE RETURN TO:

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Attention: Donald Hunt, Esq.

LEASE AGREEMENT

Dated as of June 1, 2015

by and between the

CATHEDRAL CITY PUBLIC FINANCING AUTHORITY

and the

CITY OF CATHEDRAL CITY

Relating to

[\$[Par Amount]
Cathedral City Public Financing Authority
Lease Revenue Refunding Bonds
(Capital Facilities Projects)
Series 2015A (Taxable)

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LEASE AGREEMENT

This Lease Agreement, dated as of June 1, 2015 (this “Lease”), is made by and between the CATHEDRAL CITY PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the “Authority”), as lessor, and the CITY OF CATHEDRAL CITY, a municipal corporation and general law city organized and existing under the laws of the State of California (the “City”), as lessee.

RECITALS:

WHEREAS, to assist the City in the refinancing the acquisition of property within the City, the Authority has determined to issue its Lease Revenue Refunding Bonds (Capital Facilities Projects), Series 2015A (Taxable) (the “Bonds”) pursuant to an Indenture, dated as of June 1, 2015 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”); and

WHEREAS, in connection with such financing, the City has determined to lease its fee interest in the Leased Property described in Exhibit A to the Authority pursuant to a Site and Facility Lease, dated as of June 1, 2015 (the “Site and Facility Lease”); and

WHEREAS, the Authority, pursuant to this Lease, will sublease the Leased Property described in Exhibit A to the City, in consideration for base rental payments to be made by the City pursuant to this Lease, in accordance with the base rental schedule attached hereto as Exhibit B (the “Base Rental Payments”), which correspond in timing and amount to the principal and interest coming due with respect to the Bonds; and

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

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. DEFINITIONS

Terms used herein and not otherwise defined herein but defined in the Indenture shall have the meanings ascribed to them in the Indenture. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Lease, have the meanings herein specified, the following definitions to be equally applicable to both the singular and plural forms of any of the terms herein defined:

“Additional Base Rental Payments” means any Additional Base Rental Payments as defined in Section 3(a) of this Lease.

“Additional Rental” means any Additional Rental as defined in Section 3(b) of this Lease.

“Assignment Agreement” means the Assignment Agreement, dated as of June 1, 2015, by and between the Authority and the Trustee, relating to this Lease.

“Base Rental Payments” means the Base Rental Payments due under this Lease.

“Bonds” means the Bonds (as defined in the Recitals hereto).

“Expiration Date” means August 1, 2027, unless extended in accordance with the terms of this Lease.

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

“Interest Component” means the interest component of any Base Rental Payments as set forth in the exhibit to this Lease relating to such Base Rental Payments.

“Lease” means this Lease Agreement.

“Net Proceeds” means any insurance or condemnation proceeds, paid with respect to the Leased Property remaining after payment therefrom of all expenses in the collection thereof.

“Original Purchaser” means City National Bank and its successors.

“Permitted Encumbrances” means, with respect to the Leased Property, as of any particular time, (i) the Site and Facility Lease; (ii) this Lease, (iii) the Indenture, the Assignment Agreement and the Trustee’s and the Authority’s interests in the Leased Property, (iv) liens for taxes and assessments not then delinquent, (v) utility, access and other easements and rights of way, restrictions and exceptions that as certified in a Certificate of the City will not interfere with or impair the use intended to be made of the Leased Property; (vi) encumbrances upon any additions and improvements to the Leased Property as permitted in this Lease and which do not materially impair the use intended to be made of the portions of the Leased Property other than such additions and improvements; (vii) any sublease or use permitted by this Lease, (viii) covenants, conditions or restrictions or liens of record relating to the Leased Property and existing on the Closing Date; (xiv) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property similar in character to the Leased Property and as do not materially impair the use intended to be made of property affected thereby; and (xv) any encumbrances listed in the Preliminary Title Report, dated _____, issued by _____ relating to the Leased Property.

“Principal Component” means the principal component of any Base Rental Payments as set forth in the exhibit to this Lease relating to such Base Rental Payments.

SECTION 2. TERM

The Authority hereby leases to the City and the City hereby leases from the Authority, on the terms and conditions hereinafter set forth, the Leased Property. The term of this Lease shall commence on _____, 2015.

The term of the leasehold interest created hereby shall expire on the earliest of (i) the Expiration Date; (ii) the date the last Base Rental Payment is made under the provisions hereof; or (iii) the date of discharge of the Indenture pursuant to Section 9.03 thereof. Notwithstanding the foregoing, the term of this Lease Agreement shall automatically be extended for a period of ten (10) years, if, on the Expiration Date, the Indenture has not been fully discharged, and shall terminate on the date when the Indenture has been fully discharged.

Throughout the term of this Lease Agreement, title to the Leased Property shall remain in the City.

SECTION 3. RENTAL

Subject to the provisions of Section 16 hereof, the City agrees to pay to the Authority, its successors or assigns, as rental for the use and possession of the Leased Property, the following amounts at the following times:

(a) Base Rental Payments. The City shall pay the Base Rental Payments to the Authority or to the Trustee, as hereinafter provided, in accordance with the Base Rental Payment Schedule attached hereto as Exhibit B, less any amounts credited against the Base Rental Payments pursuant to Section 4.02(d) of the Indenture. The obligation of the City to pay the Base Rental Payments and any "Additional Base Rental Payments" payable with respect to the Leased Property shall each rank *pari passu*. Upon and after the issuance of any other bonds secured by Base Rental Payments with respect to the Leased Property, the City shall pay the Base Rental Payments with respect to such bonds as provided in the Indenture for such bonds, in accordance with the Base Rental Payment Schedule which shall be attached hereto as an Exhibit prior to the delivery of such bonds, as adjusted for any prepayments. On or before each January 15 and July 15 the City shall pay to the Trustee the Base Rental Payments coming due on the next succeeding February 1 and August 1, respectively, as set forth in Exhibit B and such payments shall constitute payment in arrears in consideration for the City's use and possession of the Leased Property for the six-month period preceding the due date of such Base Rental Payments.

(b) Additional Rental. The City shall also pay, as "Additional Rental" hereunder, in addition to the Base Rental Payments, to the Authority or to the Trustee, as hereinafter provided, such amounts in each year as shall be required for the payment of all costs and expenses (not otherwise paid for or provided for out of the proceeds of sale of the Bonds) incurred by the Authority or the Trustee in connection with the execution, performance or enforcement of this Lease or the assignment hereof, the Indenture, or the Authority's or the Trustee's interest in the Leased Property, including, but not limited to, all fees, costs and expenses, all administrative costs of the Authority relating to the Leased Property (including, without limiting the generality of the foregoing, salaries and wages of employees, overhead,

insurance premiums, taxes and assessments (if any), expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture), fees of auditors, accountants, attorneys or engineers, and all other reasonable and necessary administrative costs of the Authority or charges required to be paid by it to comply with the terms of the Bonds or of the Indenture.

Such Additional Rental shall be billed to the City by the Authority or the Trustee from time to time. Amounts so billed shall be paid by the City within sixty (60) days after receipt of the bill by the City.

(c) Fair Rental Value. Such payments of Base Rental Payments and Additional Rental for each rental payment period shall constitute the total rental for said rental payment period, and shall be paid by the City in each rental payment period for and in consideration of the right of the use and possession of, and the continued quiet use and enjoyment of, the Leased Property during each such period for which said rental is to be paid. The parties hereto have agreed and determined that such total rental represents the fair rental value of the Leased Property for each such period. In making such determination, consideration has been given to other obligations of the parties under this Lease, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the City and the general public. The determination of fair rental value of the Leased Property pursuant to this paragraph shall not be deemed to be controlling in connection with a determination of fair value of the Leased Property by the parties hereto for any other purpose.

(d) Payment of Base Rental Payments. Each installment of Base Rental Payments payable hereunder shall be paid in lawful money of the United States of America to the order of the Trustee at the corporate trust office of the Trustee, or such other place as the Trustee shall designate. Each installment of Additional Base Rental Payments payable hereunder shall be paid in lawful money of the United States of America to the order of a trustee designated with respect thereto. The Base Rental Payments and any Additional Base Rental Payments which the City shall enter into with respect to the Leased Property shall be made on a *pari passu* basis with each other. Notwithstanding any dispute between the City and the Authority, the City shall make all Base Rental Payments when due, without deduction or offset of any kind, and shall not withhold any Base Rental Payments pending the final resolution of any such dispute. In the event of a determination that the City was not liable for said Base Rental Payments or any portion thereof, said Base Rental Payments or excess of payments, as the case may be, shall, at the option of the City, be credited against subsequent Base Rental Payments due hereunder or be refunded at the time of such determination.

(e) Increases in Aggregate Base Rental Payments; Additional Base Rental Payments. The City covenants that, except for the Base Rental Payments, it shall not incur any Additional Base Rental Payments, or permit an increase in the Base Rental Payments, without first obtaining evidence to the effect that the resulting aggregate Base Rental Payments are not greater than the fair rental value (as such term is used in subsection (c) of this Section 3) of the Leased Property and the consent of the Original Purchaser, if such purchaser is the Owner.

(f) Covenant to Budget and Appropriate. 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 budget and to make the necessary annual appropriations for all such Base Rental Payments and Additional Rental, subject only to abatement as provided in Section 16 hereof. 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. The obligation of the City to make Base Rental Payments or Additional Rental payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the City to make Base Rental Payments or Additional Rental payments constitutes an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

SECTION 4. USE OF PROCEEDS

The parties hereto agree that the proceeds of the Bonds will be used to finance certain public capital improvements within the City, fund a reserve account (unless a Qualified Reserve Account Credit Instrument is used) and pay costs of issuance of the Bonds, as more fully set forth in the Indenture.

SECTION 5. MAINTENANCE, UTILITIES, TAXES AND ASSESSMENTS

During such time as the City or any assignee or sublessee thereof is in possession of the Leased Property, all maintenance and repair, ordinary or extraordinary, of the Leased Property shall be the responsibility of the City, and the City shall pay for or otherwise arrange for the payment of (a) all utility services supplied to the Leased Property, (b) the cost of operation of the Leased Property, and (c) the costs of maintenance of and repair to the Leased Property resulting from ordinary wear and tear or want of care on the part of the City. The City shall at the City's sole cost and expense keep and maintain the Leased Property clean and in a safe and good condition and repair. The Authority shall have no obligation to alter, remodel, improve, repair, decorate, or paint the Leased Property or any part thereof, and the parties hereto affirm that the Authority has made no representations or warranties to the City respecting the condition of the Leased Property.

The City shall comply with all statutes, ordinances, regulations, and other requirements of all governmental entities that pertain to the occupancy or use of the Leased Property. The Authority has no responsibility or obligation whatsoever to construct any improvements, modifications or alterations to the Leased Property.

The City waives the right to make repairs at the Authority's expense under Subsection 1 of Section 1932 and Section 1942 of the California Civil Code, or any other such law, statute, or ordinance now or hereafter in effect.

The parties hereto contemplate that the Leased Property will be used for public purposes by the City and, therefore, that the Leased Property will be exempt from all taxes presently assessed and levied with respect to real and personal property, respectively. In the event that the use, possession or acquisition by the Authority or the City of the Leased Property is found to be subject to taxation in any form, the City will pay during the term hereof, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property and any other property acquired by the City in substitution for, as a renewal or replacement of, or a modification, improvement or addition to the Leased Property; provided, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are accrued during such time as this Lease is in effect.

SECTION 6. CHANGES TO THE LEASED PROPERTY

The City shall have the right during the term of this Lease to acquire and construct improvements or to attach fixtures, structures or signs to the Leased Property if such improvements, fixtures, structures or signs are necessary or beneficial for the use of the Leased Property by the City; provided, however, that no such acquisition or construction shall result in a material reduction in the value of the Leased Property, reduce the fair rental value thereof or substantially alter the nature of the Leased Property.

Upon termination of this Lease, 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, except for ordinary wear and tear and damage by casualty, in substantially the same condition as it was in before the fixture, structure or sign was attached.

SECTION 7. SUBSTITUTION AND RELEASE OF PROPERTY

The City shall have, so long as this Lease is in effect, and is hereby granted, the option at any time and from time to time, to substitute other real property (the "Substitute Property") for any portion of the Leased Property (the "Former Property") or release any identifiable real property and/or improvements currently constituting the Leased Property (in such case, Substitute Property shall mean the Former Property less any portion released pursuant to this Section); provided, that the City shall satisfy all of the following requirements, which are conditions precedent to such substitution:

(a) No default under Section 10 hereof or Event of Default shall have occurred and be continuing;

(b) The City shall file with the Authority and the Trustee, and cause to be recorded in the office of the County Recorder, sufficient memorialization of an amendment hereof which replaces Exhibit A hereto with description of such Substitute Property and deletes therefrom the description of the Former Property;

(c) The City shall obtain an extended CLTA policy of title insurance insuring the City's leasehold estate hereunder (and the Authority's leasehold estate therein under the Site

and Facility Lease) in such Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the estimated fair market value thereof;

(d) The City shall provide a Certificate of the City to the Authority and to the Trustee stating that such Substitute Property constitutes property which the City is permitted to lease under the laws of the State of California and is at least as essential as the Former Property;

(e) The substitution of the Substitute Property shall not cause the City to violate any of its covenants, representations and warranties made herein;

(f) The City shall file with the Authority and the Trustee a Certificate of the City or other evidence which establishes that the annual fair rental value of the Substitute Property after substitution or release will be at least equal to 100% of the maximum amount of the Lease Payments becoming due in the then current fiscal year or in any subsequent fiscal year and the useful economic life of the Substitute Property shall be at least equal to the remaining term of this Lease; and

(g) The City shall furnish to the Trustee an opinion of Bond Counsel addressed to the Trustee, the City and the Authority to the effect that the substitution or release is permitted under this Lease and will not in and of itself impair the validity and enforceability of this Lease.

Upon the satisfaction of all such conditions precedent, and upon the City delivering to the Authority and the Trustee a Certificate of the City certifying that the conditions set forth in subsections (a) and (e) of this Section have been satisfied, the Term of this Lease shall thereupon end as to the Former Property and shall thereupon commence as to the Substitute Property, and all references to the Former Property shall apply with full force and effect to the Substitute Property. The City shall not be entitled to any reduction, diminution, extension or other modification of the Base Rental Payments whatsoever as a result of any substitution or release hereunder.

SECTION 8. INSURANCE

(a) The City shall secure and maintain or cause to be secured and maintained at all times with insurers of recognized responsibility or through a program of self-insurance to the extent specifically permitted in this Section 8, all coverage on the Leased Property required by this Section 8.

Such insurance shall consist of:

(1) Comprehensive general liability coverage against claims for damages including death, personal injury, bodily injury or property damage arising from operations involving the Leased Property. The City shall maintain or cause to be maintained, throughout the term of this Lease, insurance against loss or damage to any or all of the Leased Property by flood, fire and lightning, with extended coverage and vandalism and malicious mischief insurance, and against loss of Leased Property by theft. 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. Earthquake insurance shall be obtained if, in the judgment of the City, such coverage is available at a reasonable cost. Such insurance shall afford protection with a combined single limit of not less than \$1,000,000 per occurrence with respect to bodily injury, death or property damage liability, or such greater amount as may from time to time be recommended by the City's risk management officer or an independent insurance consultant retained by the City for that purpose; provided, however, that the City's obligations under this clause (1) may be satisfied by self-insurance;

(2) Workers' compensation insurance issued by a responsible carrier authorized under the laws of the State to insure employers against liability for compensation under the Labor Code of the State, or any act enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed by the City in connection with the Leased Property and to cover full liability for compensation under any such act; provided, however, that the City's obligations under this clause (2) may be satisfied by self-insurance; and

(3) Rental interruption insurance in an amount not less than the maximum remaining scheduled Base Rental Payments in any twenty-four-month period, by an insurance provider rated at least "A" by A.M. Best & Company, to insure against loss of use of the Leased Property caused by perils covered by the insurance required in Section 8(a)(1). Such insurance may be maintained as part of or in conjunction with any other rental interruption insurance carried by the City and must list the Authority and the Trustee as additional insured parties. Such insurance shall be in place as of the Closing Date. The Net Insurance Proceeds of such insurance shall be paid to the Trustee and deposited in the Lease Revenue Fund, and shall be credited toward the payment of the Base Rental Payments in the order in which such Lease Payments come due and payable.

(4) The City shall, on or before the Closing Date, deliver to the Trustee a CLTA title insurance policy insuring the leasehold interest in the Leased Property of the City and the Authority, in an amount acceptable to the Authority.

All policies or certificates issued by the respective insurers for insurance, with the exception of workers' compensation insurance, shall provide that such policies or certificates shall not be canceled or materially changed without at least 30 days' prior written notice to the Authority and the Trustee. Certificates of comprehensive general liability and workers' compensation insurance shall be furnished by applicable insurers to the City, and, at least ten days prior to the expiration dates of such policies, if any, evidence of renewals shall be deposited with the Trustee.

If the City elects to provide self-insurance pursuant to clauses (1) and/or (2) above, the City shall annually cause to be delivered to the Trustee a certificate of an Insurance Consultant certifying to the adequacy of the City's reserves for such insurance.

All policies or certificates of insurance provided for herein shall name the City as a named insured and the Authority and the Trustee as additional insureds. All proceeds of insurance maintained under clauses (1) and (2) shall be deposited with the City.

Notwithstanding the generality of the foregoing, the City shall not be required to maintain or cause to be maintained more insurance than is specifically referred to above or any policies of insurance other than standard policies of insurance with standard deductibles offered by reputable insurers at a reasonable cost on the open market.

(b) Form of Policies. All policies of insurance required by this Lease and any statements of self-insurance shall be in form satisfactory to the Authority. The City shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease and shall promptly furnish or cause to be furnished evidence of such payments to the Authority. All such policies shall provide that the Authority and the Trustee shall be given thirty (30) days' notice of each expiration, and any intended cancellation thereof or reduction of the coverage provided thereby. The City shall deliver to the Trustee on or before the Closing Date and each anniversary of the Closing Date a Certificate of the City that all insurance required under this Lease is in full force and effect. In the event that the City obtains insurance through a pooled insurance program of governmental entities, an annual statement or memorandum of coverage delivered to the Authority and the Trustee will satisfy the requirements of this subsection. The Trustee and the Authority shall not be responsible for the sufficiency of any insurance herein required or payment of premium 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 City.

(c) Advances. If the City shall fail to perform any of its obligations under this Section, then the Authority may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money on behalf of the City, and the City shall be obligated to repay all such advances as soon as possible.

SECTION 9. DAMAGE, DESTRUCTION AND CONDEMNATION; APPLICATION OF NET PROCEEDS

If prior to the termination of the term hereof (a) the Leased Property is destroyed (in whole or in part) or is damaged by fire or other casualty, or (b) title to, or the temporary use of, any portion of the Leased Property or the estate of the Authority or the City in the Leased Property or any portion shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or corporation acting under governmental authority, then the City and the Authority shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof, unless the City elects not to repair or replace the Leased Property or portion thereof, in accordance with the provisions of this Section 9. In the event that Net Proceeds are insufficient to repair or replace the Leased Property or portion thereof, the City shall, to the extent permitted by law, use its best efforts to fund any deficiency from any legally available funds.

If there is an abatement of rental payments pursuant to Section 16 hereof as a result of such casualty or event, and the City elects pursuant to Section 11(a) hereof to apply such insurance proceeds and such other sums as are deposited by the City pursuant to such Section to the prepayment of Base Rental Payments rather than replacing or repairing the destroyed or damaged portion of the Leased Property, then this Lease shall terminate with respect to the destroyed or damaged portion of the Leased Property as of the later of the date of

such election by the City or the date the amount required by Section 11(a) hereof is received by the Trustee.

The provisions of Section 1932, Subdivision 2, and Section 1933, Subdivision 4, of the California Civil Code, including any amendments thereto and any other law which may hereinafter be in force during the term of this Lease which authorizes the termination of this Lease upon the partial or complete destruction of the Leased Property, are hereby waived by the City.

The City hereby covenants and agrees, to the extent it may lawfully do so, that so long as any of the Bonds remain outstanding and unpaid, the City will not exercise the power of condemnation with respect to the Leased Property. The City further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the City should fail or refuse to abide by such covenant and condemns the Leased Property, the appraised value of the Leased Property shall not be less than the greater of (i) if such Bonds are then subject to redemption, the principal and interest due on the Bonds outstanding through the date of their redemption, or (ii) if such Bonds are not then subject to redemption, the amount necessary to defease such Bonds to the first available redemption date in accordance with the Indenture.

The City shall deposit any proceeds received from insurance and condemnation awards with respect to the destruction or partial destruction of Leased Property with the Trustee for deposit into the: (a) Acquisition Fund if the City elects to repair the Leased Property or (b) the Lease Revenue Fund if the City elects to redeem the Bonds. The City shall have 45 days from the date of any such destruction or partial destruction to determine whether to repair the Leased Property or use insurance and condemnation award proceeds received to redeem Bonds. If the City determines to repair the Leased Property, disbursements by the Trustee shall only be made upon presentation of a requisition setting for the payees, the purposes for which the costs have been incurred, and the amount of the disbursements requested, stating that the proposed payment has been properly incurred and has not been previously reimbursed, and there is no Event of Default that has occurred and is continuing under the Indenture. If the City determines to cause the redemption of less than the full amount of the Bonds Outstanding, such redemption shall only be made to the extent the remaining fair market value of the Leased Property is sufficient to support the remaining Base Rental Payments supporting debt service on the Bonds.

SECTION 10. DEFAULT

(a) If default shall be made by the City in the observance or performance of any agreement, condition, covenant or term contained herein required to be observed or performed by it (including without limitation the payment of any Base Rental Payments or Additional Rental due hereunder), subject to the provisions of subsection (c) of this Section, the Authority shall not exercise any rights of entry upon or repossession of the Leased Property. IN THE EVENT OF SUCH DEFAULT, THE AUTHORITY MUST THEREAFTER MAINTAIN THIS LEASE IN FULL FORCE AND EFFECT AND MAY ONLY RECOVER RENT AND OTHER MONETARY CHARGES AS THEY BECOME DUE, ALL WITHOUT TERMINATING THE CITY'S RIGHT TO POSSESSION OF THE LEASED PROPERTY.

THIS SHALL BE THE SOLE AND EXCLUSIVE REMEDY AVAILABLE AGAINST THE CITY UNDER THIS LEASE OR OTHERWISE.

The Authority expressly waives the right to receive any amount from the City pursuant to Section 1951.2(a)(3) of the California Civil Code.

Each and all of the remedies given to the Authority hereunder or by any law now existing or hereafter enacted are cumulative and the exercise of any one remedy shall not impair the right of the Authority to any or all other remedies.

(b) In addition to any default resulting from breach by the City of any agreement, condition, covenant or term hereof, if (i) the City's interest herein or any part thereof is assigned or transferred, either voluntarily or by operation of law, except as provided in Section 15; or (ii) the City shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the City shall make a general or any assignment for the benefit of its creditors; or (iii) the City shall abandon the Leased Property or any portion thereof, then in each and every such case the City shall be deemed to be in default hereunder.

(c) Neither the Authority nor the City shall be in default in the performance of any of its obligations hereunder (except for the obligation of the City to pay Base Rental Payments when due pursuant to Section 3(a)) unless and until it shall have failed to perform such obligation within thirty (30) days after notice by the Authority or the City, as the case may be, to the other party properly specifying wherein it has failed to perform such obligation.

SECTION 11. PREPAYMENT AND CREDITS

(a) Prepayment From Net Proceeds.

(1) The City may prepay, from Net Proceeds of insurance or a condemnation award received by it pursuant to Section 8, the Principal Component of Base Rental Payments then unpaid (and corresponding Interest Component), in whole or in part on any date, pursuant to Section 9 hereof, at a prepayment price equal to the sum of the Principal Component prepaid plus accrued interest thereon to the date of prepayment.

(2) Prepayments made pursuant to this subsection (a) shall be allocated *pro rata* among the Principal Components of Base Rental Payments and any Additional Base Rental Payments.

SECTION 12. MECHANICS' LIENS

In the event the City shall at any time during the term of this Lease cause any 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 any mechanics', materialmen's or other liens against the Leased Property or the Authority's interest therein, and will cause any 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 13. QUIET ENJOYMENT

The parties hereto mutually covenant that the City, so long as it keeps and performs the covenants and agreements herein contained, shall at all times during the term of this Lease peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Authority.

SECTION 14. INDEMNIFICATION

The City shall, to the full extent then permitted by law, indemnify, defend, protect and hold harmless the Authority, the Trustee and their members, officers, directors and employees from and against any and all liabilities, obligations, losses, claims and damages whatsoever, regardless of the cause thereof (except for claims arising out of willful misconduct or gross negligence on the part of the Authority or the Trustee), and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of the entering into of this Lease and the Indenture, the payment of the costs of acquiring the Leased Property or 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. The indemnification arising under this section shall continue in full force and effect notwithstanding the full payment of all rent 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 party's learning thereof.

SECTION 15. ASSIGNMENT

The parties understand that this Lease and the rights of the Authority hereunder, with certain exceptions, will be assigned to the Trustee as provided in the Indenture and the Assignment Agreement, to which assignments the City hereby consents.

Neither this Lease nor any interest of the City hereunder shall be mortgaged, pledged, assigned or transferred by the City by voluntary act or by operation of law or otherwise; provided that, subject to the provisions of Section 17 hereof, the City may sublease all or any portion of the Leased Property, and may grant concessions to others involving the use of any portion of the Leased Property, whether such concessions purport to convey a leasehold interest or a license to use a portion of the Leased Property. The City shall at all times remain liable for the performance of the covenants and conditions on its part to be performed under this Lease, notwithstanding any subletting or granting of concessions which may be made. Nothing herein contained shall be construed to relieve the City from its obligation to pay Base Rental Payments and Additional Rental Payments as provided in this Lease or to relieve the City from any other obligations contained herein.

SECTION 16. ABATEMENT OF RENTAL

The obligation of the City to pay Base Rental Payments and Additional Rental Payments shall be abated during any period in which by reason of any damage, destruction or condemnation there is substantial interference with the use by the City of the Leased Property or any portion thereof. Such abatement shall be in an amount such that the resulting Base Rental Payments in any year during which such interference continues does not exceed the fair rental value of the portions of the Leased Property as to which such damage, destruction or taking do not substantially interfere with the City's use and right of possession, as evidenced by a Certificate of the City. Such abatement shall continue for the period commencing with the date of such interference and ending with the restoration of the Leased Property to tenantable condition.

SECTION 17. WAIVER

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 be established between the parties in the course of administering this Lease 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, nor be construed to be, a waiver of any term, covenant or condition of this Lease.

SECTION 18. NET LEASE

Subject to the provisions of Section 16 ("Abatement of Rental"), this Lease shall be deemed and construed to be a "Triple-Net-Lease" and the City hereby agrees that rental provided for herein shall be an absolute net return to the Authority, free and clear of any expenses, taxes, fees, insurance premiums, rebate payments, Leased Property costs, reserve deposits, charges or setoffs whatsoever.

SECTION 19. AMENDMENTS.

This Lease may be amended in writing as may be mutually agreed by the Authority and the City, subject to the written consent of Trustee; *provided*, that no such

amendment which materially adversely affects the rights of the Owners shall be effective unless it shall have been consented to by the Owners of more than majority in aggregate principal amount of the Bonds then Outstanding, and *provided further*, that no such amendment shall (a) extend the payment date of any Base Rental Payment, without the prior written consent of the Owner of each Bond so affected, or (b) reduce the percentage of the Bonds the consent of the Owners of which is required for the execution of any amendment hereof.

This Lease and the rights and obligations of the Authority and the City hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding upon execution by the Authority and the City without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required by the Authority or the City to be observed or performed herein and other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the City, or to surrender any right or power reserved herein to or conferred herein on the Authority or the City, and which in either case shall not materially adversely affect the interests of the Owners;

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

(c) to effect a Substitution or Release;

(d) for any other purpose which shall not materially adversely affect the interests of the Owners.

SECTION 20. ESSENTIALITY

The City covenants and agrees that the Leased Property is essential to the City's exercise of its governmental functions.

SECTION 21. LAW GOVERNING

This Lease shall be governed exclusively by the provisions hereof and by the laws of the State of California.

SECTION 22. NOTICES

All notices, statements, demands, consents, approvals, authorizations, offers, designations, requests 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 by facsimile transmission or if mailed by United States first class mail, postage prepaid, and, if to the City, addressed to the Administrative Services Director, City of Cathedral City, 68-700 Avenida Lalo Guerrero, Cathedral City, California 92234, or if to the Authority, addressed to the

Chairman, c/of the City, or to such other addresses as the respective parties may from time to time designate by notice in writing.

SECTION 23. FINANCIAL STATEMENTS

No later than 270 days following the end of each Fiscal Year, the City shall provide its audited financial statements to the Original Purchaser if such purchaser is the Owner.

SECTION 24. VALIDITY AND SEVERABILITY

If for any reason this 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 of the City hereunder, including the covenant to pay rentals hereunder, is unenforceable for the full term hereof, then and in such event this Lease is and shall be deemed to be a lease from year to year under which the rentals are to be paid by the City monthly 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 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 25. SECTION HEADINGS

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

SECTION 26. NO MERGER

If both the Authority's and the City's estate under this or any other lease relating to the Leased Property or any portion thereof shall at any time or for any reason become vested in one owner, this Lease and the estate created hereby shall not be destroyed or terminated by the doctrine of merger unless the City so elects as evidenced by recording a written declaration so stating, and unless and until the City so elects, the City shall continue to have and enjoy all of its rights and privileges as to the separate estates.

SECTION 27. EXECUTION

It is agreed that separate counterparts of this 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.

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

CATHEDRAL CITY PUBLIC FINANCING
AUTHORITY

ATTEST:

By _____
Chairman

By _____
Secretary

CITY OF CATHEDRAL CITY

By _____
City Manager

ATTEST:

By _____
City Clerk

A NOTARY PUBLIC OR OTHER OFFICER COMPLETING THIS CERTIFICATE
VERIFIES ONLY THE IDENTITY OF THE INDIVIDUAL WHO SIGNED THE
DOCUMENT TO WHICH THIS CERTIFICATE IS ATTACHED, AND NOT THE
TRUTHFULNESS, ACCURACY, OR VALIDITY OF THAT DOCUMENT.

STATE OF CALIFORNIA)
) ss:
COUNTY OF RIVERSIDE)

On _____ before me, _____ (insert name of the officer), Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

_____ [Seal]

A NOTARY PUBLIC OR OTHER OFFICER COMPLETING THIS CERTIFICATE
VERIFIES ONLY THE IDENTITY OF THE INDIVIDUAL WHO SIGNED THE
DOCUMENT TO WHICH THIS CERTIFICATE IS ATTACHED, AND NOT THE
TRUTHFULNESS, ACCURACY, OR VALIDITY OF THAT DOCUMENT.

STATE OF CALIFORNIA)
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I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

_____ [Seal]

EXHIBIT A
DESCRIPTION OF THE LEASED PROPERTY

EXHIBIT B

BASE RENTAL PAYMENT SCHEDULE

<u>Payment Dates</u> ⁽¹⁾	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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⁽¹⁾ Base Rental Payments are made fifteen (15) days prior to each Interest Payment Date.