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SUBLEASE

Dated as of _____, 1, 20__

between the

SANTA BARBARA COUNTY FINANCE CORPORATION, INC.
as sub-lessor

and the

COUNTY OF SANTA BARBARA
as sub-lessee

Relating to

\$ _____
Certificates of Participation

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SUBLEASE

This SUBLEASE (this "Sublease"), dated as of _____, 1, 20__, is between the SANTA BARBARA COUNTY FINANCE CORPORATION, INC., a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"), and the COUNTY OF SANTA BARBARA, a county duly organized and existing under the laws of the State of California (the "County").

BACKGROUND:

1. On March 16, 2010, the Board of Supervisors of the County (the "Board of Supervisors") adopted Resolution No. 10-068, entitled "Resolution Declaring Intention to Finance Installation of Distributed Generation Renewable Energy Sources, and Energy Efficiency and Water Efficiency Improvements" (the "Resolution of Intention"), to initiate proceedings under Chapter 29 of Part 3 of Division 7 of the Streets & Highways Code of the State of California ("Chapter 29") to establish the emPowerSBC program (the "Program"), pursuant to which the County will enter into contractual assessments to finance the installation of renewable energy, energy efficiency and water efficiency improvements ("Authorized Improvements") as described in the Resolution of Intention.

2. By the Resolution of Intention, the Board of Supervisors provided that one or more series of bonds would be issued or other financing relationships would be entered into under the Improvement Bond Act of 1915, Division 10 of the Streets and Highways Code of California (the "1915 Act").

3. On April 13, 2010, after holding a duly noticed public hearing at which interested persons were allowed to object to or inquire about the proposed Program or any of its particulars, the Board of Supervisors adopted Resolution No. _____, entitled "Resolution Confirming Report Relating to the Financing of the Installation of Distributed Generation Renewable Energy Sources and Energy Efficiency and Water Efficiency Improvements and Approving and Ordering Other Related Matters," (the "Resolution Confirming Program Report"), pursuant to which the Board of Supervisors, among other things, (i) confirmed and approved a report (the "Program Report") addressing all of the matters set forth in Section 5898.22 of Chapter 29, (ii) established the Program, and (iii) authorized execution of agreements ("Assessment Contracts") with the owners of property in the County (the "Program Area") to provide for the levy of contractual assessments (the "Contractual Assessments") to finance installation of Authorized Improvements.

4. The County wishes to provide long-term financing for the installation of Authorized Improvements on participating parcels in the County and for other capital projects of the County by leasing certain real property and improvements (the "Leased Property") to the Corporation pursuant to the Lease between the Corporation and the County (the "Lease") and sub-leasing the Leased Property back from the Corporation under this Sublease.

5. The County expects to make the lease payments payable to the Corporation under this Sublease that are attributable to the installation of Authorized Improvements

with Contractual Assessment installments paid by the owners of participating parcels to the County.

6. The Corporation has further agreed to assign its right to receive lease payments under this Sublease to [Trustee], as trustee (the "Trustee"), and in consideration of such assignment the Trustee has agreed to execute and deliver \$_____ aggregate principal amount of Certificates of Participation, each evidencing a direct, undivided fractional interest in the lease payments to be paid by the County under this Sublease, the proceeds of which will be applied by the Corporation to provide financing for the Program and other capital projects, under a Trust Agreement dated as of _____, 1, 20__ (the "Trust Agreement"), between the Corporation, the County and the Trustee.

7. The County is authorized to enter into the Lease and this Sublease with the Corporation to provide financing for the Program and other capital projects under Chapter 29 and Section 25536(c) of the California Government Code.

A G R E E M E N T :

In consideration of the foregoing and the material covenants hereinafter contained, the County and the Corporation formally covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS; RULES OF INTERPRETATION

SECTION 1.1. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Sublease have the respective meanings specified in the recitals hereof and in Appendix A to the Trust Agreement.

SECTION 1.2. Interpretation.

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Sublease; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Sublease as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

COVENANTS, REPRESENTATIONS AND WARRANTIES

SECTION 2.1. *Covenants, Representations and Warranties of the County.* The County makes the following covenants, representations and warranties to the Corporation as of the Closing Date:

- (a) Due Organization and Existence. The County is a county duly organized and validly existing under the laws of the State of California, has full legal right, power and authority under the laws of the State of California to enter into this Sublease, the Lease and the Trust Agreement and to carry out and consummate all transactions contemplated hereby and thereby, and by proper action the County has duly authorized the execution and delivery of this Sublease, the Lease and the Trust Agreement.
- (b) Due Execution. The representatives of the County executing this Sublease, the Lease and the Trust Agreement have been fully authorized to execute the same under a resolution duly adopted by the Board of Supervisors of the County.
- (c) Valid, Binding and Enforceable Obligations. This Sublease, the Lease and the Trust Agreement have been duly authorized, executed and delivered by the County and constitute the legal, valid and binding agreements of the County enforceable against the County in accordance with their respective terms.
- (d) No Conflicts. The execution and delivery of this Sublease, the Lease and the Trust Agreement, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the County is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the County, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Sublease, the Lease and the Trust Agreement or the financial condition, assets, properties or operations of the County.
- (e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the County or of the voters of the County, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is

necessary in connection with the execution and delivery of this Sublease, the Lease and the Trust Agreement, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

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

SECTION 2.2. *Covenants, Representations and Warranties of the Corporation.*
The Corporation makes the following covenants, representations and warranties to the County as of the Closing Date:

- (a) Due Organization and Existence. The Corporation is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California, has full legal right, power and authority to enter into this Sublease, the Lease, the Trust Agreement and the Assignment Agreement and to carry out and consummate all transactions contemplated hereby and thereby, and by proper action the Corporation has duly authorized the execution and delivery of this Sublease, the Lease, the Trust Agreement and the Assignment Agreement.
- (b) Due Execution. The representatives of the Corporation executing this Sublease, the Lease, the Trust Agreement and the Assignment Agreement are fully authorized to execute the same under official action taken by the Board of Directors of the Corporation.
- (c) Valid, Binding and Enforceable Obligations. This Sublease, the Lease, the Trust Agreement and the Assignment Agreement have been duly authorized, executed and delivered by the Corporation and constitute the legal, valid and binding agreements of the Corporation, enforceable against the Corporation in accordance with their respective terms.

- (d) No Conflicts. The execution and delivery of this Sublease, the Lease, the Trust Agreement and the Assignment Agreement, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the Corporation is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Corporation, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Sublease, the Lease, the Trust Agreement and the Assignment Agreement or the financial condition, assets, properties or operations of the Corporation.
- (e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the Corporation, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Sublease, the Lease, the Trust Agreement or the Assignment Agreement, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.
- (f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the Corporation after reasonable investigation, threatened against or affecting the Corporation or the assets, properties or operations of the Corporation which, if determined adversely to the Corporation or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Sublease, the Lease, the Trust Agreement or the Assignment Agreement, or upon the financial condition, assets, properties or operations of the Corporation, and the Corporation is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Sublease, the Lease, the Trust Agreement or the Assignment Agreement or the financial conditions, assets, properties or operations of the Corporation.

ARTICLE III

DEPOSIT AND APPLICATION OF FUNDS; CONSTRUCTION OF PROJECT

SECTION 3.1. *Deposit of Moneys.* On the Closing Date, the Corporation shall cause the proceeds of sale of the Certificates to be deposited with the Trustee. Under Section 4.01 of the Trust Agreement, from the proceeds of sale of the Certificates the amount necessary to fund the Reserve Requirement will be deposited in the Reserve Fund, the estimated amount of the Costs of Issuance will be deposited in the Costs of Issuance Fund and the balance of such proceeds will be deposited in the Project Fund to be applied to provide financing for the Program and other capital projects as set forth herein and in the Trust Agreement.

ARTICLE IV

LEASE PAYMENTS; SUBSTITUTION AND RELEASE OF PROPERTY

SECTION 4.1. *Sub-Lease of Leased Property.* The Corporation hereby sub-leases the Leased Property to the County, and the County hereby sub-leases the Leased Property from the Corporation, upon the terms and conditions set forth in this Sublease.

SECTION 4.2. *Term.* The Term of this Sublease commences on the date of execution and delivery hereof and ends on the date on which the Trust Agreement is discharged under Section 13.01 thereof, but under any circumstances not later than September 2, _____. The provisions of this Section 4.2 are subject to the provisions of Section 4.6 relating to the substitution of property, the provisions of Section 4.7 relating to the release of property, and the provisions of Section 6.2 relating to the taking in eminent domain of the Leased Property or any portion thereof.

SECTION 4.3. *Lease Payments.*

(a) Obligation to Pay. Subject to the provisions of Sections 6.2 and 6.3 and the provisions of Article IX, the County will pay to the Corporation, its successors and assigns, the Lease Payments (denominated into components of principal and interest) in the respective amounts specified in Appendix B hereto, to be due and payable in immediately available funds on the Interest Payment Dates immediately following each of the respective Lease Payment Dates specified in Appendix B, and to be deposited by the County with the Trustee on each of the Lease Payment Dates specified in Appendix B. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole under Article IX and other than amounts required for payment of past due principal or interest represented by any Certificates not presented for payment) will be credited towards the Lease Payment then required to be paid; and no Lease Payment need be deposited with the Trustee on any Lease Payment Date if the amounts then held in the Lease Payment Fund are at least equal to the Lease Payment then required

to be deposited with the Trustee. The Lease Payments payable in any Rental Period are for the use of the Leased Property during such Rental Period.

(b) Effect of Prepayment. If the County prepay all Lease Payments in full under Sections 9.2, 9.3 or 9.4, and if the County has paid all Additional Payments then due and payable, the County's obligations under this Section will thereupon cease and terminate. If the County prepay the Lease Payments in part but not in whole under Sections 9.2, 9.3 or 9.4, the principal components of the remaining Lease Payments will be reduced in integral multiples of \$5,000 among Lease Payment Dates on a basis which corresponds to the principal maturities of the Certificates which are prepaid thereby; and the interest component of each remaining Lease Payment will be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Certificates thereby prepaid under Sections 3.01(a), 3.01(b) or 3.01(c) of the Trust Agreement, as the case may be.

(c) Rate on Overdue Payments. If the County fails to make any of the payments required in this Section 4.3, the payment in default will continue as an obligation of the County until the amount in default has been fully paid, and the County agrees to pay the same with interest thereon, from the date of default to the date of payment at the highest rate of interest represented by any Outstanding Certificate.

(d) Fair Rental Value. The Lease Payments and Additional Payments coming due and payable during each Rental Period constitute the total rental for the Leased Property for such Rental Period, and the County will pay the Lease Payments and Additional Payments in each Rental Period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Leased Property during each Rental Period. The Corporation and the County have agreed and determined that the total Lease Payments represent the fair rental value of the Leased Property. In making that determination, consideration has been given to the estimated value of the Leased Property as of the Closing Date, other obligations of the County and the Corporation under this Sublease, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the County and the general public.

(e) Source of Payments; Budget and Appropriation. The Lease Payments are payable from any source of available funds of the County, subject to the provisions of Articles VI and IX. The County covenants to take such action as may be necessary to include all estimated Lease Payments and all estimated Additional Payments due hereunder in each of its final approved budgets. The County further covenants to make all necessary appropriations (including any supplemental appropriations) from any source of legally available funds of the County for all the actual amount of Lease Payments and Additional Payments which come due and payable during the period covered by each such budget. The covenants on the part of the County contained herein are duties imposed by law and it is the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the covenants and agreements in this Sublease agreed to be carried out and performed by the County.

(f) Assignment. The County acknowledges that all Lease Payments have been assigned by the Corporation to the Trustee in trust under the Assignment Agreement, for

the benefit of the Owners of the Certificates, and the County consents to such assignment. The Corporation directs the County, and the County agrees to pay to the Trustee at its Office, all payments payable by the County under this Section 4.3 and all amounts payable by the County under Article IX.

SECTION 4.4. *Additional Payments.* In addition to the Lease Payments, the County shall pay when due, as additional rental for the Leased Property hereunder, all costs and expenses incurred by the County hereunder or under the Trust Agreement, or incurred by the Corporation to comply with the provisions of the Trust Agreement, including without limitation all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund), annual compensation due to the Trustee and all of its reasonable costs and expenses (including amounts payable to the Trustee by virtue of indemnification) payable as a result of the performance of and compliance with its duties under the Trust Agreement, and all reasonable costs and expenses of attorneys, auditors, engineers and accountants engaged by the Corporation or the Trustee in connection with the Leased Property or the performance of their duties hereunder or under the Trust Agreement.

SECTION 4.5. *Title.* At all times during the Term of this Sublease, the County will hold title to the Leased Property, subject to the Lease and other Permitted Encumbrances, including all additions which comprise fixtures, repairs, replacements or modifications thereto, and subject to the provisions of Section 5.2.

Upon the termination of this Sublease (other than under Section 8.2(b) hereof), all right, title and interest of the Corporation in and to the Leased Property will be transferred to and vested in the County. Upon the payment in full of all Lease Payments allocable to the Leased Property, or upon the deposit by the County of security for such Lease Payments as provided in Section 9.1, all right, title and interest of the Corporation in and to the Leased Property will be transferred to and vested in the County. The Corporation agrees to take any and all steps and execute and record any and all documents reasonably required by the County to consummate any such transfer of title.

SECTION 4.6. *Substitution of Property.* The County has the option at any time and from time to time to substitute other real property (the "Substitute Property") for the Leased Property or any portion thereof (the "Former Property"), provided that the County must satisfy all of the following requirements which are hereby declared to be conditions precedent to such substitution:

- (a) No Event of Default has occurred and is continuing.
- (b) The County has filed with the Corporation and the Trustee, and has caused to be recorded in the office of the Santa Barbara County Recorder sufficient memorialization of, an amendment hereof which adds to Appendix A hereto a description of such Substitute Property and deletes therefrom the description of such Former Property.
- (c) The County has obtained a CLTA policy of title insurance which insures the County's leasehold estate hereunder in such Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the estimated value thereof.

- (d) The County has certified in writing to the Corporation and the Trustee that such Substitute Property serves the municipal purposes of the County and constitutes property which the County is permitted to lease under the laws of the State of California, and has been determined to be essential to the proper, efficient and economic operation of the County and to serve an essential governmental function of the County.
- (e) The Substitute Property does not cause the County to violate any of its covenants, representations and warranties made herein or in the Trust Agreement.
- (f) The County has filed with the Corporation and the Trustee an appraisal or other written documentation which establishes that (i) the estimated value of the Substitute Property, when combined with the estimated value of the remaining Leased Property, is at least equal to the outstanding principal amount of the Certificates, (ii) the fair rental value of the Substitute Property, when combined with the fair rental value of the remaining Leased Property, is at least equal to the Lease Payments and (iii) the useful life of the Substitute Property extends to at least the final Lease Payment Date of the Lease Payments allocable thereto.
- (g) The County has mailed written notice of such substitution to each rating agency which then maintains a rating on the Certificates.

Upon the satisfaction of all such conditions precedent, the Term of this Sublease will thereupon end as to the Former Property and commence as to the Substitute Property, and all references to the Former Property will apply with full force and effect to the Substitute Property. The County is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such substitution. The Corporation and the County will execute, deliver and cause to be recorded all documents required to discharge this Sublease against the Former Property.

SECTION 4.7. *Release of Property.* The County has the option at any time and from time to time to release any portion of the Leased Property from this Sublease and the Lease (the "Released Property") provided that the County has satisfied 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.
- (b) The County has filed with the Corporation and the Trustee, and has caused to be recorded in the office of the Santa Barbara County Recorder sufficient memorialization of, an amendment hereof which removes the Released Property from this Sublease and the Lease.
- (c) The County has certified in writing to the Corporation and the Trustee that the estimated value of the property which remains subject to this Sublease and the Lease following such removal is at

least equal to the aggregate original principal amount of the Certificates, and the fair rental value of the property which remains subject to this Sublease and the Lease following such removal is at least equal to the Lease Payments thereafter coming due and payable hereunder.

- (d) The County has mailed written notice of such removal to each rating agency which then maintains a rating on the Certificates.

Upon the satisfaction of all such conditions precedent, the Term of this Sublease will thereupon end as to the Released Property. The County is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release. The Corporation and the County shall execute, deliver and cause to be recorded all documents required to discharge this Sublease and the Lease of record against the Released Property.

SECTION 4.8. *No Merger.* It is the express intention of the Corporation and the County that this Sublease and the obligations of the parties hereunder are separate and distinct from the Lease and the obligations of the parties thereunder, and that during the term of the Lease and this Sublease no merger of title or interest may occur or be deemed to occur as a result of the respective positions of the Corporation and the County thereunder and hereunder.

SECTION 4.9. *Contractual Assessments.*

(a) Pledge. The County's obligation to pay the portion of the Lease Payments attributable to the installation of Authorized Improvements is secured by a first pledge (which pledge will be effected in the manner and to the extent herein provided) of all of the Contractual Assessments (except amounts deposited into the Administrative Expense Fund established by the County with respect to the Program). This pledge shall be on a parity with the pledge of Contractual Assessments to any outstanding Parity Debt and any future Parity Debt issued pursuant to paragraph (c) below. The schedule of Lease Payments attributable to the installation of Authorized Improvements is attached as Appendix C.

(b) Collection of Contractual Assessments. All sums received from the collection of the Contractual Assessments and of the interest and penalties thereon will be transferred and/or deposited as follows in the following priority

- (i) An amount equal to the Administrative Expenses component of the Contractual Assessments shall be deposited by the County in the Administrative Expense Fund.

- (ii) The remainder shall be used to pay the Lease Payments attributable to the installation of Authorized Improvements and shall be used to pay debt service on any Parity Debt. In the event Contractual Assessments are insufficient to pay the Lease Payments attributable to the installation of Authorized Improvements when due and debt service on any Parity Debt, the County shall cause Contractual Assessments to be used to pay Lease Payments attributable to the installation of Authorized Improvements and to be deposited into the debt service fund for any Parity Debt on a pro rata basis based on the

outstanding principal component of the Lease Payments attributable to the installation of Authorized Improvements and the principal amount of any outstanding Parity Debt.

(c) Parity Debt. The County may issue or incur Parity Debt secured by a pledge of, and payable from, Contractual Assessments in such principal amount as shall be determined by the County, subject to the following specific conditions which are hereby made conditions precedent to the issuance and delivery of such Parity Debt

(i) Compliance. The County will be in compliance with all covenants set forth in the Lease Agreement relating to Contractual Assessments and any outstanding Parity Debt Instruments, and issuance of the Parity Debt will not cause the County to exceed any bonded indebtedness limit established for the Program.

(ii) Same Payment Dates. The Parity Debt Instrument providing for the issuance of such Parity Debt will provide that interest thereon will be payable on March 2 and September 2, and principal thereof will be payable on September 2.

(iii) Separate Funds. The Parity Debt Instrument providing for the issuance of such Parity Debt may provide for the establishment of separate funds and accounts.

(iv) Reserve Fund. The Parity Debt Instrument may provide for a deposit into a debt service reserve fund. Any such debt service reserve fund shall be available only to pay debt service for the related Parity Debt, and not for the Lease Payments or any other Parity Debt.

(v) Value. For each Participating Parcel the installation of Authorized Improvements on which will be financed as a result of issuance of the Parity Debt, the Participating Parcel Value of such parcel shall be at least ten times one of the following amounts, as applicable: (A) if the proceeds of the Parity Debt will only be used to finance Authorized Improvements for such Participating Parcel, the aggregate principal amount of the Parity Debt and (B) if the proceeds of the Parity Debt will be used to finance Authorized Improvements for a number of Participating Parcels, the aggregate principal amount of the Parity Debt attributable to that Participating Parcel. In order to calculate the principal amount of the Parity Debt that is attributable to a Participating Parcel for purposes of clause (B) of the previous sentence, the attributable portion shall be equal to the aggregate principal amount of such Parity Debt multiplied by a fraction, the numerator of which is the principal amount of the Contractual Assessment levied on such Participating Parcel and the denominator of which is the principal amount of the Contractual Assessment levied on all Participating Parcels the installation of Authorized Improvements on which will be financed as a result of issuance of the Parity Debt.

(vi) Coverage. The total Contractual Assessment installments payable under existing Assessment Contracts shall be at least 100% of (a) the cumulative unpaid Lease Payments attributable to the installation of Authorized Improvements, the cumulative debt service on any outstanding Parity Debt and

the cumulative debt service on the proposed Parity Debt through the final Lease Payment Date and the final maturity date of any outstanding Parity Debt and the proposed Parity Debt *plus* (b) the total anticipated Administrative Expenses through the final Lease Payment Date and the final maturity date of any outstanding Parity Debt and the proposed Parity Debt.

In addition, the scheduled Contractual Assessment installments payable under existing Assessment Contracts in each Bond Year through the final maturity date of the proposed Parity Debt shall be at least 100% of (a) the Lease Payments attributable to the installation of Authorized Improvements, the debt service on any outstanding Parity Debt and the debt service on the proposed Parity Debt for such Bond Year plus (b) the anticipated Administrative Expenses for such Bond Year.

(vii) Certificate. The County will deliver to the Corporation and the Trustee a Certificate of the County certifying that the conditions precedent to the issuance of such Parity Debt set forth in clauses (i), (ii), (iv) and (v) of this Section 4.9(c) have been satisfied.

(viii) Opinion of Bond Counsel. The County will deliver an opinion of Bond Counsel substantially to the effect that (a) the County has the right and power under Chapter 29 to execute and deliver the Parity Debt Instrument, and the Parity Debt Instrument has been duly and lawfully executed and delivered by the County, is in full force and effect and is valid and binding upon the County and enforceable in accordance with its terms (except as enforcement may be limited by bankruptcy, moratorium, insolvency, reorganization, fraudulent conveyance and other similar laws relating to the enforcement of creditor's rights), (b) such Parity Debt is a valid and binding limited obligation of the County, enforceable in accordance with the terms thereof (except as enforcement may be limited by bankruptcy, moratorium, insolvency, reorganization, fraudulent conveyance and other similar laws relating to the enforcement of creditor's rights) and the terms of the Parity Debt Instrument and Chapter 29, and (c) such Parity Debt has been duly and validly authorized and issued in accordance with Chapter 29 and this Sublease.

Notwithstanding the foregoing, the County may issue Parity Debt to refinance the Lease Payments attributable to the installation of Authorized Improvements or any outstanding Parity Debt without the need to satisfy the requirements of clauses (v) or (vi) above, and, in connection therewith, the Certificate of the County in clause (vii) above need not make reference to said clauses (v) and (vi).

ARTICLE V
MAINTENANCE, TAXES, INSURANCE
AND OTHER MATTERS

SECTION 5.1. *Maintenance, Utilities, Taxes and Assessments.* Throughout the Term of this Sublease, as part of the consideration for the rental of the Leased Property, all improvement, repair and maintenance of the Leased Property are the sole responsibility of the County, and the County will 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, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Leased Property resulting from ordinary wear and tear or want of care on the part of the County or any assignee or sublessee thereof. In exchange for the Lease Payments herein provided, the Corporation agrees to provide only the Leased Property, as hereinbefore more specifically set forth. The County waives the benefits of subsections 1 and 2 of Section 1932, Section 1933(4) and Sections 1941 and 1942 of the California Civil Code, but such waiver does not limit any of the rights of the County under the terms of this Sublease.

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

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

SECTION 5.2. *Modification of Leased Property.* The County has the right, at its own expense, to make additions, modifications and improvements to the Leased Property or any portion thereof. All additions, modifications and improvements to the Leased Property will thereafter comprise part of the Leased Property and become subject to the provisions of this Sublease. Such additions, modifications and improvements may not in any way damage the Leased Property, or cause the Leased Property to be used for purposes other than those authorized under the provisions of state and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made thereto under this Section, must be of a value which is not substantially less than the value thereof immediately prior to the making of such additions, modifications and improvements. The County will not permit any

mechanic's or other lien to be established or remain against the Leased Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the County under this Section; provided that if any such lien is established and the County first notifies the Corporation of the County's intention to do so, the County may in good faith contest any lien filed or established against the Leased Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Corporation with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Corporation. The Corporation will cooperate fully in any such contest, upon the request and at the expense of the County.

SECTION 5.3. *Public Liability and Property Damage Insurance.* The County will maintain or cause to be maintained, throughout the Term of this Sublease, comprehensive general insurance in protection of the Corporation, the County and their respective members, officers, agents, employees and assigns. Such insurance must provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such insurance must provide coverage in such liability limits and be subject to such deductibles as the County deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the County, and may be maintained in whole or in part in the form of a program of self-insurance by the County subject to the provisions of Section 5.7, or in the form of the participation by the County in a joint powers authority or other program providing pooled insurance. The County shall apply the proceeds of such insurance toward extinguishment or satisfaction of the liability with respect to which the net proceeds are paid.

SECTION 5.4. *Casualty Insurance.* The County will procure and maintain, or cause to be procured and maintained, at all times throughout the Term of this Sublease, casualty insurance against loss or damage to the insured buildings, facilities and other improvements constituting any part of the Leased Property, in an amount at least equal to the lesser of (a) the replacement value of such buildings, facilities and improvements, or (b) the aggregate principal amount of the Outstanding Certificates. Such insurance must, as nearly as practicable, cover loss or damage by fire, explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and must include earthquake coverage if such coverage is available at reasonable cost from reputable insurers in the reasonable determination of the County, whose determination is final and conclusive. Such insurance may be subject to such deductibles as the County deems prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the County, and may be maintained in whole or in part in the form of the participation by the County in a joint powers authority or other program providing pooled insurance; provided that such insurance may not be maintained by the County in the form of self-insurance. The County shall apply the Net Proceeds of such insurance as provided in Section 6.1.

SECTION 5.5. *Rental Interruption Insurance.* The County will procure and maintain, or cause to be procured and maintained, at all times throughout the Term of this Sublease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the buildings, facilities and other improvements constituting any part of the Leased Property, as a result of any of the hazards covered in the insurance

required by Section 5.4, in an amount at least equal to the maximum Lease Payments coming due and payable during any Fiscal Year during the remaining Term of this Sublease. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the County, and may be maintained in whole or in part in the form of the participation by the County in a joint powers authority or other program providing pooled insurance; provided that such insurance may not be maintained by the County in the form of self-insurance. The Net Proceeds of such insurance, if any, shall be paid to the Trustee and deposited in the Lease Payment Fund, and shall be credited towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

SECTION 5.6. *Recordation Hereof; Title Insurance.* The County will, at its expense, cause the Assignment Agreement and this Sublease to be recorded in the office of the Santa Barbara County Recorder immediately following the execution and delivery hereof. The County shall obtain a CLTA title insurance policy insuring the County's leasehold estate in the Leased Property hereunder, subject only to Permitted Encumbrances, in an amount at least equal to the aggregate principal amount of the Certificates. All Net Proceeds received under such title insurance policy will be deposited with the Trustee in the Lease Payment Fund and credited towards the prepayment of the Lease Payments under Section 9.3.

SECTION 5.7. *Insurance Net Proceeds; Form of Policies.* Each policy of insurance maintained under Sections 5.4, 5.5 and 5.6 must name the Trustee as loss payee so as to provide that all proceeds thereunder are payable to the Trustee. The County shall pay or cause to be paid when due the premiums for all insurance policies required by this Sublease. All such policies shall provide that the Trustee is given 30 days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Trustee has no responsibility for the sufficiency, adequacy or amount of any insurance or self-insurance herein required and is fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss.

If any insurance maintained under Section 5.3 is provided in the form of self-insurance, the County must file with the Trustee annually, within 90 days following the close of each Fiscal Year, a statement of an independent insurance adviser engaged by the County identifying the extent of such self-insurance and stating the determination that the County maintains sufficient reserves with respect thereto. If any such insurance is provided in the form of self-insurance by the County, the County is not obligated to make any payment with respect to any insured event except from such reserves.

SECTION 5.8. *Installation of County's Personal Property.* The County may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Leased Property. All such items will remain the sole property of the County, in which neither the Corporation nor the Trustee has any interest, and may be modified or removed by the County at any time, provided that the County must repair and restore any and all damage to the Leased Property resulting from the installation, modification or removal of any such items. Nothing in this Sublease prevents the County from purchasing or leasing items to be installed under this Section under a lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the unpaid

portion of the purchase price thereof, provided that no such lien or security interest attaches to any part of the Leased Property.

SECTION 5.9. *Liens.* The County may not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, other than as herein contemplated and except for such encumbrances as the County certifies in writing to the Trustee do not materially and adversely affect the leasehold estate in the Leased Property hereunder. Except as expressly provided in this Article, the County will promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time. The County will reimburse the Corporation for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

SECTION 5.10. *Advances.* If the County fails to perform any of its obligations under this Article V, the Corporation may take any necessary action to cure the failure, including the advancement of money, and the County shall repay all such advances as additional rental hereunder, with interest at the rate set forth in Section 4.3(c).

ARTICLE VI

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

SECTION 6.1. *Application of Net Proceeds.* The Net Proceeds of any insurance award resulting from any damage to or destruction of the Leased Property by fire or other casualty shall be paid to the Trustee, as assignee of the Corporation under the Assignment Agreement, and deposited in the Insurance and Condemnation Fund to be applied as set forth in Section 6.01 of the Trust Agreement. The County shall pay the Net Proceeds of any eminent domain award with respect to the Leased Property resulting from an event described in Section 6.2 to the Trustee for deposit in the Insurance and Condemnation Fund, to be applied as set forth in Section 6.02 of the Trust Agreement.

SECTION 6.2. *Termination or Abatement Due to Eminent Domain.* If the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of this Sublease will cease with respect thereto as of the day possession is so taken. If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain, (a) this Sublease will continue in full force and effect with respect thereto and will not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (b) there will be a partial abatement of Lease Payments allocated thereto, in an amount to be determined by the County such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property. Notwithstanding the foregoing, the Lease Payments will not be abated under this Section 6.2 to the extent that amounts in the Reserve Fund or Contractual Assessments (but only with respect to Lease Payments attributable to the installation of Authorized

Improvements) are available to pay Lease Payments which would otherwise be abated under this Section 6.2, it being hereby declared that amounts in the Reserve Fund and available Contractual Assessments (but only with respect to Lease Payments attributable to the installation of Authorized Improvements) constitute a special fund for the payment of the Lease Payments.

SECTION 6.3. *Abatement Due to Damage or Destruction.* The amount of Lease Payments will be abated during any period in which by reason of damage or destruction (other than by eminent domain which is hereinbefore provided for) there is substantial interference with the use and occupancy by the County of the Leased Property or any portion thereof. The amount of such abatement shall be determined by the County such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Leased Property not damaged or destroyed. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, this Sublease shall continue in full force and effect and the County waives any right to terminate this Sublease by virtue of any such damage and destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments under this Section 6.3 to the extent that the proceeds of hazard insurance, rental interruption insurance, amounts in the Reserve Fund or Contractual Assessments (but only with respect to Lease Payments attributable to the installation of Authorized Improvements) are available to pay Lease Payments which would otherwise be abated under this Section 6.3, it being hereby declared that such proceeds and amounts constitute a special fund for the payment of the Lease Payments.

ARTICLE VII

OTHER COVENANTS

SECTION 7.1. *Disclaimer of Warranties.* THE CORPORATION MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE COUNTY OF THE LEASED PROPERTY OR ANY PORTION THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE LEASED PROPERTY OR ANY PORTION THEREOF. THE COUNTY ACKNOWLEDGES THAT THE CORPORATION IS NOT A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN, THAT THE COUNTY LEASES THE LEASED PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE COUNTY. In no event is the Corporation liable for incidental, indirect, special or consequential damages, in connection with or arising out of this Sublease or the Trust Agreement for the existence, furnishing, functioning or the County's use of the Leased Property.

SECTION 7.2. *Access to the Leased Property.* The County agrees that the Corporation and any Corporation Representative, and the Corporation's successors or assigns, may at all reasonable times enter upon and to examine and inspect the Leased Property or any part thereof. The Corporation and any Corporation Representative have such rights of access to the Leased Property or any component thereof as may be

reasonably necessary to cause the proper maintenance of the Leased Property in the event of failure by the County to perform its obligations hereunder; *provided, however*, that neither the Corporation nor any of its assigns has any obligation to cause such proper maintenance.

SECTION 7.3. *Release and Indemnification Covenants.* The County shall indemnify the Corporation and the Trustee, and their respective officers, agents, successors and assigns against all claims, losses and damages, including legal fees and expenses, arising out of any of the following:

- (a) the use, maintenance, condition or management of, or from any work or thing done on the Leased Property,
- (b) any breach or default on the part of the County in the performance of any of its obligations under this Sublease,
- (c) any negligence or willful misconduct of the County or of any of its agents, contractors, servants, employees or licensees with respect to the Leased Property,
- (d) any intentional misconduct or negligence of any sublessee of the County with respect to the Leased Property, or
- (e) the acceptance and administration of the Trust Agreement and this Sublease.

No indemnification is made under this Section or elsewhere in this Sublease for willful misconduct or negligence under this Sublease by the Corporation or the Trustee, or their respective officers, agents, employees, successors or assigns.

SECTION 7.4. *Assignment and Subleasing by the County.* This Sublease may not be assigned by the County. The County may sublease the Leased Property, or any portion thereof, subject to all of the following conditions:

- (a) This Sublease and the obligation of the County to make Lease Payments hereunder must remain obligations of the County.
- (b) The County must, within 30 days after the delivery thereof, furnish or cause to be furnished to the Corporation and the Trustee a true and complete copy of such sublease.
- (c) No such sublease by the County may cause the Leased Property to be used for a purpose which is not authorized under the provisions of the laws of the State of California.
- (d) The County must furnish the Corporation and the Trustee with a written opinion of Bond Counsel stating that such sublease does not cause the interest components of the Lease Payments to become includable in gross income for purposes of federal income taxation or to become subject to personal income taxation by the State of California.

SECTION 7.5. *Amendment of Sublease.* The Corporation and the County may at any time amend or modify any of the provisions of this Sublease, but only: (a) with the prior written consents of the Owners of a majority in aggregate principal amount of the Outstanding Certificates; or (b) without the consent of the Trustee or any of the Certificate Owners, but only if such amendment or modification is for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the County contained in this Sublease, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the County,
- (ii) to cure any ambiguity, or to cure, correct or supplement any defective provision contained herein, for the purpose of conforming to the original intention of the County and the Corporation,
- (iii) to amend any provision thereof relating to the Tax Code, but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest represented by any of the Certificates under the Tax Code, in the opinion of Bond Counsel,
- (iv) to amend the description of any component of the Leased Property to reflect accurately the property originally intended to be included therein, including without limitation to conform to the final description of the Leased Property as set forth in the amendment and restatement of the Lease in accordance with Section 2 thereof, or to effectuate any substitution of property as permitted by Section 3.3 or any release of property as permitted by Section 3.4,
- (v) to obligate the County to pay additional amounts of rental hereunder for the use and occupancy of the Leased Property or any portion thereof, but only if (A) such additional amounts of rental are pledged or assigned for the payment of any bonds, notes, leases or other obligations the proceeds of which are applied to finance the completion of the Project or other improvements to the Leased Property, and (B) the County has filed with the Trustee written evidence that the amendments made under this subsection (v) will not of themselves cause a reduction or withdrawal of any rating then assigned to the Certificates, or
- (vi) in any other respect whatsoever as the Corporation and the County deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments do not materially adversely affect the interests of the Owners of the Certificates.

The County must obtain and cause to be filed with the Trustee an opinion of Bond Counsel with respect to any amendment or modification hereof, stating that all conditions precedent to such amendment as set forth in this Section 7.5 have been satisfied. Promptly following the effective date of any amendment or modification under

this Section, the County must mail written notice thereof to each rating agency which then maintains a rating on the Certificates.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

SECTION 8.1. *Events of Default Defined.* Each of the following events constitutes an Event of Default hereunder:

- (a) Failure by the County to pay any Lease Payment or other payment required to be paid hereunder at the time specified herein.
- (b) Failure by the County to observe and perform any covenant, condition or agreement on its part to be observed or performed herein or in the Trust Agreement, other than as referred to in the preceding subsection (a), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the County by the Corporation and the Trustee; *provided, however,* that if the County notifies the Corporation and the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within such 30 day period, the failure will not constitute an Event of Default if the County commences to cure the failure within such 30 day period and thereafter diligently and in good faith cures such failure in a reasonable period of time.
- (c) The filing by the County of a voluntary petition in bankruptcy, or failure by the County promptly to lift any execution, garnishment or attachment, or adjudication of the County as a bankrupt, or assignment by the County for the benefit of creditors, or the entry by the County into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the County in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

SECTION 8.2. *Remedies on Default.* Whenever any Event of Default has happened and is continuing, the Corporation may exercise any and all remedies available under law or granted under this Sublease. Notwithstanding anything herein or in the Trust Agreement to the contrary, there is no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each and every covenant hereof to be kept and performed by the County is expressly made a condition and upon the breach thereof the Corporation may exercise any and all rights granted hereunder; provided, that no termination of this Sublease shall be effected either by operation of law or acts of the parties hereto, except only in the manner herein expressly provided. Upon the occurrence and during the continuance of any Event of Default, the Corporation may exercise each and every one of the following remedies, subject in all respects to the limitations set forth in Section 8.3.

- (a) Enforcement of Payments Without Termination. If the Corporation does not elect to terminate this Sublease in the manner hereinafter provided for in subsection (b) of this Section, the County agrees to remain liable for the payment of all Lease Payments and the performance of all conditions herein contained and shall reimburse the Corporation for any deficiency arising out of the re-leasing of the Leased Property, or, if the Corporation is unable to re-lease the Leased Property, then for the full amount of all Lease Payments to the end of the Term of this Sublease, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments hereunder, notwithstanding such entry or re-entry by the Corporation or any suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Leased Property or the exercise of any other remedy by the Corporation.

The County hereby irrevocably appoints the Corporation as the agent and attorney-in-fact of the County to enter upon and re-lease the Leased Property upon the occurrence and continuation of an Event of Default and to remove all personal property whatsoever situated upon the Leased Property, to place such property in storage or other suitable place in the County of Santa Barbara for the account of and at the expense of the County, and the County hereby agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Leased Property and the removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions herein contained. The County agrees that the terms of this Sublease constitute full and sufficient notice of the right of the Corporation to re-lease the Leased Property in the event of such re-entry without effecting a surrender of this Sublease, and further agrees that no acts of the Corporation in effecting such re-leasing constitute a surrender or termination of this Sublease irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the County the right to terminate this Sublease shall vest in the Corporation to be effected in the sole and exclusive manner hereinafter provided for in subsection (b) of this Section. The County agrees to surrender and quit possession of the Leased Property upon demand of the Corporation for the purpose of enabling the Leased Property to be re-let under this paragraph. Any rental obtained by the Corporation in excess of the unpaid Lease Payments shall be deposited with the Trustee in the Lease Payment Fund, to be applied as a credit against future Lease Payments.

- (b) Termination of Lease. If an Event of Default occurs and is continuing hereunder, the Corporation at its option may terminate this Sublease and re-lease all or any portion of the Leased Property.

If the Corporation terminates this Sublease at its option and in the manner hereinafter provided on account of default by the County (and notwithstanding any re-entry upon the Leased Property by the Corporation in any manner whatsoever or the re-leasing of the Leased Property), the County nevertheless agrees to pay to the Corporation all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is herein provided in the case of payment of Lease Payments and Additional Payments. Any surplus received by the Corporation from such re-leasing shall be deposited in the Lease Payment Fund. Neither notice to pay rent or to deliver up possession of the premises given under law nor any proceeding in unlawful detainer taken by the Corporation shall of itself operate to terminate this Sublease, and no termination of this Sublease on account of default by the County shall be or become effective by operation of law, or otherwise, unless and until the Corporation has given written notice to the County of the election on the part of the Corporation to terminate this Sublease. The County agrees that no surrender of the Leased Property, or of the remainder of the Term hereof or any termination of this Sublease shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Corporation by such written notice.

- (c) Proceedings at Law or In Equity. If an Event of Default occurs and continues hereunder, the Corporation may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due hereunder or to enforce any other of its rights hereunder.

SECTION 8.3. *No Remedy Exclusive.* No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive and every such remedy is cumulative and in addition to every other remedy given under this Sublease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved to it in this Article VIII it is not necessary to give any notice, other than such notice as may be required in this Article VIII or by law.

SECTION 8.4. *Agreement to Pay Attorneys' Fees and Expenses.* If either party to this Sublease defaults under any of the provisions hereof and the non-defaulting party employs attorneys or incurs other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the non-defaulting party the reasonable fees of such attorneys and such other expenses so incurred by the non-defaulting party.

SECTION 8.5. *No Additional Waiver Implied by One Waiver.* If any agreement contained in this Sublease is breached by either party and thereafter waived by the other

party, such waiver will be limited to the particular breach so waived and will not constitute a waiver of any other breach hereunder.

SECTION 8.6. *Application of Proceeds.* All net proceeds received from the re-lease of the Leased Property under this Article VIII, and all other amounts derived by the Corporation or the Trustee as a result of the occurrence of an Event of Default, shall be paid to the Trustee and applied in accordance with Section 12.04 of the Trust Agreement.

SECTION 8.7. *Trustee and Certificate Owners to Exercise Rights.* Such rights and remedies as are given to the Corporation under this Article VIII have been assigned by the Corporation to the Trustee under the Assignment Agreement for the benefit of the Certificate Owners, to which assignment the County hereby consents. The Trustee and the Certificate Owners shall exercise such rights as provided in the Trust Agreement.

ARTICLE IX

PREPAYMENT OF LEASE PAYMENTS

SECTION 9.1. *Security Deposit.* Notwithstanding any other provision of this Sublease, the County may on any date secure the payment of the Lease Payments in whole or in part by depositing with the Trustee an amount of cash which, together with other available amounts on deposit in the funds and accounts established under the Trust Agreement, is either:

- (a) sufficient to pay such Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule set forth in Appendix B, or
- (b) invested in whole or in part in non-callable Federal Securities in such amount as will, in the opinion of an independent certified public accountant (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 Lease Payments when due under Section 4.3(a) as the County instructs at the time of said deposit.

If the County posts a security deposit under this Section with respect to all unpaid Lease Payments and if the County has paid or caused to be paid all Additional Payments then due and payable, and notwithstanding the provisions of Section 4.2, (a) the Term of this Sublease will continue, (b) all obligations of the County under this Sublease, and all security provided by this Sublease for said obligations, will thereupon cease and terminate, excepting only the obligation of the County to make, or cause to be made all of the Lease Payments from such security deposit, and (c) under Section 4.6, title to the Leased Property will vest in the County on the date of said deposit automatically and without further action by the County or the Corporation. Said security deposit constitutes a special fund for the payment of Lease Payments in accordance with the provisions of this Sublease.

SECTION 9.2. *Optional Prepayment.* The County may exercise its option to prepay the principal components of the Lease Payments in whole, or in part in any integral multiple of \$5,000, on any Interest Payment Date on or after May 1, _____, by paying a prepayment price equal to the aggregate principal components of the Lease Payments to be prepaid, together with the interest component of the Lease Payment required to be paid on such date, without prepayment premium. Such prepayment price shall be deposited by the Trustee upon receipt in the Lease Payment Fund, to be applied to the prepayment of Certificates under Section 3.01(a) of the Trust Agreement. The County shall give the Trustee written notice of its intention to exercise its option not less than 45 days in advance of the date of exercise.

SECTION 9.3. *Mandatory Prepayment From Net Proceeds of Insurance or Eminent Domain.* The County is obligated to prepay the principal components of the Lease Payments, in whole or in part on any date, from and to the extent of any Net Proceeds of insurance award or eminent domain award with respect to the Leased Property theretofore deposited in the Lease Payment Fund for such purpose under Article VI hereof and Article VI of the Trust Agreement. The County and the Corporation hereby agree that such Net Proceeds, to the extent remaining after payment of any delinquent Lease Payments, shall be credited towards the County's obligations under this Section 9.3. Such prepayment price shall be deposited by the Trustee in the Lease Payment Fund to be applied to the prepayment of Certificates under Section 3.01(b) of the Trust Agreement.

SECTION 9.4. *Mandatory Prepayment from Contractual Assessment Prepayments.* The County is obligated to prepay from prepayments of Contractual Assessments the principal components of the Lease Payments in whole, or in part in any integral multiple of \$5,000, on any Interest Payment Date as set forth below, by paying a prepayment price equal to the aggregate principal components of the Lease Payments to be prepaid, together with the interest component of the Lease Payment required to be paid on such date, plus a prepayment premium as set forth below. Such prepayment price shall be deposited by the Trustee upon receipt in the Lease Payment Fund, to be applied to the prepayment of Certificates under Section 3.01(d) of the Trust Agreement. The County shall give the Trustee written notice of its intention to exercise its option not less than 45 days in advance of the date of exercise.

<u>Prepayment Dates</u>	<u>Redemption Premium (%)</u>
March 2, 20__ and September 2, 20__	
March 2, 20__ and September 2, 20__	
March 2, 20__ and September 2, 20__	
March 2, 20__ and each Interest Payment Date thereafter	

SECTION 9.5. *Credit for Amounts on Deposit.* If the County prepays the principal components of the Lease Payments in full under Sections 9.2, 9.3 or 9.4, such that the Trust Agreement is discharged by its terms as a result of such prepayment, at the written election of the County filed with the Trustee any or all amounts then on deposit in the Lease Payment Fund or the Reserve Fund will be credited towards the amounts then required to be so prepaid.

ARTICLE X

MISCELLANEOUS

SECTION 10.1. *Notices.* Any notice, request, complaint, demand or other communication under this Sublease may be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by facsimile transmission or other form of telecommunication, at its number set forth below. Notice is effective either (a) upon transmission by facsimile transmission or other form of telecommunication, (b) 72 hours after deposit in the United States of America first class mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Corporation, the County or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

*If to the County
or the Corporation:*

County of Santa Barbara
105 East Anapamu Street
Santa Barbara, CA 93101
Attention: County of Santa Barbara
Chief Executive Officer

If to the Trustee:

[to come]

SECTION 10.2. *Binding Effect.* This Sublease inures to the benefit of and is binding upon the Corporation, the County and their respective successors and assigns.

SECTION 10.3. *Severability.* If any provision of this Sublease is held invalid or unenforceable by any court of competent jurisdiction, such holding does not invalidate or render unenforceable any other provision hereof.

SECTION 10.4. *Net-net-net Lease.* This Sublease is a "net-net-net lease" and the County hereby agrees that the Lease Payments are an absolute net return to the Corporation, free and clear of any expenses, charges or set-offs whatsoever.

SECTION 10.5. *Third Party Beneficiary.* The Trustee is hereby made a party beneficiary hereunder with all rights of a third party beneficiary.

SECTION 10.6. *Further Assurances and Corrective Instruments.* The Corporation and the County shall, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property hereby leased or intended so to be or for carrying out the expressed intention of this Sublease.

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

SECTION 10.8. *Applicable Law.* This Sublease is governed by and construed in accordance with the laws of the State of California.

SECTION 10.9. *Corporation and County Representatives.* Whenever under the provisions of this Sublease the approval of the Corporation or the County is required, or the Corporation or the County is required to take some action at the request of the other, such approval or such request shall be given for the Corporation by a Corporation Representative and for the County by a County Representative, and any party hereto shall be authorized to rely upon any such approval or request.

SECTION 10.10. *Captions.* The captions or headings in this Sublease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Sublease.

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

**SANTA BARBARA COUNTY
FINANCE CORPORATION, INC.**

By _____
President

Treasurer

COUNTY OF SANTA BARBARA

By _____
Chair of the Board of Supervisors

[SEAL]

ATTEST:

Michael F. Brown,
Clerk of the Board of Supervisors

**APPROVED AS TO ACCOUNTING
FORM:**

Robert W. Geis, C.P.A.,
Auditor-Controller

APPROVED AS TO FORM:

Dennis Marshall,
County Counsel

APPROVED AS TO FORM:

Ray Aromatorio,
Risk Manager

APPENDIX A

DESCRIPTION OF THE LEASED PROPERTY

The property constituting the Leased Property consists of the land located in the County of Santa Barbara, State of California, which is described as follows, including all buildings, improvements and facilities at any time situated thereon.

APPENDIX B

SCHEDULE OF LEASE PAYMENTS

<u>Lease Payment Date*</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Aggregate Lease Payment</u>
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* Lease Payments are due no later than the 5th Business Day preceding each of the listed payment dates.

APPENDIX C

SCHEDULE OF LEASE PAYMENTS ATTRIBUTABLE TO THE INSTALLATION OF AUTHORIZED IMPROVEMENTS

<u>Lease Payment Date*</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Aggregate Lease Payment</u>
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* Lease Payments are due no later than the 5th Business Day preceding each of the listed payment dates.