

GROUND LEASE AGREEMENT

between

**CITY OF SALINAS,
a municipal corporation and charter city under
the Constitution of the State of California**

as Lessor

and

**SALINAS PUBLIC FACILITIES INC.,
a California nonprofit public benefit corporation**

as Lessee

_____, 2018

**El Gabilan Library Project
Salinas, California**

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GROUND LEASE AGREEMENT

THIS GROUND LEASE AGREEMENT (“Ground Lease”) is dated for reference purposes _____, 2018, and is made by and between the **CITY OF SALINAS**, a municipal corporation and charter city under the Constitution of the State of California (“City” or “Lessor”) and **SALINAS PUBLIC FACILITIES INC.**, a California nonprofit public benefit corporation (“SPF” or “Lessee”). City and SPF are each occasionally referred to herein as a “Party” or collectively as the “Parties.”

RECITALS

A. Lessor is the owner of certain real property in the City of Salinas, County of Monterey, California, the address of which is 1400 N Main Street, Salinas, California and which is more particularly described on the attached **EXHIBIT A** (“Land”).

B. SPF is a California nonprofit public benefit corporation established exclusively for purposes and activities that are permitted under Section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”). In particular, SPF has been formed for the purpose of construction, financing, and operation of the Project (defined in Recital C) on behalf of City.

C. Pursuant to California Government Code Sections 25549.1 *et seq.*, Lessor is leasing the Land to Lessee pursuant to this Ground Lease, and Lessee will construct and equip thereon a new El Gabilan Library consisting of one two-story building containing approximately 20,000 square feet with associated parking and related on and off site improvements for the City of Salinas, California (the “Project”). The Project is to be delivered in “turnkey condition.” The design and construction of the Project will be as more particularly described in the Project Lease between the parties of even date herewith (“Project Lease”).

D. Griffin Structures, Inc., a California corporation (“Griffin”) is a national real estate development firm with experience in the oversight and management of design, permit processing and construction of library buildings. Pursuant to a City solicitation issued on August 16, 2017, City selected Griffin to be the developer of the Project. Accordingly, SPF will engage Griffin to oversee and manage certain construction and development activities for the Project pursuant to a separate development agreement, which will be between SPF and Griffin, but will be subject to City’s written approval, at its sole and absolute discretion.

E. Financing for the Project is anticipated to be from the proceeds of 63-20 bonds issued by SPF (“Bonds”). 63-20 Bonds are tax-exempt bonds issued by a nonprofit organization on behalf of a government entity to finance a public facility. 63-20 Bonds are governed by the Internal Revenue Service’s Revenue Procedure 82-26 and Revenue Ruling 63-20.

F. All capitalized terms used in this Ground Lease but not otherwise defined herein shall have the meanings given to such terms in the Project Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are mutually acknowledged, the parties hereto agree as follows:

1. The Demise.

1.1 Demise; Condition of Land. In consideration of the rents, covenants and agreements contained in this Ground Lease, Lessor hereby leases the Land to Lessee, and Lessee hereby leases the Land from Lessor upon and subject to the conditions set forth in this Ground Lease. **[Prior to Closing the City will need to complete the lot boundary adjustment and modify the ground lease with all U.S. Credit Union to reflect new legal description]**

1.2 Use of the Land. The Land shall be used and occupied only for the purpose of the development, operation, use, repair and maintenance of the Project but, until Lessee commences such use and occupancy, Lessor reserves the right to continue to use and occupy the Land for its purposes at no cost. Lessee shall not use or permit the Land to be used for any other purpose without the prior written approval of Lessor. Lessee is hereby authorized to lease back to Lessor, and Lessor agrees to lease, the Land as improved by the Project pursuant to the Project Lease.

1.3 Access and Utilities. Prior to the Effective Date, Lessor, at its sole cost and expense, shall construct the access roads required for ingress and egress to and from the Land as agreed to by Lessor and Lessee. If Lessor has not completed the construction of such access roads prior to the Effective Date, then Lessor shall reimburse Lessee for all costs incurred by Lessee in connection with the construction of such access roads. To the extent applicable, Lessor and Lessee shall mutually cooperate regarding the provision of reciprocal temporary and permanent pedestrian and vehicular access and utilities to, from, and over the Land and the Project to, from, and over adjacent lands of Lessor. **[This will need to be modified to reflect easements or other agreements with all U.S. Credit Union necessary for development of the Project]** Lessor and Lessee shall execute such instruments as may be necessary to provide for such pedestrian and vehicular access, and utilities at no additional cost to Lessee and agree to cooperate in the location thereof. In addition, prior to the Effective Date, Lessor, at its sole cost and expense, shall perform the following: _____ [to be completed with list of items included in line item "Estimated Misc. Costs paid upfront" to be paid by City]. If Lessor has not completed such work prior to the Effective Date, then Lessor shall reimburse Lessee for all costs incurred by Lessee in connection with such work.

1.4 Leasehold Title Insurance. The leasehold interest in the Land granted to Lessee by Lessor shall be subject only to (a) those easements and reservations of rights set forth in Section 1.3 and (b) those permitted exceptions set forth in the attached **Exhibit B** based upon a preliminary commitment for title insurance obtained by Lessee, a copy of which has been previously provided to and approved by Lessor. The leasehold interest granted to Lessee by Lessor shall be insured by a title insurance company acceptable to Lessor and Lessee, and the cost of the policy of title insurance shall be a cost of the Project.

2. Term.

2.1 Effective Date. The "Effective Date," of this Ground Lease shall be the date that it is fully executed, acknowledged and delivered by Lessor and Lessee.

2.2 Term. The term of this Ground Lease (“Term”) shall commence on the Effective Date and shall terminate on the earlier of (i) _____, 20____ or (ii) the date that the Bonds are no longer Outstanding (as defined in the Indenture of even date herewith (the “Indenture”)), and the Premises have been conveyed by Lessee to Lessor as set forth in the applicable provisions of the Project Lease.

Notwithstanding the foregoing, if on the Expiration Date of the Project Lease, the total Base Rent (as defined in the Project Lease) otherwise payable has not been fully paid as a result of an Abatement of Rent (as defined in the Project Lease) and the Bonds remain Outstanding, then, as provided in the Project Lease, the term of the Project Lease may, at the option of Landlord thereunder, be extended until the total Base Rent otherwise payable thereunder shall be fully paid or such earlier time as the Bonds are no longer Outstanding; provided however, that such extension shall not exceed ten (10) years. In the event of such an extension, the Term of this Ground Lease shall be deemed extended for the same period of time that the term of the Project Lease is extended.

3. Rent. Lessee shall pay to Lessor as rent for the Term the sum of \$1.00 payable in advance on or before the first day of the Term.

4. Development of Project.

4.1 Construction. In accordance with the Project Lease, Lessee shall cause the Project to be constructed and developed on the Land. Lessee shall not develop or construct on the Land any improvements except as contemplated by the Project Lease or as otherwise specifically approved in writing by Lessor.

4.2 Ownership of Improvements. During the Term, all improvements constructed on the Land as part of the Project (“Improvements”) shall be owned by Lessee. The Improvements include no ownership interest in the Land other than Lessee’s leasehold interest hereunder. However, the Parties intend that separation of the title to the Land from the title to the Improvements shall not change the character of the Improvements as real property.

(a) **No Conveyance of Improvements.** During the term of this Ground Lease, the Improvements shall not be conveyed, transferred or assigned except that a lien may be granted by Lessee under the terms of a Leasehold Mortgage for the benefit of the trustee for the Bonds, as further described in the Indenture. In its capacity as the beneficiary of the Leasehold Mortgage, the trustee for the Bonds is hereafter referred to as the “Leasehold Mortgagee.” At all times, the owner of the leasehold interest of the Lessee under this Ground Lease shall also be the owner of the Improvements. Any attempted conveyance, transfer or assignment, whether voluntarily or by operation of law or otherwise, to any person or entity not in compliance with the preceding sentence shall be void and of no effect whatsoever.

(b) **Vesting of Improvements in Lessor.** Upon the date the Bonds are no longer Outstanding, all of Lessee’s right, title and interest in and to the Improvements constructed pursuant to the Project shall terminate and title to the Improvements shall automatically vest in the Lessor and the Improvements shall be surrendered by Lessee to the Lessor. No further deed or other instrument shall be necessary to confirm the vesting in the

Lessor of title to the Improvements. However, Lessee shall upon request of the Lessor execute, acknowledge and deliver to Lessor a quitclaim deed to convey all of Lessee's leasehold interest in the Land and its ownership of the Improvements constructed by Lessee thereon to Lessor and to confirm that title to the Improvements has vested in the Lessor.

5. Taxes and Utilities. Lessee shall be solely responsible for the payment of and shall pay and discharge all Taxes and Utilities which are incurred as part of Project Costs as defined in the Project Lease.

6. Condition of the Land.

6.1 "As Is". Lessee accepts the Land "as is" in its existing condition; provided, however, that except for environmental remediation, if any, specifically covered by the approved Project Budget, Lessor shall be solely responsible for all claims, judgments, damages, penalties, fines, expenses, liabilities or losses relating to the presence, release or disposal of hazardous substances and/or human remains or other archeologically significant materials that (i) were present in the soil, groundwater or soil vapor on or under the Land as of the Effective Date of this Ground Lease, (ii) are at any time present on any adjacent property owned or controlled by Lessor and which result in contamination of the Land, or (iii) contaminate the Land as a result of the act or omission of Lessor or the act or omission of any party for which Lessor is liable. Lessor's obligation shall include any costs of investigation or remediation of such toxic or hazard substances that may be required by any federal, state or local government agency. Lessor shall not be responsible for any claims, judgments, damages, penalties, fines, expenses, liabilities or losses relating to the release or disposal of hazardous substances on the Land during construction of the Project by Lessee or the act or omission of Lessee's contractors or their subcontractors or any other party for which Lessee is liable, and the responsibility for the same shall remain with Lessee.

6.2 Lessor's Right to Inspect. Lessor shall have the right to inspect the Land at any time.

7. Liens; Security Interest.

7.1 Leasehold Mortgage. Except for the Leasehold Mortgage to be granted by Lessee to the Leasehold Mortgagee as security for the Bonds to be issued to finance the Project or as otherwise specifically approved in writing by Lessor, Lessee shall not directly or indirectly create or permit to be created or to remain, and will discharge, any mortgage, lien, security interest, encumbrance or charge on the Land or any part thereof or on Lessee's interest therein. The term "Leased Premises" as used in this Section 7 shall have the meaning assigned to it in the Leasehold Mortgage.

7.2 Protection of Leasehold Mortgagee. For so long as the Leasehold Mortgage remains in force and effect the following provisions shall apply:

a) **Notice of Default.** Lessor upon serving Lessee any notice of default pursuant to the provisions of this Ground Lease shall also serve a copy of such notice upon Leasehold Mortgagee at the address provided to Lessor. No notice to Lessee under this Ground Lease shall be deemed to have been duly given unless and until a copy thereof has been

served on such Leasehold Mortgagee. From and after the date such notice has been given to Leasehold Mortgagee, such Leasehold Mortgagee shall have the same period, after the giving of such notice upon it, for remedying any default or acts or omissions which are the subject matter of such notice, or causing the same to be remedied, as is given Lessee after the giving of such notice to Lessee under this Ground Lease, plus in each instance the additional periods of time specified in subsections (b) and (c) of this Section 7.2 to remedy, commence remedying or cause to be remedied, the defaults or acts or omissions which are specified in such notice.

b) **Right to Cure.** Leasehold Mortgagee shall have the right, but not the obligation, to remedy such default or cause the same to be remedied for a period of ninety (90) days after the expiration of the cure period, if any, provided for under this Ground Lease, for Lessee to remedy same and Lessor shall accept such performance by or at the instance of Leasehold Mortgagee as if the same had been made by Lessee.

c) **Extended Cure Period.** If the default is reasonably susceptible of cure, but cannot reasonably be remedied within ninety (90) days, Lessor shall not terminate this Ground Lease, so long as (i) defaults in the payment of money under this Ground Lease are cured, within ninety (90) days and all rent and all other items required to be paid by Lessee under this Ground Lease are paid as and when the same becomes due and payable, and (ii) the cure for any non-monetary default under this Ground Lease has commenced, and is thereafter diligently and in good faith continuously prosecuted to completion. Such cure period shall include any time required to obtain possession of the Leased Premises by foreclosure of the Leasehold Mortgage or by other appropriate means by reasonable diligence, or until such earlier time as all defaults of Lessee are cured. Nothing in this subsection (c), however, shall be construed to extend this Ground Lease beyond the Term, nor to require a Leasehold Mortgagee to continue such foreclosure proceedings after all defaults are cured. Once all defaults are cured, this Ground Lease, shall continue in full force and effect as if Lessee had not defaulted.

d) **New Ground Lease.** In the event of the termination of this Ground Lease prior to the expiration of the Term for any reason, including a termination by reason of a bankruptcy by Lessee, Lessor shall serve upon the Leasehold Mortgagee written notice that the Ground Lease has been terminated together with a statement of any and all sums which would at the time be due under this Ground Lease but for such termination and of all other defaults, if any, under this Ground Lease then known to Lessor. Leasehold Mortgagee shall thereupon have the option, but shall in no event be obligated, to obtain a new lease in accordance with and upon compliance with each of the following terms and conditions:

1) Leasehold Mortgagee shall within ninety (90) days following service of notice of termination of this Ground Lease, provide written notice to Lessor that it desires to enter into a new lease of the Leased Premises with Lessor; and

2) Lessor shall enter into a new lease which shall be effective as of the date of the termination of this Ground Lease and shall be for the remainder of the Term of this Ground Lease and at the same Rent and upon all other terms, covenants and conditions as this Ground Lease (excluding requirements which are inapplicable or have already been fulfilled).

e) **Notices.** Any notice or other communication which Lessor shall desire or is required to give or serve upon Leasehold Mortgagee shall be in writing and shall be served by certified or registered mail addressed to Leasehold Mortgagee at the address set forth in such Leasehold Mortgage, a copy of which has been provided to Lessor, or such other address as shall be designated by Leasehold Mortgagee by notice in writing given to Lessor by certified or registered mail. Any notice or other communication which such Leasehold Mortgagee shall desire or is required to give or serve upon Lessor shall be in writing and shall be served by certified or registered mail addressed to Lessor at the address set forth in Section 15 of this Ground Lease or such other address as shall be designated by Lessor by notice in writing given to Leasehold Mortgagee by certified or registered mail.

f) **Amendments.** No agreement between Lessor and Lessee modifying, canceling or surrendering this Ground Lease shall be effective without (i) the prior written consent of the Leasehold Mortgagee, and (ii) a written opinion from nationally recognized bond counsel that any such modification, cancellation or surrender will not have an adverse effect on the tax exempt status of interest on the Bonds.

g) **Insurance Clauses.** A standard mortgagee clause naming Leasehold Mortgagee may be added to any and all insurance policies required to be carried by Lessee hereunder and the Leasehold Mortgage shall provide such clause.

h) **Leasehold Mortgage Not a Transfer.** For the purposes of Section 16 of this Ground Lease, the making of a Leasehold Mortgage shall not be deemed to constitute an assignment or transfer of this Ground Lease or the leasehold estate hereby created, nor shall any Leasehold Mortgagee, as such, be deemed to be an assignee or transferee of the Lessee's interest under this Ground Lease or of the leasehold estate created hereby so as to require such Leasehold Mortgagee as such to assume the performance of any of the terms, covenants or conditions on the part of the Lessee to be performed prior to foreclosure of the Leasehold Mortgage; provided, however, that upon foreclosure of the Leasehold Mortgage, the Leasehold Mortgagee or any purchaser at any sale of the Lessee's rights under this Ground Lease in any proceedings for the foreclosure of any Leasehold Mortgage, or the assignee or transferee of the Lessee's rights under this Ground Lease created under any instrument of assignment or transfer in lieu of foreclosure of any Leasehold Mortgage, shall be deemed to have agreed to perform all of the terms, covenants and conditions on the part of the Lessee to be performed hereunder (except any indemnification obligations of the Lessee) from and after the date of such purchase and assignment.

i) **Leasehold Mortgagee's Right to Assign.** Notwithstanding any provision of this Ground Lease to the contrary, upon acquiring the Lessee's interest under this Ground Lease pursuant to foreclosure, assignment in lieu of foreclosure or other proceedings Leasehold Mortgagee may, upon acquiring the Lessee's interest under this Ground Lease, or a new lease as provided above, and without further consent of Lessor sell and assign such leasehold interest on such terms and to such persons and organizations as are acceptable to such Leasehold Mortgagee and thereafter be relieved of all obligations under this Ground Lease, which accrue after the date of such sale or assignment so long as each of the following conditions are met:

1) There is no default on the part of Leasehold Mortgagee under this Ground Lease and no event that with the giving of notice, the passage of time, or both, would constitute an Event of Default by Leasehold Mortgagee under this Ground Lease, all such defaults having been cured to the reasonable satisfaction of Lessor prior to the effective date of such assignment;

2) If such assignee will not itself manage the Leasehold Improvements, its proposed operator shall have sufficient experienced and competent personnel to operate, manage, maintain and repair the Leasehold Improvements in accordance with the requirements of this Ground Lease;

3) As part of such assignment the assignee shall assume the obligations of Lessee under this Ground Lease by executing, acknowledging and recording one or more assumption agreements in form and substance reasonably satisfactory to Lessor. The assignee shall thereafter have all the rights and shall perform all the duties and obligations of Lessee under this Ground Lease; and

4) No Leasehold Mortgagee or assignee shall have any liability under this Ground Lease beyond its interest in this Ground Lease, even if it becomes the tenant. Any such liability shall: (a) not extend to any defaults that occurred before Leasehold Mortgagee or such Assignee took title to Lessee's interest under this Ground Lease; and (b) terminate if and when any such Leasehold Mortgagee or Assignee assigns (and the assignee assumes) this Ground Lease. Any such sale or assignment shall not release Leasehold Mortgagee or such Assignee from any claims or obligations under this Ground Lease, which arose while Leasehold Mortgagee or any of its affiliates or Assignee held the Lessee's interest under this Ground Lease or was in possession of the Premises.

j) **Rejection of Unexpired Ground Lease by Lessee or Lessee's Bankruptcy Trustee.** If Lessee or Lessee's Bankruptcy Trustee rejects this Ground Lease during the Term in a proceeding under Section 365 of the United States Bankruptcy Code or similar or successor statute, such rejection will have no effect on the rights of Leasehold Mortgagee under this Section 7.2, which rights will remain in full force and effect notwithstanding such rejection as if the same were provided for in a separate and independent agreement between Lessor and such Leasehold Mortgagee, and such Leasehold Mortgagee shall have the right to a new Ground Lease on the same terms and conditions set forth in Section 7.2 above. The provisions set forth in Section 7.2 of this Ground Lease granting Leasehold Mortgagee certain rights are for the express benefit of each such Leasehold Mortgagee for the term set forth in this Section 7.2 and are independent of the other provisions of this Ground Lease.

k) **No Merger.** So long as any Leasehold Mortgage is in existence, unless the Leasehold Mortgagee otherwise consents in writing, the fee title to the Leased Premises and the leasehold estate of Lessee therein created by this Ground Lease shall not merge but shall remain separate and distinct, notwithstanding the acquisition of said fee title and said leasehold estate by Lessor or by Lessee or by a third party, by purchase or otherwise.

l) **Further Assurances.** Upon request from Lessee or any Leasehold Mortgagee (prospective or current), Lessor shall promptly and in writing, under documentation reasonably satisfactory to Lessor and the requesting party: certify that this Ground Lease is in full force and effect, that to Lessor's knowledge no Default exists, the date through which Rent has been paid, and such other similar matters as may be reasonably requested, all subject to any then exceptions reasonably specified in such certificate.

m) **Miscellaneous.** Notwithstanding anything to the contrary in this Ground Lease, Leasehold Mortgagee: (a) may exercise its rights through an affiliate, assignee, designee, nominee, subsidiary or other person, acting in its own name or in Leasehold Mortgagee's name (and anyone so acting shall automatically have the same protections, rights, and limitations of liability as Leasehold Mortgagee); (b) shall never be obligated to cure any Lessee Default; (c) may abandon such cure at any time; and (d) may withhold its consent or approval for any reason when acting upon the direction of the holders of a majority in aggregate principal amount of the Bonds. Any such consent or approval must be in writing.

8. Indemnity and Hold Harmless.

8.1 Indemnification by Lessor. Lessor shall indemnify, defend and hold harmless Lessee and its officers, representatives, employees, and agents (the "Indemnified Lessee Parties") from and against any and all liability, demands, liens, damages, claims, causes of action, expenses, and fees (including reasonable attorney's fees and costs and expert witness fees) for bodily injury, property damage, and death (hereinafter collectively referred to as "Liabilities"), arising out of or relating to the negligent acts, errors, or omissions of Lessor including, without limitation, any breach of this Ground Lease except to the extent that such Liabilities are caused by the negligence or willful misconduct of Lessee.

8.2 Indemnification by Lessee. Lessee shall indemnify, defend and hold harmless Lessor and its elected and appointed officers, employees, officials, and agents (the "Indemnified Lessor Parties") from and against any and all Liabilities (as defined in Section 8.1), arising out of or relating to the negligent acts, errors, or omissions of Lessee including, without limitation, any breach of this Ground Lease except to the extent that such Liabilities are caused by the negligence or willful misconduct of Lessor.

8.3 Survival. The indemnification provisions of this Section shall remain in full force and effect and survive the termination and/or expiration of this Lease.

9. Minimum Scope of Insurance Coverage for Lessee. For so long as the Project Lease remains in effect, the insurance provisions thereof shall be deemed to be substituted in their entirety for this Section 9. At any other time, the following provisions shall be applicable. Notwithstanding anything herein to the contrary, Lessor shall maintain the property insurance in place as of the Effective Date during the period from the Effective Date until the completion of the demolition of the improvements located on the Land as of the Effective Date.

9.1 Property Insurance. In the event that Lessor is not maintaining property insurance with respect to the Improvements constructed on the Land, Lessee shall maintain property insurance insuring such Improvements, as well as all of Lessee's personal property and

trade fixtures located on the Land, against loss or damage by fire and other perils currently covered by a special causes of loss commercial property insurance form. Lessee shall also cause the Improvements to be insured against the perils of earthquake and flood, either as part of the aforementioned property insurance, or under a separate policy or policies; provided, however, that such coverage shall be maintained only so long as it is available at a commercially reasonable cost and in coverage amounts which are commercially available, but Lessee shall not be in default under this Ground Lease if coverage is no longer written, is unavailable for comparable properties or is not available at commercially reasonable premium amounts. The property insurance policy shall meet the requirements set forth in this Section and in the Project Lease.

9.2 Lessee's Coverages. Lessee shall at a minimum maintain: Commercial General Liability insurance (Insurance Services Office form number (CG00 001), with a limit of not less than \$1,000,000 combined single limit per occurrence; \$2,000,000 aggregate. In addition, Lessee shall maintain workers' compensation coverage as required by the laws of the State of California, statutory limits.

9.3 Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions in insurance coverage maintained by Lessee must be declared to and approved by Lessor. The deductible and/or self-insured retention of the policies shall not limit or apply to Lessor and shall be the sole responsibility of Lessee.

9.4 Other Insurance Provisions. The insurance policies required by this Ground Lease are also to contain or be endorsed to contain the following provisions where applicable:

a) **Liability Policies:**

1) Lessor, Leasehold Mortgagee and their respective officers, officials, employees and agents are to be covered as additional insureds as respects liability arising out of activities performed by or on behalf of Lessee in connection with this Lease.

2) Lessee's insurance coverage shall be primary insurance as respects Lessor, its officers, officials, employees and agents. Any insurance and/or self-insurance maintained by Lessor, Leasehold Mortgagee and their respective officers, officials, employees and agents shall not contribute with Lessee's insurance or benefit Lessee in any way.

3) Lessee's insurance shall apply separately to each insured against whom a claim is made and/or lawsuit is brought, except with respect to the limits of the insurer's liability.

b) **All Policies.** Coverage shall not be suspended, voided, canceled, reduced in coverage or in limits except by the reduction of the applicable aggregate limits by claims paid, until after thirty (30) days' prior written notice has been given to Lessor.

c) **Acceptability of Insurers.** Unless otherwise approved by Lessor:

1) Insurance is to be placed with insurers with a Best's rating of no less than A:VIII, or, if not rated by Best's with a rating in one of the two highest categories maintained by Standard & Poor's Rating Group and Moody's Investors Service.

2) If at any time any of the foregoing policies shall fail to meet the above minimum standards, Lessee shall, upon notice to that effect from Lessor, promptly obtain a new policy and shall submit the same to Lessor with certificates and endorsements for approval.

9.5 Waiver of Subrogation. Lessee shall cause its property insurance carrier(s) to release and waive all rights of subrogation against Lessor to the extent a loss is covered by property insurance in force; provided, however, that this Section 9.5 shall be inapplicable if it would have the effect of invalidating any insurance coverage of Lessee.

10. Eminent Domain. In the event of any taking of the Land, in whole or in part, Lessor shall be entitled to the entire award judgment or settlement from the condemning authority for the value of the Land taken by the condemning authority, and any taking of the Improvements, in whole or in part, shall be subject to the applicable provisions of the Project Lease.

11. Events of Default by Lessee and Lessor's Remedies.

11.1 Events of Default. The following occurrences or acts shall constitute an event of default under this Ground Lease:

a) **Failure to Perform.** Lessee shall be in default hereunder if Lessee (i) defaults in making payment when due of any rent or any other amount payable by Lessee hereunder; or (ii) defaults in the observance or performance of any other material provision of this Ground Lease to be observed or performed by Lessee hereunder; and, in either case, if such default shall continue for thirty (30) days, in each case after Lessor shall have given to Lessee notice specifying such default and demanding that the same be cured. With respect to a default under subsection (ii), which by reason of the nature thereof cannot be cured within such thirty (30) day period, the time to cure shall be extended for such period as may be reasonably necessary to complete the cure, provided that Lessee acts with all due diligence; or

b) **Lessee's Financial Condition.** Lessee shall be in default hereunder if Lessee shall make a general assignment for the benefit of creditors, or shall file a petition in bankruptcy, or shall be adjudicated as bankrupt or insolvent, or shall file a petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, or shall file an answer admitting or shall fail seasonably to contest the material allegations of a petition filed against it in any such proceeding, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of Lessee or any material part of its properties.

11.2 Remedies upon Lessee's Default. In the event of any default by Lessee as defined hereinabove which remains uncured after the expiration of the cure period set forth above, Lessor may exercise any remedy which may be available to Lessor at law or equity, including but not limited to actions for damages, and/or injunctive relief, provided, however,

that, unless the Bonds have been paid in full, Lessor may not terminate this Ground Lease prior to the end of the Term.

11.3 Cumulative Rights and Remedies. The rights and remedies reserved to Lessor herein, including those not specifically described, shall be cumulative, and except as provided by California statutory law in effect at the time, Lessor may pursue any and all such rights and remedies at the same time or independently.

11.4 No Waiver. No delay or omission of Lessor to exercise any right or remedy shall, except as expressly provided herein, be construed as a waiver of any such right or remedy or of any default by Lessee hereunder. The acceptance by Lessor of rent shall not be a waiver of any preceding breach or default by Lessee of any provision hereof, other than the failure of Lessee to pay the particular rent accepted, regardless of Lessor's knowledge of such preceding breach or default at the time of acceptance of such rent, or, except as expressly set forth herein, a waiver of Lessor's right to exercise any remedy available to Lessor by virtue of such breach or default.

11.5 Attorneys' Fees. In the event suit is brought by Lessor or Lessee relating to this Ground Lease, including for the breach of any covenant or condition of this Ground Lease, each party shall bear its own costs and expenses, including attorneys' fees, regardless of the prevailing party, unless otherwise awarded by a court of competent jurisdiction.

12. Quiet Enjoyment. If and so long as Lessee shall pay all rent and all other amounts payable by Lessee hereunder whenever the same shall become due and shall keep all of the covenants and conditions required by it to be kept during the Term of this Ground Lease, Lessor shall not interfere with the peaceful and quiet occupation and enjoyment of the Land by Lessee.

13. Compliance with Laws. Lessee shall not use the Land or permit anything to be done in or about the Land which will in any way conflict with any law, statute, ordinance or governmental rule or regulation now in force or which may hereafter be enacted or promulgated. Lessee shall, at its sole cost and expense, promptly comply with all laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force, and obtain all permits, licenses or other approvals required by governmental agencies or bodies.

14. Waiver Limitations. The waiver by either Party of any term, covenant or condition herein contained on the part of the other Party to be performed shall not be deemed a waiver of such term, covenant or condition for any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance by a Party of the other Party's performance of any obligations hereunder shall not be deemed to be a waiver of any preceding breach of any term, covenant or condition of this Ground Lease.

15. Notices. All notices or requests required or permitted under this Ground Lease shall be in writing, shall be (i) personally delivered, (ii) sent by certified or registered mail, return receipt requested, postage prepaid, or (iii) delivered by a nationally recognized overnight

courier and shall be deemed given when so delivered or received. All notices or requests shall be sent as follows:

If to Lessor:

City of Salinas
200 Lincoln Avenue
Salinas, CA 93901
Attention: City Manager

With a copy to:

City of Salinas
200 Lincoln Avenue
Salinas, CA 93901
Attention: City Attorney

If to Lessee:

Salinas Public Facilities Inc.
c/o Public Facilities Group
1414 Fourth Avenue
Seattle, WA 98101
Attention: John Finke

With a copy to:

Hillis Clark Martin & Peterson PS
999 Third Avenue, Suite 4600
Seattle, WA 98104
Attention: Michelle Gail

Any party may change the address to which notices shall be sent by notice to the other party in the manner and with the effect set forth in this Section 15.

16. Assignment and Subleasing.

16.1 Subleasing. The Parties intend that Lessee shall enter into the Project Lease with Lessor. Any other proposed sublease of the Land shall be subject to the prior review and written approval of Lessor.

16.2 Assignment. Except for the Leasehold Mortgage, Lessee shall not assign, mortgage, or encumber this Ground Lease or delegate the duties of Lessee under this Ground Lease without the prior written consent of Lessor. A consent to one assignment shall not be deemed to be a consent by Lessor to any subsequent assignment by another person. This Ground Lease shall not, nor shall any interest of Lessee herein, be assignable by operation of law, without prior written consent of Lessor.

17. Miscellaneous.

17.1 Time of Essence. Time is of the essence in regard to performance of the covenants and agreements stated herein.

17.2 No Joint Venture or Agency. Nothing contained in this Ground Lease nor any of the acts of the parties hereto shall be construed nor is it the intent of the parties, to create a joint venture or partnership between Lessor and Lessee, nor is either party the agent or representative of the other, and nothing in this Ground Lease shall be construed to create any such agency relationship or to hold either party liable to anyone for goods delivered or services performed at the request of the other party.

17.3 Amendments. No change in, or addition to, or waiver or termination of this Ground Lease, shall be valid unless made in writing and signed by the parties. Lessor and Lessee agree to negotiate in good faith any amendments to this Ground Lease that may be requested or required in connection with the issuance of the Bonds to finance the Project.

17.4 Governing Law. This Ground Lease shall be construed in accordance with and governed by the laws of the State of California.

17.5 Jurisdiction/Venue. In the event any action is brought to enforce any of the provisions of this Lease, the parties agree to be subject to exclusive in personam jurisdiction in the Superior Court of California, County of Monterey, and agree that in any such action venue shall lie exclusively in the County of Monterey, California.

17.6 Headings. The article, section and paragraph headings herein contained are for the purposes of identification and reference convenience only and shall not be considered in construing this Ground Lease.

17.7 Successors and Assigns. Subject to the provisions hereof restricting the sublease or assignment by Lessee, all the terms and provisions of this Lease shall be binding upon and to the benefit of and be enforceable by the Parties and the successors and assigns of the Parties.

17.8 No Merger. In no event shall the leasehold interest of Lessee hereunder merge with any estate of Lessor in or to the Land or the leasehold interest of Lessor under the Project Lease. In the event that Lessor acquires the leasehold interest of Lessee, such leasehold interest shall not merge with Lessor's fee interest in the Land or the leasehold interest of Lessor under the Project Lease, and this Ground Lease and the Project Lease shall remain in full force and effect.

17.9 Counterparts; Recording of Memorandum. This Ground Lease may be executed in several counterparts, each of which shall be deemed an original for all purposes. The Parties shall record a memorandum of this Ground Lease in the form attached hereto as **EXHIBIT C**.

17.10 Schedule of Exhibits. This Ground Lease includes the following exhibits attached hereto and incorporated herein by this reference.

EXHIBIT A Land Legal Description
EXHIBIT B Permitted Exceptions
EXHIBIT C Memorandum of Lease

17.11 Approval. This Ground Lease shall not be binding or effective until its approval by the City of Salinas City Council by passage of an ordinance with at least thirty (30) days between the first and second readings of such ordinance.

LESSOR:

CITY OF SALINAS, a municipal corporation and charter city under the Constitution of the State of California

By: _____
Name: Ray Corpuz
Title: City Manager

LESSEE:

SALINAS PUBLIC FACILITIES INC., a California nonprofit public benefit corporation

By: _____
Name: John Finke
Title: President

Approved as to form:

By: _____
Name: Chris Callihan
Title: City Attorney

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

COUNTY OF _____

} ss.

On _____ before me, _____ personally appeared RAY CORPUZ, the City Manager of the City of Salinas, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and

that by his signature on the instrument the person, or the entity upon behalf of which the person 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.

Signature _____ (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

COUNTY OF _____

}

ss.

On _____ before me, _____ personally appeared JOHN FINKE, the President of Salinas Public Facilities Inc., who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person 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.

Signature _____ (Seal)

EXHIBIT A
LAND LEGAL DESCRIPTION

EXHIBIT B
PERMITTED EXCEPTIONS

EXHIBIT C

RECORDING REQUESTED BY:

WHEN RECORDED MAIL TO:

Hillis Clark Martin & Peterson P.S.
Attention: Steven R. Rovig
999 Third Avenue, Suite 4600
Seattle, WA 98104

SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE ONLY.

Assessor's Parcel Nos. _____

This instrument is exempt from recording fees (California Government Code Section 27383) and from Documentary Transfer Tax (California Revenue and Tax Code Section 11922).

MEMORANDUM OF GROUND LEASE

THIS MEMORANDUM OF GROUND LEASE ("Memorandum") is dated for reference purposes _____, 2018 and is made by and between **CITY OF SALINAS**, a municipal corporation and charter city under the Constitution of the State of California ("Lessor") and **SALINAS PUBLIC FACILITIES INC.**, a California nonprofit public benefit corporation ("Lessee").

1. Ground Lease. Lessor leases to Lessee under that certain Ground Lease Agreement dated for reference purposes _____, 2018 ("Ground Lease") that certain real property located in the City of Salinas, County of Monterey, California ("Land"), more specifically described on the attached **EXHIBIT A** for construction of a Project in accordance with the terms and conditions of Project Lease Agreement dated _____, 2018.

2. Term. The Ground Lease is for a term commencing on the date it is fully executed, acknowledged and delivered ("Effective Date"), and expiring on the earlier of (i) _____, 20__ or (ii) the date that the Bonds have been paid and retired and the Premises have been conveyed by Lessee to Lessor, unless sooner terminated.

3. Definition of Terms. All capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Ground Lease.

4. Purpose of Memorandum. This Memorandum is prepared for purposes of recordation only and to provide constructive notice of the rights of Lessor and Lessee under the Ground Lease to all third parties, and does not set forth all of the terms and conditions set forth

in the Ground Lease. In the event there is any conflict between the terms and conditions of the Lease and this Memorandum, the Ground Lease shall control.

DATED the date first above written.

LESSOR:

CITY OF SALINAS, a municipal corporation and charter city under the Constitution of the State of California

By: _____
Name: Ray Corpuz
Title: City Manager

LESSEE:

SALINAS PUBLIC FACILITIES INC., a California nonprofit public benefit corporation

By: _____
Name: John Finke
Title: President

Approved as to form:

By: _____
Name: Chris Callihan
Title: City Attorney

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

COUNTY OF _____

}

ss.

On _____ before me, _____
personally appeared RAY CORPUZ, the City Manager of the City of Salinas, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person 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.

Signature _____ (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

COUNTY OF _____

}

ss.

On _____ before me, _____
personally appeared JOHN FINKE, the President of Salinas Public Facilities Inc., who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person 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.

Signature _____ (Seal)

EXHIBIT A
LEGAL DESCRIPTION