

RECORDING REQUESTED BY)
AND WHEN RECORDED MAIL TO:)
)
STRADLING YOCCA CARLSON & RAUTH)
660 Newport Center Drive, Suite 1600)
Newport Beach, California 92660)
Attention: Robert J. Whalen, Esq.)

[Space above for Recorder's use]

FACILITY LEASE

by and between the

**STATE PUBLIC WORKS BOARD
OF THE STATE OF CALIFORNIA**
as Lessor

and

**DEPARTMENT OF CORRECTIONS AND REHABILITATION
OF THE STATE OF CALIFORNIA**
as Lessee

Dated as of November 15, 2009

**(FOLSOM STATE PRISON, REPRESA:
CONVERT OFFICER AND GUARDS BUILDING TO OFFICE SPACE)
(SACRAMENTO COUNTY)**

NO DOCUMENTARY TRANSFER TAX DUE.
This Facility Lease is recorded for the benefit of the
State of California and is exempt from California
documentary transfer tax pursuant to Section 11928 of
the California Revenue and Taxation Code and from
recording fees pursuant to Sections 6103 and 27383 of
the California Government Code.

Table of Contents

| | <u>Page</u> |
|---|-------------|
| SECTION 1. Definitions..... | 1 |
| SECTION 2. Purpose and Term. | 2 |
| SECTION 3. Rental. | 3 |
| SECTION 4. Financing the Project..... | 5 |
| SECTION 5. Maintenance, Utilities, Taxes and Assessments..... | 5 |
| SECTION 6. Changes to the Facility..... | 6 |
| SECTION 7. Insurance. | 6 |
| SECTION 8. Breach. | 7 |
| SECTION 9. Eminent Domain. | 10 |
| SECTION 10. Right of Entry..... | 11 |
| SECTION 11. Liens. | 11 |
| SECTION 12. Quiet Enjoyment. | 11 |
| SECTION 13. Board Not Liable..... | 11 |
| SECTION 14. Title and Jurisdiction to Property..... | 12 |
| SECTION 15. Status of Private Activity Use of the Facility..... | 12 |
| SECTION 16. Tax Covenants..... | 12 |
| SECTION 17. Continuing Disclosure..... | 12 |
| SECTION 18. Law Governing..... | 12 |
| SECTION 19. Notices..... | 12 |
| SECTION 20. Validity and Severability..... | 13 |
| SECTION 21. Waiver. | 13 |
| SECTION 22. Net Lease..... | 13 |
| SECTION 23. Section Headings..... | 13 |
| SECTION 24. Amendment. | 13 |
| SECTION 25. Execution..... | 13 |
| SECTION 26. No Merger. | 14 |
| SECTION 27. Binding Effect. | 14 |
| | |
| SCHEDULE I Schedule of Base Rental Payments..... | I-1 |
| | |
| EXHIBIT A LEGAL DESCRIPTION OF SITE..... | A-1 |
| EXHIBIT B DESCRIPTION OF PROJECT..... | B-1 |

FACILITY LEASE

THIS FACILITY LEASE, dated as of November 15, 2009 (the "Facility Lease"), by and between the STATE PUBLIC WORKS BOARD OF THE STATE OF CALIFORNIA (the "Board"), as lessor, and the DEPARTMENT OF CORRECTIONS AND REHABILITATION OF THE STATE OF CALIFORNIA (the "Department"), as lessee;

WITNESSETH:

WHEREAS, the Board has financed a portion of the costs of the construction of the Project (as defined herein) by obtaining an interim loan (the "Loan") from the Pooled Money Investment Account pursuant to California Government Code Sections 16312 and 16313;

WHEREAS, the Board intends to refinance the Loan and finance any remaining costs of construction of the Project with a portion of the proceeds of the issuance and sale of the Board's Lease Revenue Bonds 2009 Series I (Various Capital Projects) (the "Bonds") as authorized by the Act (as defined herein) and Chapters 268 and 269, Statutes of 2008, Line Item 5225-301-0660(0.3) (the "Law"), which Bonds will be secured, in part, by this Facility Lease;

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

SECTION 1. Definitions.

Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Facility Lease, have the meanings below. All defined terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture (defined below).

The term "Act" means the State Building Construction Act of 1955 (being Part 10b of Division 3 of Title 2 of the California Government Code commencing at Section 15800) and all laws amendatory thereof or supplemental thereto.

The term "Additional Rental" means the additional rental payments payable by the Department to or upon the order of the Board pursuant to Section 3(b) and Section 5(b) hereof for the purposes described in such Sections.

The term "Base Rental" means the base rental payments payable by the Department to the Board pursuant to Section 3(a) in order to pay a portion of the principal of and interest on the Bonds.

The term "Board" means the State Public Works Board of the State of California, an entity of state government duly organized and validly existing under and pursuant to Part 10.5 of Division 3 of Title 2 of the California Government Code, commencing at Section 15752.

The term "Bonds" means the State Public Works Board of the State of California Lease Revenue Bonds 2009 Series I (Various Capital Projects) which are being issued under and pursuant to the Indenture, in part, to finance or refinance the costs of the construction of the Project and certain related costs.

The term "Business Day" means a day of the year other than a Saturday or Sunday or a day on which the State of California offices or banking institutions located in the State of California are required or authorized to remain closed.

The term "Continuing Disclosure Agreement" means that certain Continuing Disclosure Agreement among the Board, the Department, the State Treasurer and certain other Departments of the State dated the date of issuance and delivery of the Bonds.

The term "Department" means the Department of Corrections and Rehabilitation of the State of California, an entity of state government duly organized and validly existing under and by virtue of the laws of the State, and any successor entity thereto.

The term "Facility" means the Site and the Project. The Facility is located at Prison Road, Represa, California 95671, and is known as the "Folsom State Prison, Represa: Convert Officer and Guards Building to Office Space."

The term "Indenture" means, collectively, the Master Indenture as supplemented by the Ninety-Sixth Supplemental Indenture, as said Indenture may from time to time be further amended or supplemented pursuant to the provisions thereof.

The term "Master Indenture" means the Indenture for the Series I Projects, dated as of April 1, 1994, as amended by the Tenth Supplemental Indenture, dated as of September 1, 1996, the Forty-Second Supplemental Indenture, dated as of October 1, 2002, the Fifty-Second Supplemental Indenture, dated as of October 15, 2004, and the Ninety-Third Supplemental Indenture, dated as of October 12, 2009, each by and between the Board and the State Treasurer.

The term "Ninety-Sixth Supplemental Indenture" means the Ninety-Sixth Supplemental Indenture, dated as of November 15, 2009, between the Board and the State Treasurer, which is supplemental to the Master Indenture in accordance with the terms thereof.

The term "Project" means the buildings, structures, works and related improvements constructed or to be constructed on the Site, as more particularly described in Exhibit B hereto, and any and all additions, betterments, extensions and improvements thereto.

The term "Site" means that certain real property on which the Project is located, as more particularly described in Exhibit A to this Facility Lease.

The term "Site Lease" means the Site Lease, dated as of November 15, 2009, by and between the Department, as lessor, and the Board, as lessee, as originally executed and as it may from time to time be amended or supplemented pursuant to the provisions thereof.

The term "State" means the State of California.

The term "State Treasurer" means the Treasurer of the State of California, or his successor, acting as trustee under and pursuant to the Indenture.

SECTION 2. Purpose and Term.

The Board leases the Facility to the Department on the terms and conditions hereinafter set forth and subject to all easements, encumbrances and restrictions of record. The Department agrees

and covenants during the term of this Facility Lease that, except as hereinafter provided, it will use the Facility only as part of a facility to afford the public the benefits contemplated by the Act, the Law and by this Facility Lease and so as to permit the Board to carry out its agreements and covenants contained in the Indenture and further agrees that it will not abandon the Facility.

The term of this Facility Lease will commence on the date of issuance of the Bonds and shall end on November 1, 2034, unless such term is extended or sooner terminated as hereinafter provided. If on November 1, 2034, the Bonds or other indebtedness of the Board incurred to pay for the Project shall not have been fully paid and retired, or if the rental payable hereunder shall have been abated at any time and for any reason, then the term of this Facility Lease shall be extended until the date upon which all the Bonds and other indebtedness of the Board incurred for such purposes shall have been fully paid and retired, except that the term of this Facility Lease shall in no event be extended beyond November 1, 2044. If prior to November 1, 2034, the portion of the Bonds and other indebtedness of the Board incurred to pay for the Project shall have been fully paid and retired or the Site Lease shall have been terminated, then the term of this Facility Lease shall end simultaneously therewith.

SECTION 3. Rental.

The Department agrees to pay to the Board, its successors or assigns, without deduction or offset of any kind, as rental for the use and occupancy of the Facility, the following amounts at the following times:

(a) Base Rental. In order to allow the Board to pay the principal of and interest on the Bonds when due, subject to the provisions of the following two paragraphs and the provisions of Section 3(g) below, the Department shall pay to the Board Base Rental hereunder in the semiannual installments set forth on attached Schedule I. Such Base Rental shall be due and payable on or before April 15 and October 15 in each year through October 15, 2034 and, subject to the provisions of the following two paragraphs, the first Base Rental installment will be due on April 15, 2010. If any date for the payment of Base Rental is not a Business Day, such Base Rental shall be paid on the next succeeding Business Day. The payments of the Base Rental due on April 15 and October 15 of a calendar year as set forth in the attached Schedule I shall be for the right to the use and occupancy of the Facility for the preceding six-month period.

It is contemplated that the Department will take possession of the Facility and each and every part thereof on or before July 1, 2011. If the Facility or any part thereof shall be substantially completed before July 1, 2011, the Department may take possession of the Facility or such part thereof upon such substantial completion. The Board covenants that it will cause the Facility to be constructed with all practical dispatch.

If the Board for any reason whatsoever cannot deliver possession of the Facility or any part thereof to the Department by January 1, 2012, this Facility Lease shall not be void or voidable, nor shall the Board be liable to the Department for any loss or damages resulting therefrom, but in that event the Base Rental payable hereunder shall be abated proportionately in the proportion which the construction costs of the part or parts of the Facility not yet delivered to the Department bear to the costs of construction of the entire Facility with respect to the period between January 1, 2012 and the time when the Board delivers possession of such part.

The Base Rental installments set forth on Schedule I have been established based on the expected amount of proceeds of the Bonds to be expended on the Project. If at any time the Board

determines that a lesser amount of proceeds of the Bonds will be expended on the Project (the "Cost Reduction"), the Board and the Department shall determine whether the amount of the total rental due hereunder as described in Section 3(c) below remains consistent with and does not exceed the fair rental value of the Facility. If the Board and the Department are unable to make a determination that the total rental due annually remains consistent with and does not exceed the fair rental value of the Facility or otherwise determine that the Base Rental installments should be adjusted given the Cost Reduction, then the Board, in coordination with the State Treasurer, shall recompute the Base Rental due hereunder and reduce each Base Rental installment to an amount determined by the Board and the Department to be consistent with and not in excess of the fair rental value of the Facility.

In the event that the Board authorizes an increase in the amount of Bond proceeds to be expended on the Project, then the Board and the Department may agree to increase the Base Rental installments due hereunder upon a determination by the Board and the Department that with such revised Base Rental installments, the amount of total rental due hereunder is consistent with and does not exceed the fair rental value of the Facility.

Any adjustment to the Base Rental installments to be made pursuant to the two preceding paragraphs shall become effective only in accordance with the provisions of Section 208.07 of the Indenture, following which a revised Schedule I hereto shall be appended to this Facility Lease and shall automatically supersede the Schedule I then in effect without any further action being required on the part of the Board or the Department.

(b) Additional Rental. The Department shall pay to or upon the order of the Board as Additional Rental hereunder such reasonable amounts in each year as shall be required by the Board for the payment of all administrative costs and other expenses of the Board in connection with the Facility, including all expenses, compensation and indemnification of the State Treasurer payable by the Board under the Indenture, fees of accountants, fees of the Attorney General or attorneys, litigation costs, insurance premiums and all other necessary costs of the Board and the State Treasurer or charges required to be paid by them in order to comply with the terms of the Act, the Indenture or the Bonds. Such Additional Rental shall be billed by the Board or the State Treasurer from time to time, together with a statement certifying that the amount so billed has been paid by the Board or by the State Treasurer on behalf of the Board for one or more of the items above described, or that such amount is then payable by the Board or the State Treasurer on behalf of the Board for such items. Amounts so billed shall be due and payable by the Department within thirty (30) days after receipt of the bill by the Department.

(c) Total Rental. Such payments of Base Rental and Additional Rental for each rental payment period during the term of this Facility Lease shall constitute the total rental for such rental payment period, and shall be paid by the Department in each rental payment period for and in consideration of the right to the use and occupancy, and the continued quiet enjoyment, of the Facility during each such rental payment period for which such rental is paid. The parties hereto have agreed and determined that the amount of such total rental is consistent with and does not exceed the fair rental value of the Facility. In making such determination, consideration has been given to the costs of the construction of the Project to be financed or refinanced by the Board with the proceeds of the Bonds, other obligations of the parties under this Facility Lease, the uses and purposes which may be served by the Facility and the benefits therefrom which will accrue to the Department and the general public.

(d) Payment Terms. Each installment of rental payable hereunder shall be paid in lawful money of the United States of America to or upon the order of the Board in Sacramento, California, or such other place as the Board shall designate. Any such installment of rental accruing hereunder which shall not be paid when due shall bear interest at the legal rate of interest per annum at which judgments for money in the State bear interest from the date when the same is due hereunder until the same shall be paid. Notwithstanding any dispute between the Board and the Department, the Department shall make all rental payments when due without deduction or offset of any kind and shall not withhold any rental payments pending the final resolution of such dispute.

(e) Covenant to Budget. The Department covenants to take such action as may be necessary to include or cause to be included all such rental payments due hereunder in that portion of the budget of the State related to the Department and to make or cause to be made the necessary annual allocations for all such rental payments. The Department further covenants to take all actions necessary and appropriate to assist in implementing the procedure contained in California Government Code Section 15848 for making rental payments under this Facility Lease if the required rental payments have not been included in the annual budget adopted by the State or the State is operating without a budget. The covenants on the part of the Department herein contained shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the Department 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 Department to carry out and perform the agreements and covenants in this Facility Lease agreed to be carried out and performed by the Department.

(f) Order of Payments. All rental payments received shall be applied first to the Base Rental due hereunder and thereafter to all Additional Rental due hereunder, but no such application of any payments which are less than the total rental due and owing shall be deemed a waiver of any default hereunder.

(g) Rental Abatement. The rental shall be abated proportionately during any period in which, by reason of any damage or destruction (other than by eminent domain which is provided for in Section 9 of this Facility Lease), or title defect in the Site, there is substantial interference with the use and occupancy of the Facility or any portion thereof by the Department. Such abatement shall continue for the period commencing with such damage or destruction or title defect and ending when such use and occupancy are restored. The Department waives the benefits of California Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate this Facility Lease by virtue of any such damage or destruction.

SECTION 4. Financing the Project.

The Board agrees to use a portion of the proceeds of the Bonds to finance and refinance the costs of the construction of the Project and certain related costs (or for making reimbursements to the Board or any other state agency, public agency, person, firm or corporation for such costs theretofore paid by him, her or it), including payment of the Loan and all costs incidental to or connected with such construction, and to pay for capitalized interest and the costs of issuance related to the Bonds.

SECTION 5. Maintenance, Utilities, Taxes and Assessments.

(a) During such time as the Department is in possession of the Facility, all maintenance and repair, both ordinary and extraordinary, of the Facility shall be the sole responsibility of the

Department, which shall at all times maintain or otherwise arrange for the maintenance of the Facility in good condition, and the Department shall pay for or otherwise arrange for the payment of all utility services supplied to the Facility and shall pay for or otherwise arrange for the payment of the costs of the repair and replacement of the Facility resulting from ordinary wear and tear or want of care on the part of the Department or any other cause and shall pay for or otherwise arrange for the payment of all insurance policies required to be maintained with respect to the Facility. In exchange for the rentals herein provided, the Board agrees to provide only the Facility.

(b) The Department shall also pay to the Board or upon the order of the Board, as Additional Rental hereunder such amounts, if any, in each year as shall be required by the Board for the payment of all taxes and assessments of any type or nature assessed or levied by any governmental agency or entity having power to levy taxes or assessments charged to the Board or the State Treasurer affecting or relating to the Facility or the respective interests or estates therein, or the amount of rentals received by the Board hereunder.

SECTION 6. Changes to the Facility.

At its sole cost and expense, the Department shall have the right during the term of this Facility Lease to make additions, betterments, extensions or improvements to the Facility or to attach fixtures, structures or signs to the Facility if such additions, betterments, extensions or improvements or fixtures, structures or signs are necessary or beneficial for the use of the Facility by the Department; provided, however, that any such changes to the Facility shall be made in a manner that does not result in an abatement of Base Rental hereunder.

SECTION 7. Insurance.

(a) Not later than the start of construction for the Project, the Department shall maintain or cause to be maintained (i) fire, lightning and extended coverage insurance on the Facility which initially may be in the form of a builder's risk policy providing coverage in an amount not less than the construction costs expended for the Project and, if no builder's risk policy is in effect, shall be in the form of a commercial property policy in an amount equal to one hundred percent (100%) of the then current replacement cost of the Facility, excluding the replacement cost of the unimproved real property constituting the Site (except that such insurance may be subject to deductible clauses of not to exceed Five Hundred Thousand Dollars (\$500,000) for any one loss), and (ii) earthquake insurance (if, in the sole discretion of the Board, such insurance is available on the open market from reputable insurance companies at a reasonable cost) on any structure comprising part of the Facility in an amount equal to the full insurable value of such structure or the principal amount of a portion of the Outstanding Bonds issued to finance and refinance the Project, whichever is less (except that such insurance may be subject to a deductible clause of not to exceed Five Hundred Thousand Dollars (\$500,000) for any one loss). The extended coverage endorsement shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke, vandalism and malicious mischief and such other hazards as are normally covered by such endorsement. Each such policy of insurance shall be in a form satisfactory to the Board and shall contain a clause making all losses payable to the Board, the State Treasurer and the Department, as their interests may appear, and all proceeds thereof shall be paid over to the party contractually responsible for making repairs of casualty damage or to the Board to redeem the Bonds as hereinafter provided.

In the event of any damage to or destruction of the Facility caused by the perils covered by the insurance described in the preceding paragraph, or in the event of a loss of use of all or a portion of the Facility due to a title defect for which the Board or the Department has obtained any title insurance, the proceeds of such insurance shall be utilized, in the discretion of the Board, either (i) to redeem Outstanding Bonds to the extent possible and in accordance with the provisions of the Indenture, but only if the Base Rental payments due after such a redemption together with other Revenues available under the Ninety-Sixth Supplemental Indenture would be sufficient to retire the Bonds then Outstanding in accordance with their terms, or (ii) for the repair, reconstruction or replacement of the Facility to the end that the Facility shall be restored to at least the same condition that it was in prior to such damage, destruction or loss of use. If the Board so elects to repair, reconstruct or replace the Facility, it shall do so with all practicable dispatch in an expeditious manner and in conformity with the law so as to complete the same as soon as possible. Any balance of such proceeds not required for such repair, reconstruction or replacement shall be transferred to the Board and treated as Revenues and applied in the manner provided in Section 4.03 of the Indenture.

(b) The Department shall maintain or cause to be maintained rental interruption insurance or use and occupancy insurance to cover loss, total or partial, of the use of the Facility as a result of any of the hazards covered by the insurance required by subsection (a) of this Section in an amount not less than the succeeding two (2) consecutive years' Base Rental. Any such insurance policy shall be in a form satisfactory to the Board and shall contain a loss payable clause making any loss thereunder payable to the State Treasurer. Any proceeds of such insurance shall be used by the State Treasurer to reimburse the Department for any rental theretofore paid by the Department under this Facility Lease for a period of time during which the payment of rental hereunder is abated, and any proceeds of such insurance not so used shall be applied as provided in Section 4.03 of the Indenture to the extent required to pay annual debt service on the Bonds or shall be applied as provided in the Indenture to the extent required to pay administrative costs of the Board in connection with the Facility.

(c) The Department will deliver or cause to be delivered to the State Treasurer in the month of July in each year a schedule, in such detail as the State Treasurer in his discretion may request, setting forth the insurance policies then in force pursuant to this Section, the names of the insurers which have issued the policies, the amounts thereof and the property and risks covered thereby. Each such insurance policy shall require that the State Treasurer and the Board be given thirty (30) days notice of any intended cancellation thereof or reduction of the coverage provided thereby. Delivery to the State Treasurer of the schedule of insurance policies under the provisions of this Section shall not confer responsibility upon the State Treasurer as to the sufficiency of coverage or amounts of such policies. If so requested in writing by the State Treasurer, the Department shall also deliver or cause to be delivered to the State Treasurer duplicate originals or certified copies of each insurance policy described in such schedule.

SECTION 8. Breach.

(a) If the Department shall fail to pay any rental payable hereunder when the same becomes due and payable, time being expressly declared to be of the essence of this Facility Lease, or the Department shall fail to keep, observe or perform any other term, covenant or condition contained herein to be kept or performed by the Department for a period of sixty (60) days after notice of the same has been given to the Department by the Board or the State Treasurer plus such additional time as may be reasonably required in the sole discretion of the State Treasurer to correct

any of the same, or upon the happening of any of the events specified in subsection (b) of this Section, the Department shall be deemed to be in default under this Facility Lease and it shall be lawful for the Board to exercise any and all remedies available pursuant to law or granted pursuant to this Facility Lease. Upon any such default, the Board, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following:

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

(2) Without terminating this Facility Lease, (i) to collect each installment of rent as it becomes due and enforce any other term or provision hereof to be kept or performed by the Department, or (ii) to exercise any and all rights of entry and re-entry upon the Facility. If the Board does not elect to terminate this Facility Lease in the manner provided for in subparagraph (1) hereof, the Department shall remain liable and agrees to keep or perform all covenants and conditions herein contained to be kept or performed by the Department, and, if the Facility is not re-let, to pay the full amount of the rent to the end of the term of this Facility Lease or, if the Facility is re-let, to pay any deficiency in rent that results therefrom; and further agrees to pay such rent and/or rent deficiency punctually at the same time and in the same manner as hereinabove provided for the payment of rent hereunder, notwithstanding the fact that the Board may have received in previous years or may receive thereafter in subsequent years rental in excess of the rental herein specified, and notwithstanding any entry or re-entry by the Board or suit in unlawful detainer or otherwise, brought by the Board for the purpose of effecting such re-entry or obtaining possession of the Facility. Should the Board elect to re-enter as herein provided, the Department irrevocably appoints the Board as the agent and attorney-in-fact of the Department to re-let the Facility, or any part thereof, from time to time, either in the Board's name or otherwise, upon such terms and conditions and for such use and period as the Board may deem advisable and to remove all persons in possession thereof and all personal property whatsoever situated upon the Facility and to place such personal property in storage in any warehouse or other suitable place for the Department, for the account of and at the expense of the Department, and the Department exempts and agrees to save harmless the Board from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-

entry upon and re-letting of the Facility and removal and storage of such property by the Board or its duly authorized agents in accordance with the provisions herein contained except for any such costs, loss or damage resulting from the intentional or negligent actions of the Board or its agents. The Department agrees that the terms of this Facility Lease constitute full and sufficient notice of the right of the Board to re-let the Facility in the event of such re-entry without effecting a surrender of this Facility Lease, and further agrees that no acts of the Board in effecting such re-letting shall constitute a surrender or termination of this Facility Lease irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the Department, the right to terminate this Facility Lease shall vest in the Board to be effected in the sole and exclusive manner provided for in subparagraph (1) hereof. The Department further waives the right to any rental obtained by the Board in excess of the rental herein specified and conveys and releases such excess to the Board as compensation to the Board for its services in re-letting the Facility. The Department further agrees to pay the Board the cost of any alterations or additions to the Facility necessary to place the Facility in condition for re-letting immediately upon notice to the Department of the completion and installation of such additions or alterations.

The Department waives any and all claims for damages caused or which may be caused by the Board in re-entering and taking possession of the Facility as herein provided and all claims for damages that may result from the destruction of or injury to the Facility and all claims for damages to or loss of any property belonging to the Department, or any other person, that may be in or upon the Facility, except for such claims resulting from the intentional or negligent actions of the Board or its agents.

Upon the occurrence of an event of default, payments of Base Rental hereunder may not be accelerated.

Each and all of the remedies given to the Board hereunder or by any law now or hereafter enacted are cumulative and the single or partial exercise of any right, power or privilege hereunder shall not impair the right of the Board to other or further exercise thereof or the exercise of any or all other rights, powers or privileges. The term "re-let" or "re-letting" as used in this Section shall include, but not be limited to, re-letting by means of the operation or other utilization by the Board of the Facility. If any statute or rule of law validly shall limit the remedies given to the Board hereunder, the Board nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

If the Board shall prevail in any action brought to enforce any of the terms and provisions of this Facility Lease, the Department agrees to pay a reasonable amount as and for attorney's fees incurred by the Board in attempting to enforce any of the remedies available to the Board hereunder, whether or not a lawsuit has been filed and whether or not any lawsuit culminates in a judgment.

(b) In addition to any default resulting from breach by the Department of any term or covenant of this Facility Lease, if (1) the interest of the Department in this Facility Lease or any part thereof be assigned, sublet or transferred without the written consent of the Board, either voluntarily or by operation of law, or (2) the Department or any assignee shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the Department asks or seeks

or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the debts or obligations of the Department, or offers to the Department's creditors to effect a composition or extension of time to pay the Department's debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of the Department's debts or for any other similar relief, or if any such petition or if any such proceedings of the same or similar kind or character be filed or be instituted or taken against the Department, or if a receiver of the business or of the property or assets of the Department shall be appointed by any court, except a receiver appointed at the instance or request of the Board, or if the Department shall make a general or any assignment for the benefit of the Department's creditors, or (3) the Department shall abandon the Facility, then the Department shall be deemed to be in default hereunder.

(c) The Board shall in no event be in default in the performance of any of its obligations hereunder unless and until the Board shall have failed to perform such obligations within sixty (60) days, or such additional time as is reasonably required to correct any such default, after notice by the Department to the Board properly specifying wherein the Board has failed to perform any such obligation.

SECTION 9. Eminent Domain.

If the whole or any portion of the Facility shall be taken by eminent domain proceedings (or sold to a governmental entity threatening to exercise the power of eminent domain), the proceeds therefrom shall be deposited with the State Treasurer in a special fund in trust and shall be applied and disbursed by the State Treasurer as follows:

(a) If less than the entire Facility shall have been so taken and the remainder is usable for purposes substantially similar to those for which it was constructed, then this Facility Lease shall continue in full force and effect as to such remainder and (i) if the portion taken is replaced by a facility of equal or greater utility within or adjacent to such remainder, the State Treasurer shall disburse such proceeds to the party that incurred the expense of making such replacement and there shall not be any abatement of rental under this Facility Lease, or (ii) failing the making of such replacement, there shall be a partial abatement of rental under this Facility Lease and the State Treasurer shall apply such proceeds as specified in subsection (b).

(b) If less than the entire Facility shall have been so taken and the remainder is not usable for purposes substantially similar to those for which it was constructed, or if the entire Facility shall have been so taken, then the term of this Facility Lease shall cease as of the day that possession shall be so taken, and the State Treasurer shall apply such proceeds, together with any other money then available to the State Treasurer for such purpose, for the payment of the entire amount of principal then due or to become due upon a portion of the Outstanding Bonds issued to finance and refinance the Project, together with the interest thereon so as to enable the Board to retire such portion of the Bonds then Outstanding by redemption or by payment at maturity; except that if such proceeds, together with any other money, then lawfully available to it for such purpose, are insufficient to provide for the foregoing purpose, the State Treasurer shall apply such proceeds in accordance with the provisions of Section 8.03 of the Indenture (Application of Funds Upon Acceleration) so far as the same may be applicable.

SECTION 10. Right of Entry.

The Board shall have the right to enter the Facility during daylight hours (and in emergencies at all times) but only after giving notice to the Department and to the chief administrator at the Facility at least one hour prior to such entry to inspect the same for any purpose connected with the Department's rights or obligations under this Facility Lease, and for all other lawful purposes; provided, however, that any entry by, or denial of entry to, the Board or its agents shall at all times be subject to the security procedures of the Department.

SECTION 11. Liens.

In the event the Department shall at any time during the term of this Facility Lease cause any additions, betterments, extensions or improvements to the Facility to be constructed or materials to be supplied in or upon the Facility, the Department shall pay or cause to be paid when due all sums of money that may become due, or purporting to be due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the Department in, upon or about the Facility and shall keep the Facility free of any and all mechanics' or materialmen's liens or other liens against the Facility or the Board's interest therein. In the event any such lien attaches to or is filed against the Facility or the Board's interest therein, the Department shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the Department desires to contest any such lien it may do so. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the Department shall forthwith pay or cause to be paid and discharged such judgment. The Department agrees to and shall, to the maximum extent permitted by law, indemnify and hold the Board, the State Treasurer, and their members, directors, agents, successors and assigns harmless from and against and defend each of them against any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against the Facility or the Board's interest therein.

SECTION 12. Quiet Enjoyment.

The parties hereto mutually covenant that the Department, so long as it keeps and performs the agreements and covenants herein contained and is not in default hereunder, shall at all times during the term of this Facility Lease peaceably and quietly have, hold and enjoy the Facility without suit, trouble or hindrance from the Board.

SECTION 13. Board Not Liable.

The Board and its members, officers and employees shall not be liable to the Department or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on or about the Facility, except any liability due to entry by the Board onto the Facility. The Department shall, to the extent permitted by law, indemnify and hold harmless the Board and its members, officers and employees from, and defend each of them against, any and all claims, liens and judgments for death of or injury to any person or damage to property whatsoever occurring in, on or about the Facility; provided, however, that such indemnity and holding harmless shall not include any such claims, liens and judgments arising due to the negligent or willful acts of the Board in connection with its entry onto the Facility.

SECTION 14. Title and Jurisdiction to Property.

Upon the termination or expiration of this Facility Lease (other than as provided in Sections 8 and 9 of this Facility Lease), all interests in the Facility previously transferred to the Board under the Site Lease shall transfer in accordance with Government Code Section 15816. Title will remain in the State of California and jurisdiction shall be placed with the Department.

SECTION 15. Status of Private Activity Use of the Facility.

The Department hereby covenants and agrees to provide updated information to the Board and the State Treasurer annually regarding the private activity use, if any, of the Facility. The information that must be updated annually is set forth in the Tax Certificate that was executed and delivered by the Board upon the initial issuance of the Bonds.

SECTION 16. Tax Covenants.

The Department covenants that it will not use or permit any use of the Facility, and shall not take or permit to be taken any other action or actions, which would cause any Bond to be a "private activity bond" within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended, and any applicable regulations promulgated from time to time thereunder. The Department further covenants that it will not take any action or fail to take any action, if such action or the failure to take such action would adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

SECTION 17. Continuing Disclosure.

The Department hereby covenants and agrees that it will cooperate with the Board and the State Treasurer to comply with and carry out all of the provisions of the Continuing Disclosure Agreement applicable to it, and will provide all information reasonably requested by the Board or the State Treasurer regarding the Facility in connection with continuing disclosure obligations. Notwithstanding any other provision of this Facility Lease, failure of the Department to comply with the Continuing Disclosure Agreement shall not be considered an event of default hereunder and shall not be deemed to create any monetary liability on the part of the Board, the Department or the State Treasurer to any other persons, including the owners of the Bonds; however, the State Treasurer may (and, at the request of the owners of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds, shall), or any owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Department to comply with its obligations under this Section.

SECTION 18. Law Governing.

This Facility Lease shall be governed exclusively by the provisions hereof and by the laws of the State as the same from time to time exist. Any action or proceeding to enforce or interpret any provision of this Facility Lease, to the extent permitted by law, shall be brought, commenced or prosecuted in Sacramento County, California.

SECTION 19. Notices.

All approvals, authorizations, consents, demands, designations, notices, offers, requests, statements or other communications hereunder by either party to the other shall be in writing and

shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States registered or certified mail, return receipt requested, postage prepaid, and, if to the Department, addressed to the Department of Corrections and Rehabilitation at 9838 Old Placerville Road, Suite B, Sacramento, California 95827, Attention: Senior Chief, or, if to the Board, addressed to the Board, State of California, Department of General Services, Office of Fiscal Services, Contracted Fiscal Services, 707 Third Street, 6th Floor, West Sacramento, California 95605, Attention: Manager of Contracted Fiscal Services, with a copy to the State Treasurer addressed to the Office of the State Treasurer, State of California Public Finance Division, 915 Capitol Mall, Room 261, Sacramento, California 95814.

SECTION 20. Validity and Severability.

If for any reason this Facility Lease or any part thereof shall be held by a court of competent jurisdiction to be void, voidable, or unenforceable by the Board or by the Department, all of the remaining terms of this Facility Lease shall nonetheless continue in full force and effect. If for any reason it is held by such a court that any of the covenants and conditions of the Department hereunder, including the covenant to pay rentals hereunder, is unenforceable for the full term hereof, then and in such event this Facility Lease is and shall be deemed to be a lease from year to year under which the rentals are to be paid by the Department annually in consideration of the right of the Department to possess, occupy and use the Facility, and all the other terms, provisions and conditions of this Facility Lease, except to the extent that such terms, provisions and conditions are contrary to or inconsistent with such holding, shall remain in full force and effect.

SECTION 21. Waiver.

The waiver by the Board of any breach by the Department of any agreement, covenant or condition hereof shall not operate as a waiver of any subsequent breach of the same or any other agreement, covenant or condition hereof.

SECTION 22. Net Lease.

This Facility Lease shall be deemed and construed to be a "net lease" and the Department agrees that the rentals provided for herein shall be an absolute net return to the Board, free and clear of any expenses, charges or set-offs whatsoever.

SECTION 23. Section Headings.

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

SECTION 24. Amendment.

This Facility Lease may only be amended by a written instrument duly authorized and executed by the Board and the Department with the written consent of the State Treasurer; provided, however, that no such amendment shall materially adversely affect the owners of the Bonds.

SECTION 25. Execution.

This Facility Lease may be executed in any number of counterparts, each of which shall be deemed to be an original, but all together shall constitute but one and the same Facility Lease. It is

also agreed that separate counterparts of this Facility Lease may be separately executed by the Board and the Department all with the same force and effect as though the same counterpart had been executed by both the Board and the Department.

SECTION 26. No Merger.

The parties hereto intend that there shall be no merger of any estate or interest created by this Facility Lease with any other estate or interest in the Facility, or any part thereof, by reason of the fact that the same party may acquire or hold all or any part of the estate or interest in the Facility created by this Facility Lease as well as another estate or interest in the Facility.

SECTION 27. Binding Effect.

This Facility Lease shall be binding upon and inure to the benefit of the Board and the Department and their respective successors and assigns.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

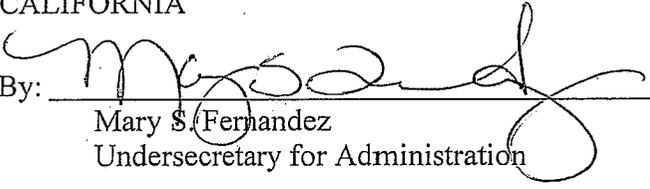
SPWB 2009 SERIES I
FACILITY LEASE
(FOLSOM STATE PRISON, REPRESA: CONVERT OFFICER AND GUARDS BUILDING TO OFFICE SPACE)

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

STATE PUBLIC WORKS BOARD
OF THE STATE OF CALIFORNIA

By: _____
Christopher Lief
Assistant Administrative Secretary

DEPARTMENT OF CORRECTIONS AND
REHABILITATION OF THE STATE OF
CALIFORNIA

By: 
Mary S. Fernandez
Undersecretary for Administration

APPROVED:

DEPARTMENT OF GENERAL SERVICES

By: _____
Henry D. Nanjo
Assistant Chief Counsel

SCHEDULE I

\$591,575,000
State Public Works Board of the State of California
Lease Revenue Bonds
2009 Series I
(Various Capital Projects)

**SCHEDULE OF BASE RENTAL PAYMENTS
FOLSOM STATE PRISON, REPRESA: CONVERT OFFICER AND GUARDS BUILDING TO
OFFICE SPACE**

| <i>Payment Date</i> | <i>Total</i> |
|---------------------|----------------|
| 04/15/2010 | \$ 228,167.11* |
| 10/15/2010 | 273,797.20* |
| 04/15/2011 | 273,809.05* |
| 10/15/2011 | 273,797.20* |
| 04/15/2012 | 273,809.05* |
| 10/15/2012 | 483,797.20 |
| 04/15/2013 | 269,609.05 |
| 10/15/2013 | 489,597.20 |
| 04/15/2014 | 264,109.05 |
| 10/15/2014 | 494,097.20 |
| 04/15/2015 | 258,359.05 |
| 10/15/2015 | 498,347.20 |
| 04/15/2016 | 252,359.05 |
| 10/15/2016 | 507,347.20 |
| 04/15/2017 | 245,984.05 |
| 10/15/2017 | 510,972.20 |
| 04/15/2018 | 239,359.05 |
| 10/15/2018 | 519,347.20 |
| 04/15/2019 | 232,359.05 |
| 10/15/2019 | 527,347.20 |
| 04/15/2020 | 224,984.05 |
| 10/15/2020 | 534,972.20 |
| 04/15/2021 | 216,846.55 |
| 10/15/2021 | 546,834.70 |
| 04/15/2022 | 206,534.05 |
| 10/15/2022 | 556,522.20 |
| 04/15/2023 | 197,127.45 |
| 10/15/2023 | 567,116.30 |
| 04/15/2024 | 186,952.45 |
| 10/15/2024 | 576,941.30 |
| 04/15/2025 | 174,764.95 |
| 10/15/2025 | 589,753.80 |
| 04/15/2026 | 162,055.16 |
| 10/15/2026 | 602,044.84 |

| | |
|------------|------------|
| 04/15/2027 | 148,579.72 |
| 10/15/2027 | 618,570.28 |
| 04/15/2028 | 134,185.50 |
| 10/15/2028 | 634,177.00 |
| 04/15/2029 | 118,872.50 |
| 10/15/2029 | 648,865.00 |
| 04/15/2030 | 102,640.72 |
| 10/15/2030 | 667,634.28 |
| 04/15/2031 | 84,630.78 |
| 10/15/2031 | 684,625.47 |
| 04/15/2032 | 65,505.18 |
| 10/15/2032 | 705,501.07 |
| 04/15/2033 | 45,104.54 |
| 10/15/2033 | 730,101.71 |
| 04/15/2034 | 23,269.48 |
| 10/15/2034 | 753,268.02 |

* This amount will be paid from capitalized interest on the Bonds.

EXHIBIT A

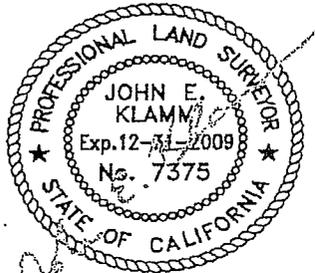
**FOLSOM STATE PRISON, REPRESA:
CONVERT OFFICER AND GUARDS BUILDING TO OFFICE SPACE**

Legal Description

All that real property located in the County of Sacramento, State of California, being a portion of projected Section 25, Township 10 North, Range 7 East, Mount Diablo Meridian, and being more particularly described as follows:

COMMENCING at a 5/8 inch rebar located on the centerline of Spencer Street, as shown on the Plat of "Cimmaron Hill", filed in the office of the Recorder of Sacramento County in Book 122 of Maps, Map No. 10; thence from said Point of Commencement North 58°18'51" East, 962.16 feet to a 5/8 inch rebar located at the centerline intersection of Spencer Street and Cimmaron Circle, as shown on said Plat of "Cimmaron Hill"; thence North 44°42'18" West, 3901.83 feet to the POINT OF BEGINNING; thence from said Point of Beginning North 67°37'41" West, 394.36 feet; thence South 22°44'48" West, 55.78 feet; thence North 67°33'08" West, 222.42 feet; thence North 23°22'05" East, 179.86 feet; thence South 67°25'38" East, 174.57 feet; thence South 22°34'01" West, 33.08 feet; thence South 67°42'26" East, 231.61 feet; thence North 23°22'44" East, 64.25 feet; thence South 68°23'50" East, 66.05 feet; thence South 20°03'46" West, 37.36 feet; thence South 67°40'07" East, 100.39 feet; thence North 51°19'56" East, 96.10 feet; thence South 39°28'59" East, 90.58 feet; thence South 51°01'06" West, 182.55 feet to the point of beginning; containing 92,701 square feet or 2.128 acres, more or less.

End of Description



4/28/2009

EXHIBIT B

DESCRIPTION OF PROJECT

Folsom State Prison, Represa: Convert Officer and Guards Building to Office Space: The FSP Convert Officer and Guards Building to Office Space Project (the "FSP Project") consists of: (i) the renovation of an existing approximately 30,800 square foot, three-story historic building, which was originally built in 1878 and seismically retrofitted in 2001, into office space to meet current facility operational requirements, fire and life safety codes, Americans with Disabilities Act (ADA), and California Title 24 Energy requirements; and (ii) related site improvements, including exterior modifications, building infrastructure modifications and interior finishes. The FSP Project site covers approximately 2.1 acres of State-owned land.

The FSP Project infrastructure upgrade portion includes abatement of hazardous materials, correction of building code deficiencies, provision of air conditioning to all occupied spaces, upgrades to the electrical infrastructure, installation of an automated fire suppression system, and the repair and repainting of exterior windows. The FSP Project interior elements include demolition, addition of a hydraulic elevator and new stairwell, and renovation of one existing stairwell. In addition, the FSP Project includes renovation and replacement of interior finishes, including new walls, ceilings, and floor finishes. The FSP Project will also improve or install new building systems, such as lighting, electrical power, data lines, fire sprinklers and alarms, heating ventilation and air conditioning, waterlines, and water heaters. The FSP Project exterior improvements include site demolition, re-grading and improved drainage, construction of new sidewalks, site lighting, construction of a new condenser enclosure, construction of a new exterior exit stairway, construction of a new entry canopy, restoration of historic stone and windows including selective abatement and hazardous material removal.