LEASE AGREEMENT

by and between

**16955 LEMON STREET, LLC,**a California limited liability company

as Lessor

and

**ENCORE EDUCATION CORPORATION,**a California nonprofit public benefit corporation

as Lessee

dated for reference purposes only as of May 1, 2022

This Lease is for the use and occupation of the  
Premises by Encore High School for the Arts

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LEASE AGREEMENT

Basic Provisions.

Parties

. This Lease Agreement (“Lease”), dated for reference purposes only as of May 1, 2022, is made by and between 16955 LEMON STREET, LLC, a California limited liability company (“Lessor”), and ENCORE EDUCATION CORPORATION, a California nonprofit public benefit corporation (“Lessee”) (Lessee and Lessor being sometimes referred to herein collectively as the “Parties” and individually as a “Party”). This Lease is for the use and occupancy of the Premises by Encore High School for the Arts. This Lease amends and restates, effective as of the date of the funding of the Series 2022 Loan described in Section 1.5 below, that certain Lease Agreement dated as of November 1, 2016, as amended the First Amendment to Lease Agreement dated as of August 1, 2019, by and between Lessor and Lessee.

Premises

. The real property and improvements commonly referred to as 16955 Lemon Street, Hesperia, California, 92345, legally described on Exhibit A attached hereto, is referred to herein as the “Premises.”

Term

. The term of this Lease shall commence on the funding of the Series 2016 Loan described in Section 1.5 below (the “Commencement Date”) and shall end on June 30, 2052 (the “Initial Term”) (or such other later date if Lessee exercises its extension option) (such date, as it may be extended, the “Expiration Date”). *(See also* Section 3 below.) In accordance with the terms of the Loan Agreements (as defined in Section 1.5 below), this Lease may be terminated by Lessee by depositing with the Bond Trustees (as defined in Section 1.5 below) sufficient cash or securities to redeem or defease the entire principal amount of the Bonds (as defined in Section 1.5 below), together with accrued interest to the redemption date.

Extension Option

. Lessee shall have two (2) options to extend the Initial Term for five (5) years each and a third option to extend the Lease Term for an additional four (4) years (each such extension term, an “Extension Term” and, collectively with the Initial Term, the “Term”) in accordance with Section 5 below with the Rent (as defined in Section 4 below) during an Extension Term to be set at an amount no less than the Fair Market Rent of the Premises at the date the option becomes exercisable. “Fair Market Rent” for purposes of this Section 1.4 shall be determined pursuant to Section 5 below.

Rent

. Lessor and Lessee acknowledge that Lessor obtained a loan (the “Series 2016 Loan”) from the California School Finance Authority (the “Series 2016 Issuer”) as evidenced by a Loan Agreement dated as of November 1, 2016, by and between the Issuer and Lessor (the “Series 2016 Loan Agreement”, under which Lessor is sometimes referred to as “Borrower”). The Series 2016 Loan will be funded by the proceeds of the Series 2016 Issuer’s Charter School Revenue Bonds (Encore Education Obligated Group) Series 2016A and Series 2016B (Taxable) (collectively, the “Series 2016 Bonds”) pursuant to an Indenture dated as of November 1, 2016 (the “Series 2016 Indenture”) by and between the Series 2016 Issuer and UMB Bank, N.A., as successor bond trustee (the “Series 2016 Bond Trustee”). So long as the Series 2016 Loan is outstanding, the “Base Rent” shall be payable in accordance with the schedule set forth in Exhibit B attached hereto, subject to downward adjustment in the event of any prepayment of all or a portion of the Series 2016 Loan and the redemption or defeasance of all or a portion of the Series 2016 Bonds.

Simultaneously with the execution and delivery of the Series 2016 Bonds, Lessee shall deliver or cause to be delivered the Intercept Notice, substantially in the form set forth in Exhibit E attached hereto (the “Intercept Notice”), to the State Controller (as defined in Exhibit E hereto). Amounts specified in the Intercept Notice for transfer to the Series 2016 Bond Trustee shall be limited to state apportionments (within the meaning of such term under Section 17199.4 of the Education Code of the State of California) (the “State Apportionments”). Lessee shall, not later than the twentieth (20th) calendar day of any month in which payment is scheduled, amend, supplement or restate the Intercept Notice and deliver such to the State Controller from time to time as necessary or appropriate (including without limitation as a result of redemption prior to maturity) to indicate transfers to the Series 2016 Bond Trustee to pay the amounts due under this Lease as they come due and to cure any delinquency in payment of such amounts. Lessee will cooperate with the Series 2016 Bond Trustee in any manner the Series 2016 Bond Trustee may request in connection with amending, supplementing or restating the Intercept Notice. If at any time the Intercept Notice is amended, supplemented or restated for any reason, Lessee shall promptly provide the Issuer, the Department of Education of the State of California and the Series 2016 Bond Trustee with a copy of such amended, supplemented or restated Intercept Notice. The Intercept Notice may provide additional amounts payable to the Series 2016 Bond Trustee for purposes set forth in the Indenture; provided, that Lessee shall not grant preference or any prior right of funding access or security in respect of the State Apportionment to any other payment indicated in the Intercept Notice or any other notice delivered pursuant to Section 17199.4 of the Education Code of the State of California. All deposits of moneys derived from the intercept hereunder shall be made at the corporate trust office of the Series 2016 Bond Trustee set forth in the Intercept Notice. Lessee shall timely amend, supplement or restate the Intercept Notice to require transfers to such other location as shall be designated in writing by the Series 2016 Bond Trustee to Lessee.

Lessor and Lessee acknowledge that Lessor obtained a loan (the “Series 2022 Loan” and, together with the Series 2016 Loan, the “Loans”) from the California Enterprise Development Authority (the “Series 2022 Issuer” and, together with the Series 2016 Issuer, the “Issuers”) as evidenced by a Loan Agreement dated as of May 1, 2022, by and between the Issuer and Lessor (the “Series 2022 Loan Agreement”, and, together with the Series 2016 Loan Agreement, the “Loan Agreements”), under which Lessor is sometimes referred to as “Borrower”). The Series 2022 Loan will be funded by the proceeds of the Series 2022 Issuer’s its Charter School Revenue Bonds (Encore Education Corporation) Series 2022 (Taxable) (the “Series 2022 Bonds” and, together with the Series 2016 Bonds, the “Bonds”) pursuant to an Indenture dated as of November 1, 2016 (the “Series 2022 Indenture” and, together with the Series 2016 Indenture, the “Indentures”) by and between the Issuer and UMB Bank, N.A. as bond trustee (the “Series 2022 Bond Trustee” and, together with the Series 2016 Bond Trustee, the “Bond Trustees”). So long as the Series 2022 Loan is outstanding, the “Base Rent” shall be payable in accordance with the schedule set forth in Exhibit B attached hereto, subject to downward adjustment in the event of any prepayment of all or a portion of the Series 2022 Loan and the redemption or defeasance of all or a portion of the Series 2022 Bonds. In the event of the prepayment of the Loans in their entirety and the redemption or defeasance of all of the Bonds prior to the Expiration Date or termination of the Lease such that no Bonds remain outstanding under the Indentures, the Base Rent shall be payable based upon the average of the debt service payments during the five (5) years immediately preceding such defeasance or prepayment.

Simultaneously with the execution and delivery of this Lease, Lessee shall deliver or cause to be delivered a notices (a “Payment Notice”) to the San Bernardino County Office of Education (“SBCOE”) directing SBCOE to make all payments of Gross School Revenues otherwise payable by such entity to Lessee to [UMB Bank, N.A., as Custodian under that certain Custody Agreement dated as of May \_\_, 2022, by and among UMB Bank. N.A, the Lessee and [the Master Trustee]. Lessee will cooperate with the Master Trustee in any manner the Master Trustee may request in connection with amending, supplementing or restating each Payment Notice. If at any time a Payment Notice is amended, supplemented or restated for any reason, Lessee shall promptly provide the Master Trustee with a copy of such amended, supplemented or restated Payment Notice. Lessee shall timely amend, supplement or restate each Payment Notice to require transfers to such other location as shall be designated in writing by the Master Trustee to Lessee.]

Refinancing of Loan

. Upon any refinancing of the Loans, the term “Loan Agreements” thereafter shall refer to the agreement for the refinancing of the Loans, the term “Loans” thereafter shall refer to the refinancing loan, and the term “Issuers” thereafter shall refer to the conduit issuer making the refinancing loan, but otherwise all of the terms, covenants and conditions of this Lease shall remain unmodified and in full force and effect.

Real Estate Brokers

. None.

Incentive Payment

. On the effective as of the date of the funding of the Series 2022 Loan described in Section 1.5 above, Lessor shall pay Lessee $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

Premises.

Letting

. Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the Term, at the Rent (as defined below) and upon and subject to all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of size set forth in this Lease, or that may have been used in calculating Rent is an approximation which the Parties agree is reasonable.

Condition of Premises

**.** Lessee accepts the Premises in their current as-is condition.

Compliance

**.** If the applicable building codes, applicable laws, covenants or restrictions of record, regulations, and ordinances (the “Applicable Requirements”) require, during the Term, the construction of an addition to or an alteration of the Premises or any portion of the building on the Premises (the “Building”), the remediation of any Hazardous Substance (as defined in Section 6.2(a) below), or the reinforcement or other physical modification of the Premises and/or the Building, Lessee hereby agrees to undertake and complete such construction, alteration, remediation, reinforcement or other modification (each, a “Capital Expenditure”), and the costs therefor shall be incurred solely by Lessee.

Acknowledgements

**.** Lessee acknowledges that its acceptance of the Premises on the Commencement Date shall be conclusive evidence that it has made all investigations and inspections as it deems necessary with respect to the suitability of the Premises as it relates to Lessee’s occupancy thereof and the Premises’ compliance with Applicable Requirements, and Lessee has satisfied itself as to such matters on the Commencement Date.

Energy Use Disclosure Program

**.** Lessee hereby acknowledges that Lessor may be required to disclose certain information concerning the energy performance of the Building (the “Energy Disclosure Information”) pursuant to California Public Resources Code Section 25402.10 and the regulations adopted pursuant thereto (collectively the "Energy Disclosure Requirements"). Lessee hereby acknowledges that Lessee is and has been responsible for the energy performance of the Premises, such that any Energy Disclosure Information provided by Lessor would be of no value to Lessee. If and to the extent not prohibited by applicable laws, Lessee hereby waives any right Lessee may have to receive the Energy Disclosure Information, including, without limitation, any right Lessee may have to terminate this Lease as a result of Lessor’s failure to disclose such information. Further, Lessee hereby releases Lessor from any and all losses, costs, damages, expenses and/or liabilities relating to, arising out of and/or resulting from the Energy Disclosure Requirements, including, without limitation, any liabilities arising as a result of Lessor’s failure to disclose the Energy Disclosure Information to Lessee prior to the execution of this Lease. Lessee’s acknowledgment of the AS-IS condition of the Premises pursuant to the terms of this Lease shall be deemed to include the energy performance of the Building. Lessee further acknowledges that pursuant to the Energy Disclosure Requirements, Lessor may be required in the future to disclose information concerning Lessee’s energy usage to certain third parties, including, without limitation, prospective purchasers, lenders and lessees of the Building (the "Energy Use Disclosure") and Lessee agrees to provide Lessor with all such information as Lessor may require in order to satisfy the Energy Disclosure Requirements. Lessee hereby (A) consents to all such Energy Use Disclosures, and (B) acknowledges that Lessor shall not be required to notify Lessee of any Energy Disclosure Information. Further, Lessee hereby releases Lessor from any and all losses, costs, damages, expenses and liabilities relating to, arising out of and/or resulting from any Energy Use Disclosure. The terms of this Section shall survive the expiration or earlier termination of this Lease.

CASP Inspection for Accessibility

**.** Lessor hereby notifies Lessee that the Premises have not undergone an inspection by a Certified Access Specialist.

Parking

**.** Lessee shall be provided with such number of parking spaces as Lessor and Lessee shall from time to time determine. For the avoidance of doubt, all parking spaces allocated to Lessee hereunder shall be deemed a part of the Premises leased hereunder and shall be subject to the terms hereof and any special rules and regulations promulgated by Lessor which relate specifically to parking.

Term

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Term

**.** The Commencement Date, Expiration Date and Term of this Lease are as specified in Section 1.3, provided that the commencement of Rent under this Lease shall commence on the first date set forth in the schedule of base rent payments attached hereto as Exhibit B (the “Rent Commencement Date”).

Rent and Expenses

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Rent Defined

**.** Subject to the terms of this Lease, Base Rent, Expenses (as defined below), Additional Rent (as defined below), Extraordinary Monthly Rent (as defined below) and all other monetary obligations of Lessee to Lessor or to third parties arising under the terms of this Lease are deemed to be rent (“Rent”).

Expenses

**.** Lessee shall be responsible for all Expenses (as defined herein below) applicable to the Premises which Lessee shall pay to Lessor within thirty (30) days after receiving a statement from Lessor itemizing (with reasonable description) all charges included thereon.

**“Expenses”** shall mean all costs and expenses of the ownership, operation, maintenance, repair or replacement, and insurance of the Premises, as determined by standard accounting practices, including, by way of illustration only, and not by way of limitation, to the extent they apply to the Premises:

* + - * 1. Gross receipts taxes, whether assessed against Lessor or assessed against Lessee and collected by Lessor;
        2. Water, sewage, and waste or refuse removal charges;
        3. Gas, electricity, telephone and other utilities;
        4. Reasonable costs incurred in the day-to-day management (if any), including the cost of management personnel;
        5. Air conditioning and heating;
        6. Elevator maintenance (if any);
        7. Supplies, materials, labor, equipment, and utilities used in or related to the operation and maintenance of the Premises;
        8. All maintenance, replacement and repair costs including, without limitation, janitorial, cleaning and repair services relating to the Premises and all improvements thereon, including, without limitation, air conditioning systems, landscaping, service areas, building exteriors (including painting), signs and directories, repairing and replacing roofs, walls, janitorial (if any is supplied), capital improvements and upgrades, and cost of compliance with applicable laws;
        9. Capital improvements made to the Premises (whether funded in full or amortized with reasonable financing charges) which may be required by any government authority or which will improve the operating efficiency of the Premises;
        10. Real Property Taxes (as defined in Section 10.1 below) and personal property taxes (as described in Section 10.3 below), if any; and
        11. Any other costs or expenses reasonably incurred by Lessor under this Lease and not otherwise reimbursed by Lessee or any other lessee of the Premises. Expenses shall not include depreciation on the buildings of which the Premises are a part.

Additional Rent

**.** In addition to Base Rent and Expenses, Lessee shall be responsible for the payment of Additional Rent. Additional Rent shall be paid to Lessor on demand or, if such Additional Rent is ongoing and can be calculated on a periodic basis, on a monthly basis pursuant to a written schedule horn time to time delivered by Lessor.

**“Additional Rent”** shall include but not be limited to the following:

All amounts required to reimburse Lessor, or satisfy Lessor’s obligations, for any fees, expenses, taxes, indemnities, assessments or other payments that it pays under the terms of the Loan Agreements to or on behalf of the Issuers;

Amounts necessary to reimburse Lessor, or satisfy Lessor’s obligations, for any payments it makes as may be required under the Loan Agreements or this Lease; and

Amounts necessary to reimburse Lessor for payments it makes with respect to, Lessor’s reasonable general operating expenses, including Lessor’s payment of Lessor’s share of the reasonable general operating expenses of Lessor’s sole member.

Extraordinary Monthly Rent

**.** In the event that Lessee receives a notice (each an “Extraordinary Monthly Rent Notice”) from either Lessor or the Master Trustee, as that term is defined herein, stating the Master Trustee has not received the payment of Rent with respect to a Related Project (as defined in the Master Indenture) on or before the date that such required payment is due, then Lessee shall pay the Extraordinary Monthly Rent to the Master Trustee within three (3) Business Days after Lessee’s receipt of the Extraordinary Monthly Rent Notice. Lessor covenants to immediately provide Lessee with a copy of any Extraordinary Monthly Rent Notice received by Lessor pursuant to the terms of the Master Indenture. The “Extraordinary Monthly Rent” shall mean the amount set forth in such Extraordinary Monthly Rent Notice, which shall be Lessee’s Proportionate Share of the Extraordinary Monthly Rent. “Proportionate Share” shall mean the amount required to be paid by Lessee to ensure that all of the required Rent with respect to all of the Related Projects have been timely made.

Payment

**.** Lessee’s obligation to pay Rent shall commence on the Rent Commencement Date. Subject to payments made in accordance with the Intercept Notice or a Payment Notice, Lessee shall cause all Rent payable to Lessor under this Lease to be received by Lessor in lawful money of the United States on or before the day on which it is due, without offset or deduction. Rent for any period during the Term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent due to Lessor shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Subject to the terms of the Indentures, and so long as any of the Bonds or the Loans remains outstanding, Lessee shall: (a) through the Intercept Notice, cause the State Controller to transfer the portion of the State Apportionment attributable to the School to the Series 2016 Bond Trustee for deposit in the Revenue Fund (as defined in the Series 2016 Indenture); (b) cause the Series 2016 Bond Trustee to pay from such Revenue Fund a portion of the Rent due to Lessor under the terms of this Lease; (c) through the Payment Notice, cause SBCOE to transfer Gross School Revenues payable by it to the [Custodian] for deposit in the Revenue Fund (as defined in the Series 2022 Indenture); (b) cause the Series 2022 Bond Trustee to pay from such Revenue Fund the remaining Rent due to Lessor under the terms of this Lease.

Budgeting Rent

**.** The Lessee covenants to take such action as may be necessary to include all such payments of Rent due hereunder in its annual budgets, to make, as necessary, annual appropriations for all such payments and to take such action annually as shall be required to provide funds in such year for such payments of Rent.

Accounting

**.** If Lessor so requests in writing. Lessee agrees to provide Lessor with an annual, or more frequent, accounting of the Expenses paid for the just-completed fiscal year.

Source of Rent Payments

**.** As used in this Lease, “School” shall mean Encore High School for the Arts. Lessee hereby promises to timely pay all Rent, when due. All items of Rent shall be paid without any abatement, deduction, or setoff for any reason whatsoever. Lessee covenants and agrees to pay Rent in lawful money of the United States, to Lessor as directed in writing by Lessor. Lessee’s covenant to pay Rent is independent of every other covenant in this Lease. Lessee’s obligation to pay rent under this Lease shall be a secured obligation of the Lessee in accordance with Section 11 of Exhibit D hereto, pursuant to which the Lessee has pledged and granted a security interest in and to its Gross School Revenues as security for its obligation to pay Rent hereunder. As used herein, “Gross School Revenues” means all revenue, income, receipts and money received by or on behalf of the Lessee from all lawfully available sources and to any other charter school operated by the Lessee in the Premises, including without limitation per pupil revenues and other funding received from the State of California or by virtue of the charter granted to Lessee for the School and all gifts, grants, bequests and contributions (including income and profits therefrom) specifically restricted by the donor or maker thereof to the School or the Premises, to the extent not specifically restricted by the donor or maker thereof to a particular purpose inconsistent with their use for the payments required under the Loan Agreements. Gross School Revenues also includes net insurance or condemnation proceeds received or payable to the Lessee on account of damage or destruction of the Premises or other loss incurred by Lessee with respect to its operation of the School or the Premises.

Guaranty

**.** As additional security for its obligations to pay rent, Lessee has delivered that certain Obligation Guaranty dated as of April 1, 2022, to the Master Trustee, whereby it is guaranteed the payment of Lessor’s obligations under the Master Indenture.

Option to Extend

**.** Lessor hereby grants to Lessee two (2) options to extend the term of this Lease for a period of five (5) years each and a third option to extend the Lease Term for an additional four (4) years (each, an “Extension Option”). The Extension Options must be exercised if at all by written notice (the “Option Notice”) delivered by Lessee to Lessor not less than four (4) months prior to the then-scheduled Expiration Date, provided, however, that the Extension Options shall not be exercisable unless, as of the date of the Option Notice and at the then-scheduled Expiration Date, Lessee is not in default hereunder. Lessee hereby covenants that, so long as the Lessor has any obligations under the Loan Agreements or the Master Indenture (as defined herein), the Lessee will exercise each Extension Option under this Lease. In the event the Term of this Lease shall be extended under this Section, then all of the terms, covenants and conditions of the Lease shall remain unmodified and in full force and effect, except that:

* + - * 1. Each Extension Term shall commence immediately upon the expiration of the Initial Term or prior Extension Term, as applicable.
        2. The Base Rent for the Extension Term shall be determined as follows. Within thirty (30) days after the exercise or deemed exercise of the Extension Option, Lessor shall notify Lessee in writing as to Lessor’s determination, in Lessor’s good faith judgment, of the fair market rent of comparable space (including square footage, location and quality of the Premises) to the Premises (the “Fair Market Rent”) together with reasonable back-up material supporting Lessor’s determination. Lessee shall have twenty (20) days from receipt of Lessor’s determination of the Fair Market Rent accept or reject Lessor’s determination.
        3. Notwithstanding any terms herein to the contrary, so long as any Loan is outstanding, in no event shall the Base Rent for the Extension Term be less than the debt service of the Loans or the Base Rent payable during the month preceding the commencement of the applicable Extension Term. Until the Fair Market Rent has been agreed upon, the initial Base Rent for the Extension Term shall be the Base Rent payable during the month preceding the commencement of the applicable Extension Term. In the event the Fair Market Rent is determined to be greater than such amount, then Lessee shall promptly pay Lessor any balance due.
        4. If Lessee timely objects to Lessor’s determination of Fair Market Rent, Lessor and Lessee shall diligently attempt in good faith to agree on the Fair Market Rent within ten (10) days of Lessee’s notice of objection (“Outside Agreement Date”). If Lessor and Lessee fail to reach agreement by the Outside Agreement Date, each shall make a separate determination of the Fair Market Rent within five (5) days of the Outside Agreement Date. Such determination shall then be submitted to arbitration in accordance with subsection (v) below.
        5. Within fifteen (15) days of the Outside Agreement Date, the parties shall agree upon an arbitrator who shall decide whether the parties will use Lessor’s or Lessee’s submitted Fair Market Rent and shall promptly notify Lessor and Lessee of its decision. If the parties are unable to agree upon the arbitrator within fifteen (15) days of the Outside Agreement Date, within five (5) days thereafter, Lessor and Lessee shall each appoint an arbitrator and give notice to the other party of such arbitrator’s name and business address. The arbitrator must be a licensed real estate broker or appraiser who has been active in the leasing or appraising of commercial properties in the San Bernardino County High Desert area for at least five years. If each party appoints an arbitrator, the two appointed arbitrators shall, within ten (10) days after the appointment of the second arbitrator, agree on and appoint a third similarly qualified arbitrator and promptly provide notice to Lessor and Lessee of such arbitrator’s name and business address. Within thirty (30) days after the appointment of the third arbitrator, the three (3) arbitrators shall decide whether the parties will use Lessor’s or Lessee’s submitted Fair Market Rent and shall promptly notify Lessor and Lessee of their decision. The decision of the majority of the three (3) arbitrators shall be binding on Lessor and Lessee.
        6. Such Base Rent for the Extension Term as so determined shall be paid during the Extension Term in installments at the times and in the manner specified in this Lease.

Use

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Use

**.** Lessee shall use and occupy the Premises only for “educational facilities” as defined in Section 17173(f) of the Education Code of the State of California in order to operate a charter school that is exempt from federal income taxation under Section 501(a) of the Internal Revenue Code (the “Code”) as an organization described in Code Section 501(c)(3) and that qualifies as an “educational organization” as described under Code Section 170(b)(l)(A)(ii) (the “Agreed Use”), and for no other purpose, provided that Lessee shall not rent the Premises as residential rental property to others, or permit any subtenant to rent the Premises as residential rental property to others. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs other tenants on the Premises of or causes damage to neighboring premises or properties. Subject to the foregoing. Lessee may, without Lessor’s prior written consent, operate the School with such grade levels as Lessee may from time to time determine in its reasonable judgment and, if so requested by Lessee, Lessor will cooperate with Lessee, and execute any applications or other documentation reasonably required, for the purpose of obtaining a change in any zoning or other use restriction, including any conditional use permit currently or thereafter applicable to the Premises, to permit Lessee to use or operate the Premises for additional or different grades, provided, that Lessee shall reimburse Lessor for any reasonable expenses incurred in connection therewith.

Hazardous Substances

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**Reportable Uses Require Consent**. The term “**Hazardous Substance**” as used in this Lease shall mean (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the Premises or to persons on or about the Premises or (ii) cause the Premises to be in material violation of any Environmental Regulation (as defined herein); (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) any chemical, material or substance defined as or included in the definition of “waste,” “hazardous substances,” “hazardous wastes,” “hazardous materials,” “extremely hazardous waste,” “restricted hazardous waste,” or “toxic substances” or words of similar import under any Environmental Regulation including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), 42 U.S.C. § 9601 *et seq.;* the Resource Conservation and Recovery Act (“RCRA”), 42 U.S.C. § 6901 *et seq.;* the Hazardous Materials Transportation Act, 49 U.S.C. § 1801 *et seq.* the Federal Water Pollution Control Act, 33 U.S.C. § 1251 *et seq.*;the California Hazardous Waste Control Law (“HWCL”), Cal. Health & Safety Code § 25100 *et seq,;* the Hazardous Substance Account Act (“HSAA”), Cal. Health & Safety Code § 25300 *et seq.;* the Underground Storage of Hazardous Substances Act, Cal. Health & Safety Code § 25280 *et seq.*; the Porter-Cologne Water Quality Control Act (the “Porter-Cologne Act”), Cal. Water Code § 13000 *et seq.* the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65); and Title 22 of the California Code of Regulations, Division 4, Chapter 30; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or agency or may or could pose a hazard to the health and safety of the occupants of the Premises or the owners and/or occupants of property adjacent to or surrounding the Premises, or any other person coming upon the Premises or adjacent property; or (e) any other chemical, materials or substance which may or could pose a hazard to the environment. The term **“Environmental Regulations”** means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutants, Hazardous Substances or chemical waste, materials or substances. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee’s expense) with all Applicable Requirements. **“Reportable Use”** shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing or anything herein to the contrary, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, ordinary office supplies (copier toner, liquid paper, glue, etc.) and common household cleaning materials, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor, Issuer or Lessee to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability, including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements).

**Duty to Inform Lessor.** If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

**Lessee Remediation.** Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee’s expense, comply with all Applicable Requirements and take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the Term of this Lease, by or for Lessee, or any third party.

**Lessee Indemnification.** Lessee shall indemnify, defend and hold Lessor and its managing member, and the agents, employees, officers, and directors of either of them, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys’ and consultants’ fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from adjacent properties not caused or contributed to by Lessee). No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement. The provisions of this Section 6.2(d) shall survive the termination of this Lease.

**Lessor Indemnification.** Lessor shall indemnify, defend and hold Lessee and its agents, employees, officers, and directors harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys’ and consultants’ fees arising out of or involving any Hazardous Substance brought onto the Premises (by a party other than Lessee) prior to the Commencement Date (provided, however, that Lessor shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from adjacent properties not caused or contributed to by Lessor). No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessor from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessee in writing at the time of such agreement.

**Hazardous Substance Condition Remediation.** If Lessee becomes aware of a Hazardous Substance Condition occurring during the Term of this Lease, then Lessee shall notify Lessor and Lessor shall make the investigation and remediation thereof required by the Applicable Requirements, the costs relating thereto constituting an Expense for which Lessee is responsible and this Lease shall continue in full force and effect, but subject to Lessor’s rights under Section 6.2(d); provided, however, that if a Hazardous Substance Condition occurs as a result of Hazardous Materials that are brought on the Premises (by a party other than Lessee) prior to the Commencement Date, then Lessor shall be solely responsible for making the investigation and remediation thereof at its sole cost and expense, and this Lease shall continue in full force and effect. **“Hazardous Substance Condition”** shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Section 6.2(a), in, on, or under the Premises which requires repair, remediation, or restoration.

Lessee’s Compliance with Applicable Requirements

**.** Except as otherwise provided in this Lease, Lessee shall, at Lessee’s sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor’s engineers and/or consultants which relate in any manner to the such Applicable Requirements, without regard to whether such Applicable Requirements are now in effect or become effective after the Commencement Date. Lessee shall, within ten (10) days after receipt of Lessor’s written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee’s compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements.

Maintenance; Repairs

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Lessee’s Obligations

**.** Subject to the provisions of Sections 7.2 (Lessor’s Obligations), 9 (Damage or Destruction) and 13 (Condemnation), Lessee shall, at Lessee’s sole expense, keep the interior, exterior and structural elements of the Premises in good order, condition and repair; and keep the exterior, structural and major utility components of the Premises and other portions of the Premises in good order, condition and repair, including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fire protection system, fixtures, walls (interior and exterior), ceilings, floors, windows, doors, plate glass, skylights, landscaping, driveways, parking lots, fences, retaining walls, signs, sidewalks and parkways located in, on, or adjacent to the Premises. Lessee’s obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. Subject to the provisions of Sections 9 (Damage or Destruction) and 13 (Condemnation) herein, it is intended by the Parties hereto that Lessor have no obligation, in any manner whatsoever, to repair and maintain the Premises, or the equipment therein, all of which obligations are intended to be that of Lessee. It is the intention of the Parties that the terms of this Lease shall govern the respective obligations of the Parties as to maintenance and repair of the Premises, and they expressly waive the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease.

Lessor’s Obligations

**.** Subject to the provisions of Section 2.2 (Condition), 2.3 (Compliance), 9 (Damage or Destruction) and 13 (Condemnation), Lessor shall keep the common facilities and areas and other portions of the Premises not covered in Section 7.1 above in good order, condition and repair. All costs and expenses incurred by Lessor in connection with the aforesaid maintenance and repair shall be deemed “Expenses” hereunder. Lessor’s obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair, and the costs relating thereto shall be deemed an “Expense” hereunder.

Utility Installations; Trade Fixtures; Alterations

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**Definitions.** The term **“Utility Installations”** refers to all floor and window coverings, air and/or vacuum lines, power panels, electrical distribution, security and fire protection systems, communication cabling, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term **“Trade Fixtures”** shall mean Lessee’s machinery and equipment that can be removed without doing material damage to the Premises. The term **“Alterations”** shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. **“Lessee Owned Alterations and/or Utility Installations”** are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Section 7.4(a) below.

**Consent.** Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor’s prior written consent, except as provided herein. Lessee may make non-structural Alterations or Utility Installations and may make structural Alterations or Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, and will not affect the electrical, plumbing, HVAC, and/or life safety systems. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee’s: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications.

**Liens.** Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic’s or materialmen’s lien against the Premises or any interest therein. Lessee shall give Lessor not less than ten (10) days’ notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof upon written request of the Lessor or the Master Trustee.

Ownership; Removal; Surrender; and Restoration

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1. **Ownership.** All Alterations and Utility Installations made by Lessee shall be the property of Lessee. All Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, at the option of Lessor, (i) be removed by Lessee or (ii) become the property of Lessor and be surrendered by Lessee with the Premises.

(b) **Surrender and Restoration.** Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. “Ordinary wear and tear” shall not include any damage or deterioration that would have been prevented by good maintenance practice. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee (except Hazardous Substances which were deposited via underground migration from areas outside of the Premises), even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. Any personal property of Lessee not removed on or before the Expiration Date or any earlier termination date shall be deemed to have been abandoned by Lessee and may be disposed of or retained by Lessor as Lessor may desire. The failure by Lessee to timely vacate the Premises pursuant to this Section 7.4(b) without the express written consent of Lessor shall constitute a holdover under the provisions of Section 23 below.

Insurance; Indemnity

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Liability

**.** Lessee shall keep in force such liability insurance policies and **in** such amounts as set forth in Exhibit C attached hereto. The premium for such insurance shall be deemed an “Expense” hereunder.

Premises

**.** Lessee shall obtain and keep in force a policy or policies of property insurance in the name, and for the benefit, of Lessor, with loss payable to Lessor and to any lender insuring loss or damage to the Premises. The amount of such insurance shall be as set forth in Exhibit C attached hereto. The premium for such insurance shall be deemed an “Expense” hereunder.

Rental Interruption

**.** Lessee shall also obtain and keep in force, for the benefit of Lessor, rental interruption insurance insuring Lessor for the amounts of Base Rent arising from an interruption of the payment of the Base Rent, Expenses and Additional Rent otherwise payable by Lessor hereunder, as set forth in Exhibit C attached hereto. The premium for such insurance shall be deemed an “Expense” hereunder.

Waiver of Subrogation

**.** Without affecting any other rights or remedies. Lessee and Lessor each hereby releases and relieves the other, and waives its entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

Indemnity

**.** Except for Lessor’s negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, partners, members, directors, and officers from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys’ and consultants’ fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee’s expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified. The provisions of this Section **8.5** shall survive the termination of this Lease.

Exemption of Lessor from Liability

**.** Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee’s employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or from other sources or places.

Master Indenture

**.** The foregoing notwithstanding, for so long as any Loan is outstanding, Lessee shall be deemed to meet its insurance obligations as set forth in Section 8, if it carries, and it hereby agrees to carry, the insurance required under the terms of Section 3.03 of the Master Indenture of Trust between Lessor, the Initial Members of the Obligated Group, and Master Trustee, dated November 1, 2016 (the “Master Indenture”), as such requirements may change from time to time as provided in the Loan Agreements. For so long as any Loan is outstanding. Lessee shall cause the Master Trustee, the Bond Trustees and Lessor to be named as additional insureds on Lessee’s liability and property insurance policies.

Damage or Destruction

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Definitions

**.** “Damage” shall mean damage or destruction to the improvements on the Premises.

**“Insured Loss”** shall mean Damage which was caused by an event required to be covered by the insurance described in Section 8.2 hereof, irrespective of any deductible amounts or coverage limits involved.

**“Replacement Cost”** shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

Damage—Insured Loss

**.** Subject to the terms of the Loan Agreements, Lessor shall be entitled to any and all insurance proceeds that are available as a result of the Damage. If Damage that is an Insured Loss occurs, then Lessee shall be entitled to use the insurance proceeds that are actually collected as a result of the Damage to repair the Damage as soon as reasonably possible and this Lease shall continue in full force and effect. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to affect such repair. Lessee shall promptly contribute the shortage in proceeds as and when required to complete said repairs.

Damage—Uninsured Loss

**.** If Damage that is not an Insured Loss occurs, Lessee shall repair such damage as soon as reasonably possible at Lessee’s expense, and this Lease shall continue in full force and effect.

Waive Statutes

**.** Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

Real Property Taxes

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Definition

**.** As used herein, the term “Real Property Taxes” shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Premises, Lessor’s right to other income therefrom; and/or Lessor’s business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the address of the Premises and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Premises is located. Real Property Taxes shall also include any tax, fee, levy, assessment or charge, or any increase therein: (i) imposed by reason of events occurring during the Term of this Lease, including but not limited to, a change in the ownership of the Premises, and (ii) levied or assessed on machinery or equipment provided by Lessor to Lessee pursuant to this Lease.

Payment of Taxes

**.** Lessee shall timely file for exemption against any Real Property Taxes and shall maintain such exemption during the Term. Whether or not any exemption is granted, Lessee shall pay, before all Real Property Taxes become past due, the Real Property Taxes applicable to the Premises during the Term to the extent any such Real Property Taxes are charged, levied, assessed or imposed.

Personal Property Taxes

**.** Lessee shall timely file for exemption against any taxes on Lessee Owned Alterations, Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee and shall maintain such exemption during the Term. Lessee shall pay, prior to delinquency, all such taxes to the extent they are charged, levied, assessed or imposed after an exemption for such taxes is filed as required hereunder.

Assignment and Subletting

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By Lessee

**.** Lessee shall not sublease, assign, mortgage, pledge, hypothecate or encumber this Lease or any of Lessee’s interest hereunder without the prior written consent of Lessor (which shall not be unreasonably withheld) and of Master Trustee, and Lessor’s disapproval shall be deemed reasonable if based on Master Trustee’s disapproval. Lessee acknowledges that the financing of the Premises through the tax-exempt Bonds may restrict the assignees which could be approved by Lessor.

By Lessor

**.** Lessee acknowledges that the Premises are subject to a deed of trust and assignment of rents in favor of the Master Trustee and that the Lease is assigned to the Master Trustee as security for the Loans. Lessor shall not assign sublease, assign, mortgage, pledge, hypothecate or encumber this Lease or any of Lessor’s interests hereunder without the prior written consent of the Master Trustee.

Attornment

**.** If any deed of trust applicable to the Premises is foreclosed or any power of sale is exercised or a conveyance in lieu of foreclosure is made for any reason, Lessee shall attorn to and become the tenant of Lessor’s successor in interest at the option of such successor in interest. If any deed of trust is foreclosed or any power of sale is exercised, or Lessor’s interest under this Lease is conveyed or transferred in lieu of foreclosure, neither the beneficiary of any deed of trust, nor any person or entity acquiring title to the Property as a result of foreclosure, exercise of power of sale or conveyance in lieu of foreclosure, nor any successor or assign of either of the foregoing, shall be: (a) liable for any default by Lessor; (b) bound by or liable for any payment of Rent which may have been made more than thirty (30) days before the due date of such installment; (c) subject to any defense or offset which Lessee may have to the payment of Rent or other performance under this Lease arising from any default by Lessor; or (d) bound by any amendment or modification to this Lease made without the consent of any beneficiary of a deed of trust if the consent of such beneficiary to such amendment or modification is required.

Default; Breach; Remedies

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Default; Breach

**.** A “Default” is defined as a failure by Lessee to comply with or perform any of the terms, covenants or conditions under this Lease. A “Breach” is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

The abandonment of the Premises;

The failure of Lessee to make any payment of Rent required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or property, and solely with respect to Rent other than Base Rent, where such failure continues for a period of five (5) business days following written notice to Lessee;

Any material representation or warranty made in this Lease, or in any report, certificate, financial statement, or instrument furnished in connection with this Lease, proves to have been false or misleading when made, in any material respect;

A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, other than those described in subsections (a) through (c) above, where such Default continues for a period of thirty (30) days after written notice; provided, however, that if the nature of Lessee’s Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion so long as such cure period does not exceed ninety (90) days;

The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a **“debtor”** as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 90 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee’s assets located at the Premises or of Lessee’s interest in this Lease, where possession is not restored to Lessee within sixty (60) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee’s assets located at the Premises or of Lessee’s interest in this Lease, where such seizure is not discharged within sixty (60) days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions;

The discovery that any financial statement of Lessee given to Lessor or to the Master Trustee was or is materially false;

The Charter pursuant to which the School is operated is revoked, suspended, terminated or not renewed or replaced or the Lessee ceases operations on the Premises or the Lessee repudiates this Lease

The Lessee shall:

* + - * 1. fail to maintain the Consolidated Days Cash on Hand for any two consecutive Testing Dates;
        2. fail to maintain a Debt Service Coverage Ratio of at least 1.0:1.0 for any Fiscal Year; or
        3. fail to maintain an Enrollment of at least [6xx] students;

The Lessee shall fail to comply with the provisions of Exhibit C and of Sections [\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_] of Exhibit D hereto;

Judgment for the payment of money in excess of $250,000.00 (which is not covered by insurance) is rendered by any court or other governmental body against the Lessee, and the Lessee does not discharge same or provide for its discharge in accordance with its terms, or procure a stay of execution thereof within 60 days from the date of entry thereof, and within said 60-day period or such longer period during which execution of such judgment shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal while providing such reserves therefor as may be required under GAAP; or.

Failure of the Lessee to pay any other Indebtedness of the Lessee not evidenced by this Lease, if the principal amount of such Indebtedness exceeds $100,000.

Remedies

**.** If Lessee fails to perform any of its affirmative duties or obligations (other than compliance with the covenants set forth in Exhibit D attached hereto), within fifteen (15) days after written notice (or, in the case of those duties and obligations that cannot reasonably be performed within fifteen (15) days after notice, to commence and diligently prosecute such duties and obligations to completion), Lessor may, at its option, perform such duty or obligation on Lessee’s behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. Lessee shall pay to Lessor the costs and expenses incurred by Lessor in such performance upon receipt of an invoice therefor. In the event of a Breach, including Lessee’s failure to comply with the covenants set forth in Exhibit D attached hereto, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

Terminate Lessee’s right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid Rent for the balance of the term after the time of award exceeds the amount of such rental loss that Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by Lessee’s failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys’ fees of Lessor, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the district within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee’s Breach of this Lease shall not waive Lessor’s right to recover damages under this Section 11.2. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Section 12.1 above was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Section 12.1 above. In such case, the applicable grace period required by Section 12.1 above and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

Continue the Lease and Lessee’s right to possession and recover the Rent as it becomes due. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect Lessor’s interests, shall not constitute a termination of Lessee’s right to possession.

Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee’s right to possession shall not relieve Lessee from liability under this Lease, including under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee’s occupancy of the Premises.

Interest

**.** Any monetary payment due Lessor hereunder not received by Lessor when due as to scheduled payments (such as Base Rent) or within thirty (30) days following the date on which it was due for non-scheduled payments, shall bear interest from the date when due as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest (“Interest”) charged shall be computed at the rate of 10% per annum but shall not exceed the maximum rate allowed by law. Interest is payable in addition to any late charges and default rate interest under the Loan Agreements.

Condemnation

**.** If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively “Condemnation”), this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs, and Expenses thereafter shall be limited to those applying to the remaining Premises subject to this Lease. Subject to the terms of the Loan Agreements, in the event that there is a Condemnation of less than all of the Premises, and such portion so taken is material to Lessee’s use and quiet enjoyment of the Premises as a whole, then all available Condemnation awards and/or payments shall be used first, to restore the remaining portion of the Premises to a usable whole, and second, to reduce the balance of any loan made to Lessor and secured by the Premises in proportion to the portion taken or sold. Any portion of the award and/or payment that remains after the foregoing purposes have been satisfied shall be the property of Lessor. Subject to the terms of the Loan Agreements, if the entirety of the Premises is taken, then the Condemnation awards and/or payments shall be the property of Lessor.

Estoppel Certificates

**.** Each Party (as “Responding Party”) shall within ten (10) days after written notice from the other Party (the “Requesting Party”) execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current “Estoppel Certificate” form published by the AIR Commercial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

Definition of Lessor

**.** The term “Lessor” as used herein shall mean the owner or owners at the time in question of the fee title to the Premises. Upon any transfer of its fee title to the Premises, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by Lessor shall be binding only upon Lessor as hereinabove defined.

Severability

**.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

Days

**.** Unless otherwise specifically indicated to the contrary, the word “days” as used in this Lease shall mean and refer to calendar days.

Limitation on Liability

**.** The obligations of Lessor under this Lease shall not constitute personal obligations of Lessor, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease.

Time of Essence

**.** Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

No Prior or Other Agreements

**.** Subject to the terms of the Loan Agreements and other documents relating to the Bonds, this Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Each Party represents and warrants that the execution of the Lease will not, to the best of the Party’s knowledge, constitute a violation under any material agreements to which such Party is a party.

Notices

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Notice Requirements

**.** All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by email or facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Section. The addresses for the Parties are set forth below and shall constitute the respective addressed for delivery or mailing of notices. Either Party may, by written notice to the others, specify a different address for notice. Upon Lessee’s taking possession of the Premises, the Premises shall constitute Lessee’s address for notice unless Lessee notifies Lessor otherwise. A copy of all notices to Lessor or Lessee shall be concurrently transmitted to such party or parties at such addresses as Lessor or Lessee, respectively, may from time to time hereafter designate in writing.

Addresses

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Lessor: 16955 Lemon Street, LLC  
 c/o Western Encore Properties 3666 University Ave.  
 Riverside, California 92501 Attn: Denise Griffin

Lessee: Encore Education Corporation  
 16955 Lemon Street  
 Hesperia, California 92345 Attn: Denise Griffin

Series 2016 Issuer (during the time the Series 2016 Loan is outstanding):

California School Finance Authority  
 State Treasurer’s Office  
 304 South Broadway, Suite 550  
 Los Angeles, California 90013  
 Attention: Executive Director  
 Telecopy: (213) 620-6309

Series 2022 Issuer (during the time the Series 2022 Loan is outstanding):

California Enterprise Development Authority  
 2150 River Plaza Drive, Suite 275

Sacramento, California 95833  
 Attention: Executive Director  
 Telecopy:

Master Trustee (during the time any Loan is outstanding):

UMB Bank, N.A.  
 120 South Sixth Street  
 Suite 1400  
 Minneapolis, Minnesota 55402  
 Attn: Katie Carlson

Date of Notice

**.** Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown; the postmark thereon. If sent by regular mail the notice shall be deemed given 48 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by U.S. Postal Service Express Mail or overnight courier that guarantee next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices transmitted by email, facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt (confirmation by responding email or report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day. Refusal of delivery shall constitute acceptance of notice

Waivers

**.** No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof.

No Right to Hold Over

**.** Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 110% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

Cumulative Remedies

**.** No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

Covenants and Conditions; Construction of Agreement

**.** All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

Binding Effect; Choice of Law

**.** This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State of California. Any litigation between the Parties hereto concerning this Lease shall be initiated in the County of San Bernardino.

Additional Covenants

**.** For so long as any Loan is outstanding and has not been paid or for so long as Lessor shall have obligations under any Loan Agreement, the provisions of Exhibit D shall be applicable for the benefit of Lessor and the Issuers.

Lessor’s Access; Showing Premises; Repairs

**.** Lessor shall have the right to enter the Premises at any time in the case of an emergency, and otherwise at reasonable times after twenty-four hours’ prior notice for the purpose of inspecting the Premises, verifying compliance by Lessee with this Lease, showing the Premises to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary or desirable and the erecting, using and maintaining of utilities, services, pipes and conduits through the Premises as long as there is no material adverse effect to Lessee’s use of the Premises.

Quiet Possession

**.** Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee’s part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the Term hereof.

Counterparts

**.** This Lease may be executed by the Parties in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

Amendments

**.** Subject to the terms of the Master Indenture, this Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee’s obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a lender in connection with the obtaining of normal financing or refinancing of the Premises.

Limitation of Rights to Parties

**.** Nothing in this Lease expressed or implied is intended or shall be construed to give to any person other than Lessor and Lessee any legal or equitable right, remedy or claim under or in respect of this Lease or any covenant, condition or provision herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of Lessor and Lessee.

(Signature page of Lease Agreement)

The Parties hereto have executed this Lease as of the day and year first above written.

|  |  |  |
| --- | --- | --- |
| **By LESSOR:**  16955 Lemon Street, LLC, a California limited liability company  By: Western Encore Properties, Incorporated, its sole and managing member  By:  Name:    Its: |  | **By LESSEE:**  Encore Education Corporation, a California nonprofit public benefit corporation  By:  Name:    Its: |

The Master Trustee consents to this Lease as of the day and year first above written.

UMB Bank, N.A.

By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Title: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

EXHIBIT A

Description of Premises

That real property situated in the City of Hesperia, State of California, County of San Bernardino, and described as follows:

PARCEL 1:

LOT "D", BLOCK 178, TOWN OF HESPERIA, IN THE CITY OF HESPERIA, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 12 PAGES 21 TO 27, INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

TOGETHER WITH THAT PORTION OF C AVENUE AS VACATED BY RESOLUTION OF THE BOARD OF SUPERVISORS, COUNTY OF TULARE, STATE OF CALIFORNIA, DATED SEPTEMBER 16, 1912, ADJOINING SAID PROPERTY ON THE EAST, WHICH WOULD PASS BY OPERATION OF LAW WITH A CONVEYANCE OF SAID PROPERTY, A CERTIFIED COPY OF SAID RESOLUTION RECORDED IN BOOK “V”, PAGE 201 OF MISCELLANEOUS RECORDS.

EXCEPT THEREFROM AN UNDIVIDED 1/2 INTEREST IN AND TO ALL OIL, GAS AND MINERALS LYING AND BEING MORE THAN 200 FEET BELOW THE RESPECTIVE PRESENT SURFACE ELEVATIONS OF THE ABOVE DESCRIBED PROPERTY PROVIDED, HOWEVER, THAT SUCH EXCEPTED OWNERSHIP OF SUCH 1/2 INTEREST IN AND TO SUCH OIL, GAS AND MINERALS DOES NOT INCLUDE AND SHALL NOT BE CONSTRUED TO INCLUDE ANY RIGHT OF ENTRY UPON ANY PART OF THE SURFACE OF THE HEREIN DESCRIBED PROPERTY FOR THE PURPOSE OF EXPLORATION, DEVELOPMENT, DRILLING, STORAGE OR OTHER ACTIVITY ANCILLARY TO THE REMOVAL OF SUCH OIL, GAS OR MINERALS, AS EXCEPTED IN THAT CERTAIN DEED FROM APPLETON LAND WATER AND POWER COMPANY, TO N.K. MENDELSOHN, ET AL., RECORDED JUNE 11, 1954 IN BOOK 3400 OF OFFICIAL RECORDS, PAGE 409, RECORDS OF SAN BERNARDINO COUNTY.

PARCEL 2:

THE NORTH ONE-HALF OF THE WEST ONE-HALF OF LOT C BLOCK 178, TOWN OF HESPERIA, AS PER MAP RECORDED IN BOOK 12 PAGE 21 TO 27 INCLUSIVE OF MAPS IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING THEREFROM AN UNDIVIDED 1/2 INTEREST IN OIL, GAS AND OTHER HYDROCARBONS AND MINERALS NOW OR AT ANY TIME HEREAFTER SITUATED THEREIN AND THEREUNDER, WITHOUT THE RIGHT BY THE GRANTOR TO ENTER UPON THE SURFACE OF, IN, UNDER OR ACROSS THE SAME, AND SUB-SURFACE TO A DEPTH OF 200 FEET MEASURED IN A VERTICAL DIRECTION FROM THE EARTH'S SURFACE OF SAID LAND FOR THE EXPLORATION, DEVELOPING, EXTRACTING, OR REMOVING OF ANY OIL, GAS OR OTHER HYDROCARBONS OR MINERALS FOUND THEREIN, AS RESERVED IN THE DEED BY APPLETON LAND, WATER AND POWER COMPANY TO N. K. MENDELSOHN, ET AL., BY DEED RECORDED JUNE 11, 1954 IN BOOK 3400 PAGE 409, OFFICIAL RECORDS.

PARCEL 2A:

A NON-EXCLUSIVE EASEMENT FOR INGRESS AND EGRESS OVER THE EASTERLY 30 FEET OF THE SOUTH ONE-HALF OF THE WEST ONE-HALF OF LOT C BLOCK 178 TOWN OF HESPERIA, AS PER MAP RECORDED IN BOOK 12 PAGES 21 TO 27 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 0410-011-06-0-000 (Parcel 1) and 0410-011-29-0-000 (Parcel 2)

EXHIBIT B

Schedule of Base Rent Payments[[1]](#footnote-1)

[TBD]

EXHIBIT C

Insurance Coverage

Lessee shall obtain and maintain the following insurance coverages:

Property insurance (including builder’s all-risk insurance during the period of construction, if any) against loss or damage to any structure constituting any part of the Premises by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. All insurance provided pursuant to this paragraph shall be in an amount equal to the lesser of (i) 100% of the replacement cost (without depreciation) of all improvements constituting any part of the Premises or (ii) the principal amount of the Loans then outstanding, and shall be subject to a deductible not to exceed $100,000 per occurrence;

Business interruption or rental interruption insurance to cover loss, total or partial, of rental income to Lessor for any reason whatsoever, in an amount sufficient to pay the maximum Rent under the Lease for a period of at least 12 months;

(i) General liability insurance of not less than $1,000,000 per occurrence and $2,000,000 in the aggregate; (ii) cyber intrusion insurance in providing coverage of not less than $1,000,000 per occurrence, and (iii) employment practices insurance [TBD]; and

Workers’ compensation insurance necessary to comply with California state law.

The Lessee covenants and agrees to consult with an Insurance Consultant to review the insurance requirements of the Lessee with respect to the Premises from time to time (but not less frequently than once every three (3) years) commencing no later than June 30, 2023. If such review indicates that the Lessee should increase any of the coverages required by this Exhibit C, the Lessee shall increase such coverage. As used in this Exhibit C, “Insurance Consultant” shall mean an Independent Consultant who is skilled in insurance coverage or risk management or is an insurance broker or an insurance agent (which may be a consultant, firm, broker or agent with whom the Lessee regularly transacts business) selected by the Lessee. "Independent Consultant" means a Person which (i) is in fact independent, (ii) does not have any direct financial interest or any material indirect financial interest in the Lessee or any affiliate thereof and (iii) is not connected with the Lessee or any affiliate thereof as an officer, employee, promoter, underwriter, trustee, partner, director or Person performing similar functions, and designated by the Lessee, qualified to pass upon questions relating to the affairs of facilities of the type or types operated by the Lessee and having a favorable reputation for skill and experience in the affairs of such facilities, whether financial, operational, insurance, marketing or academics.

The Lessee covenants and agrees to obtain and maintain and cause to be obtained and maintained during the term of this Lease Agreement such other insurance policies covering such other risks and in such amounts as (i) the Insurance Consultant engaged pursuant to subsection (e) of this Exhibit C states are customarily maintained by educational institutions similar to the Lessee in the ordinary course of their business, and (ii) the Master Trustee request (acting at the direction of the Majority Obligation Holders, as such term is defined in the Master Indenture).

EXHIBIT D

Additional Covenants

For so long as any Loan is outstanding and has not been defeased or for so long as Lessor shall have obligations under any Loan Agreement or the Master Indenture, the following provisions of Exhibit D shall be applicable for the benefit of Lessor and the Bond Trustees. Capitalized terms not otherwise defined in Exhibit D shall have the meanings ascribed to such terms in the Lease, the Loan Agreements, and Master Indenture, provided that “School” shall mean the School operated by Lessee on the Premises.

**General Covenants.** Lessee covenants and agrees:

**School’s Charter.** To maintain the Charter for the School with a sponsoring entity and to take or cause to be taken any and all actions required to renew or extend the term of such Charter with a sponsoring entity. Within seven (7) days, Lessee covenants to provide Lessor and the Master Trustee with a copy of any notice received with regards to any sponsoring entity’s intent to renew or extend the term of such Charter or any notice of any issues which, if not corrected or resolved, could lead to termination or nonrenewal of such Charter. Further, Lessee shall maintain accreditation status under the Charter Schools Act of 1992, as amended (constituting Part 26.8 of Division 4 of Title 2 of the California Education Code) and related administrative rules and, to the extent required to maintain the approval of the Charter petition for the School by the sponsoring entity, meet the student performance accountability standards stated in its Charter petition.

**Limitation on Disposition of Property, Plant and Equipment.** Without the consent of the Bond Trustees, not to dispose or transfer any property, plant and equipment consisting of all or any part of the Premises, except for disposition or transfers:

of property, plant and equipment no longer necessary for the operation of

the Premises;

of property, plant and equipment replaced by property, plant and equipment of similar type and/or of substantially equivalent function with a substantially equivalent value; or

of property, plant and equipment sold or disposed of at a price equal to their fair market value.

**Financial Reporting.** Lessee agrees to provide Lessor, and upon written request, the Bond Trustees, the following information:

annual budgets of the School within 30 days of their adoption,

annual financial and operating covenant reports as required in this Exhibit D-l within 30 days of approval of the audited financial statements of Lessee by the governing board of the Lessee,

the results of any federal or State of California testing of the students attending the School within 30 days of receipt by the governing board of Lessee,

within 14 days of receipt, any notification or report of any potential or alleged violation of the Charter for the School,

statement of Obligated Group Representative that all terms, conditions and covenants of the Master Indenture of Trust have been met by all Members, or if not met, then a list of which Members are in default and why, and

such other information as may be reasonably requested by Lessor or Lessor on behalf of the Bond Trustees.

**Lessee Representations and Warranties.** Lessee represents, warrants, and covenants that:

it is an organization described in Section 501(c)(3) and Section 170(b)(l)(A)(ii) of the Code, and except for unrelated business income taxable under Section 511 of the Code, it is exempt from federal income tax under Section 501(a) of the Code;

it will not take any action or omit to take any action that, if taken or omitted, would cause: (x) it to lose its current federal income tax status as exempt from federal income taxation under Section 501(a) of the Code as an organization described in Code Section 501(c)(3) and as an organization described in Code Section 170(b)(l)(A)(ii), or (y) Lessor to be viewed, for federal income tax purposes, as other than disregarded as an entity separate from its sole member pursuant to Treasury Regulation Section 301.7701-3(b);

it has not and will not divert a substantial part of its corpus or income for a purpose or purposes other than the purpose or purposes for which it is organized or operated and will use Bond proceeds solely for the charitable purposes of Lessee;

it has not operated, and will not operate, in a manner that would result in it being classified as an “action” organization within the meaning of Section 1.501(c)(3) (l)(c)(3) of the Treasury Regulations, including, but not limited to, promoting or attempting to influence legislation by propaganda or otherwise as a substantial part of its activities;

it shall not use any of the proceeds of the Bonds to: (A) carry on propaganda, or otherwise attempt to influence legislation, within the meaning of Section 4945(d)(1) or Section 501(c)(3) of the Code, or the corresponding provisions of any subsequent federal tax laws; or (B) participate in, or intervene in (including publishing or distributing of any statements), any political campaign on behalf of any political candidate for public office or attempt to influence the outcome of any specific public election, or to carry on, directly or indirectly, any voter registration drive, within the meaning of Section 4945(d)(2) or Section 501(c)(3) of the Code, or corresponding provisions of any subsequent federal tax laws, and not make any grant which does not comply with the requirements of Section 4945(d)(3) or Section 4945(d)(4) of the Code, or corresponding provisions of any subsequent federal tax laws, or which violates the provisions of Section 4945(d)(5) of the Code, or corresponding provisions of any subsequent federal tax laws;

none of its directors, officers, organizers or incorporators, or any Person controlled by Lessee, or any other Person having a private or professional interest in the activities of the Lessee has acquired or received nor will such Persons be allowed to acquire or receive, directly or indirectly, without due compensation, goods, or services therefor, or any of the income or assets of Lessee, in any form;

it is not a “private foundation” within the meaning of Section 509(a) of the Code;

it has not received any indication or notice to the effect that its exemption from federal income taxation under Section 501(a) of the Code has been revoked or modified, or that the Internal Revenue Service is considering revoking or modifying such exemption, and such exemption is still in full force and effect;

it will timely file with the Internal Revenue Service all requests for determination, reports, and returns required to be filed by them to maintain its status as organizations described in Section 501(c)(3) of the Code, and such requests for determination, reports, and returns have not omitted or misstated any material fact;

it has not devoted nor will it devote more than an insubstantial part of its activities in furtherance of a purpose other than an exempt purpose within the meaning of Section 501(c)(3) of the Code;

its Charter is in full force and effect; and

to the best of its knowledge, it is in material compliance with the terms, including financial covenants, of all leases and loan agreements to which it is a party.

**Assignment to Bond Trustees; Deposit of Rental Payments.** Lessee hereby acknowledges and consents to the assignment by Lessor of Lessor’s rights hereunder to the Bond Trustees under the Indentures and covenants and agrees to deposit all Base Rent and Additional Rent with the Bond Trustees under the Indentures. Lessee hereby covenants to pay to the respective Bond Trustees the Base Rent and Additional Rent due hereunder on or before the fifteenth (15th) day of each month. In accordance with the terms of Section 1.5 of the Lease, Lessee also agrees to provide an Intercept Notice to the State Controller requesting that the amounts specified therein be transferred to the Series 2016 Bond Trustee and to provide a Payment Notice requesting that the amounts specified therein be transferred to the Custodian.

**Limitation on Liens on Gross School Revenues.** Except as expressly set forth in this Lease, the Lessee covenants and agrees that it will not create, assume or suffer to exist any lien upon the Gross School Revenues. The Lessee may create or assume upon the Gross School Revenues a subordinate security interest, provided that the Lessee shall make or cause to be made effective a provision whereby the obligations of the Lessee under this Lease will be secured prior to any such indebtedness or other obligation secured by such subordinate security interest and that all revenues required by the Intercept Notice to be deposited with the Series 2016 Bond Trustee under the Series 2016 Bond Indenture or under any other direction to a public Person to intercept or deposit revenues in favor of the Series 2016 Bond Trustee or the Custodian will continue to be first deposited. The Lessee may create or assume upon the Gross School Revenues a security interest on parity with the payment obligations of the Lessee under this Lease only in connection with (a) the issuance of Additional Bonds under the Indentures, (b) the incurrence of Short-Term Indebtedness for working capital purposes, provided that in no event will the Lessee create a lien on Gross School Revenues in connection with Short-Term Indebtedness in the actual maximum amount of advance apportionment and principal apportionment due to the School in any fiscal year that is deferred at any time or subject to deferral pursuant to Section 14041.6 of the California Education Code or any subsequent legislation authorizing deferrals of such apportionments, or (c) unsecured indebtedness in the aggregate not to exceed $150,000. [TBD]. “Short Term Indebtedness” means all School Indebtedness having an original maturity less than or equal to eighteen months and not renewable at the option of the Lessee.

**Consolidated Days Cash on Hand.** The Lessee will calculate Consolidated Days Cash on Hand for the Obligated Group Schools as of the last day of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2017, based upon its audited financial statements for such Fiscal Year and file such reports with the Master Trustee. For each calculation date, the Lessee will maintain Consolidated Days Cash on Hand as of the last day of each Fiscal Year equal to or greater than 45 days or, while any of the Series 2022 Bonds remain outstanding 20 days.

“Consolidated Days Cash on Hand” means (i) the sum of Cash and Cash Equivalents of the Lessee, as shown on the Lessee’s audited financial statements for each Fiscal Year (“Cash on Hand”); divided by (ii) the Average Daily Expenses for Lessee (as calculated for the most recent Fiscal Year ending before such date).

“Average Daily Expenses for Obligated Group Schools” means (A) the sum of (i) all Operating Expenses for such Fiscal Year for the Lessee, and (ii) the maximum Base Rent payable under the Lease for that year or any other year, divided by (B) 365.

The Lessee will provide a certificate to the Lessor and Master Trustee at the time of delivery of its annual audited financial statements for each Fiscal Year indicating whether the Lessee, on behalf of the Obligated Group Schools, has met the requirement set forth above. If the certificate indicates that such cash balance requirement has not been met, the Lessee covenants to retain an Independent Consultant, at the expense of the Lessee, on behalf of the Obligated Group Schools, within 45 days, to make recommendations to increase such balances in the then-current Fiscal Year to the required level or, if in the opinion of the Independent Consultant the attainment of such level is impracticable, to the highest level attainable in such Fiscal Year. The Independent Consultant selected and appointed by the Lessee may be rejected upon the written request of the holders of not less than a majority in aggregate principal amount of the Related Bonds then Outstanding; if so rejected, the Lessee shall appoint a new Independent Consultant within 45 days thereof. Any Independent Consultant will be required to submit its recommendations to the Lessors and Master Trustee within 90 days after being so retained. The Lessee, on behalf of the Obligated Group Schools, agrees to implement the recommendations of the Independent Consultant, to the extent permitted by law.

No proceeds of any Indebtedness will be considered unrestricted available cash for purposes of such calculation.

**Base Rent Coverage Ratio.** Lessee covenants and agrees to calculate for each Fiscal Year its Base Rent Coverage Ratio based on its audited financial statements for such Fiscal year, and to provide a copy of such calculation for such period to the applicable Lessor and the Master Trustee annually commencing with the Fiscal Year ending June 30, 2017. The Lessee also covenants to maintain its Net Operating School Revenue so that its Base Rent Coverage Ratio at the end of the each Fiscal Year is not less than 1.10 to 1.00; provide that, except as provided below, the Lessee’s failure to achieve the required Base Rent Coverage Ratio will not constitute an Event of Default under any Lease if the Lessee promptly engages an Independent Consultant to prepare a report, to be delivered to the Lessee, the Lessor and Trustee within 45 days of engagement, with recommendations for meeting the required Base Rent Coverage Ratio. The Independent Consultant selected and appointed by the Lessee may be rejected upon the written request of the holders of not less than a majority in aggregate principal amount of the Related Bonds then Outstanding; if so rejected, the Lessee shall appoint a new Independent Consultant within 45 days thereof. Any Independent Consultant will be required to submit its recommendations to the Lessors and Master Trustee within 90 days after being so retained. The Lessee agrees to implement the recommendations of the Independent Consultant, to the extent permitted by law. Notwithstanding the foregoing, the Lessee’s failure to achieve a Base Rent Coverage Ratio of 1.00 to 1.00 will constitute an Event of Default under the Lease.

“Additional Rent” means (i) all amounts required to reimburse the lessor under a Lease, or satisfy such lessor’s obligations, for any fees, expenses, taxes, indemnities, assessments or other payments that the Borrower is obligated to pay under the terms of the Loan Agreements, including, but not limited to, such amounts as described in the Loan Agreements; and any other amounts required to be paid by such lessor in order for the lessor to meet its obligations under the Bond Documents on a full and timely basis.

“Base Rent Coverage Ratio” means for any period of time the ratio determined by dividing (i) Net Operating School Revenue by (ii) debt service on Lessee Indebtedness for such Fiscal Year.

“Expenses” shall mean all costs and expenses of the ownership, operation, maintenance, repair or replacement, and insurance of the Facility, as determined by standard accounting practices.

“Net Operating School Revenue” means the Lessee’s Gross School Revenue (defined above) minus its Operating Expenses (defined below); provided, that no determination thereof will take into account: (a) any gain or loss resulting from either the early extinguishment or refinancing of Lessee Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business; (b) gifts, grants, bequests, donations or contributions, and income therefrom, to the extent specifically permanently restricted by the donor or by law to a particular purpose inconsistent with their use for the payment of Operating Expenses; (c) the net proceeds of insurance (other than business interruption insurance) and condemnation awards; (d) adjustments to the value of assets or liabilities resulting from changes in generally accepted accounting principles; (e) unrealized gains or losses that do not result in the receipt or expenditure of cash; and (f) nonrecurring items which involve the receipt, expenditure or transfer of assets.

“Lessee Indebtedness” means Indebtedness (as such term is defined in the Master Indenture) of the Lessee.

“Operating Expenses” means except as provided below, all unrestricted expenses of the Lessee, including maintenance, repair expenses, utility expenses, equipment lease and other rental expense (excluding the Base Rent and the Extraordinary Monthly Rent, if any, but including Additional Rent and Expenses as defined in the Lease), administrative and legal expenses, miscellaneous operating expenses, advertising and promotion costs, payroll expenses (including taxes), the cost of material and supplies used for current operations of the Lessee, the cost of vehicles, equipment leases and service contracts, taxes upon the operations of the Lessee not otherwise mentioned herein, charges for the accumulation of appropriate reserves for current expenses not annually recurrent, but which are such as may reasonably be expected to be incurred in accordance with generally accepted accounting principles, all in such amounts as reasonably determined by the Lessors. “Operating Expenses” shall exclude, however, (i) depreciation and amortization, and (ii) any expenses which are treated as extraordinary in accordance with generally accepted accounting principles.

**Limitations on Obligated Group School Indebtedness.**

The Lessee covenants that it will not incur, assume or guarantee (“incur”), any Lessee Indebtedness (secured or unsecured), except Lessee Indebtedness with respect to purposes specifically benefiting the Lessee, and except (a) if the Holders of a majority in principal amount of the Bonds then Outstanding consent in writing to such Indebtedness, or (b) unsecured or secured, as permitted by Section 5 of this Exhibit D, as provided below.

*Nonrecourse School Indebtedness.* To the extent permitted by applicable law and if no Event of Default under the Lease, or an event that with the giving of notice or passage of time or both would constitute an Event of Default under the Lease, has occurred and is continuing, the Lessee may incur or assume Nonrecourse School Indebtedness (as defined below), Short-Term School Indebtedness (as defined below), and Interim Indebtedness (as defined below) to a total aggregate principal amount outstanding at any time not in excess of the greater of: (1) 25% of Operating Expenses in any Fiscal Year, or (2) the maximum amount of advance apportionment and principal apportionment due to the Obligated Group School in any fiscal year that is deferred at any time or subject to deferral pursuant to Section 14041.6 of the California Education Code or Sections 16325.5 and 16326 of the California Government Code, or any subsequent legislation authorizing additional deferrals of such apportionments (collectively “Maximum Deferred Apportionment”).

“Nonrecourse School Indebtedness” means all Obligated Group School Indebtedness with respect to which the obligee is prevented by applicable law or contractual arrangement from exercising recourse, or any other right or remedy exercisable by a creditor, against all or any part of the Premises or the Improvements in order to pay, satisfy or discharge all or any part of the Obligated Group School Indebtedness.

*Short-Term School Indebtedness,* the Lessee may incur Short-Term School Indebtedness (as defined below) for working capital purposes as in its judgment is deemed expedient, provided that in no event will the Lessee incur Short-Term School Indebtedness, together with outstanding Nonrecourse School Indebtedness and Interim Indebtedness (defined below) in excess of the greater of (i) for any such Obligated Group School Indebtedness incurred in the Fiscal Year ended June 30, 2020, $4,000,000; (ii) for any such Obligated Group School Indebtedness incurred in the Fiscal Year ended June 30, 2021, $2,250,000; and (iii) beginning July 1, 2021, the greater of (1) 25% of Operating Expenses in any Fiscal Year, or (2) the Maximum Deferred Apportionment.

“Short-Term School Indebtedness” means all Obligated Group School Indebtedness having an original maturity less than or equal to one year and not renewable at the option of the Lessee for a term greater than one year from the date of original incurrence or issuance; provided however, that any Short Term Indebtedness that has been issued as revenue anticipation notes (“RANS”) will not be included or counted as Short Term Indebtedness to the extent that the RANS are secured by deferred state apportionment revenues expressly pledged and deposited in an intercept account to pay such RANS; and provided further that, notwithstanding any other provision of the Lease, the Lessee’s 2016 Revenue Anticipation Notes, Series A are permitted thereunder as Short-Term School Indebtedness.

*Interim Indebtedness.* The Lessee may incur Interim Indebtedness (as defined below) to finance or refinance existing capital needs as in its judgment is deemed expedient, provided that in no event will the Lessee incur Interim Indebtedness, together with outstanding Nonrecourse School Indebtedness and Short-Term School Indebtedness, on a combined basis, is in excess of the greater of: (1) 25% of Operating Expenses in any Fiscal Year, or (2) the Maximum Deferred Apportionment.

“Interim Indebtedness” means all Obligated Group School Indebtedness having an original maturity less than or equal to five years and not renewable at the option of the Lessee for a term greater than five years from the date of original incurrence or issuance.

*Charter School Revolving Fund Loan Program.* Notwithstanding the foregoing limitations on Obligated Group School Indebtedness, the Lessee shall be permitted to obtain loans with respect to the Obligated Group School pursuant to the Charter School Revolving Loan Program established under California Education Code Sections 41365 through 41367 (“Charter School Start-up Loans”) and any such Charter School Start-up Loans existing with respect to any School will not be taken into account in applying the foregoing limitations on Non-Recourse Indebtedness, Short-Term School Indebtedness, and Interim Indebtedness.

*Financial Product Agreements..* The Lessee shall not enter into any Financial Product Agreements (as such term is defined in the Master Indenture).

**Subordination of Collection of Educational Management Fees.** So long as the Bonds remain outstanding, an educational management fee, if any, paid to the Lessee in connection with management services provided and related to or payable from revenues attributable to the applicable Obligated Group School and to any other charter school operated by the Lessee in the property subject to the Lease, shall be subordinate to the payment of Rent due under any Lease.

[Reserved].

**Gross School Revenue Pledge.** The Lessee hereby pledges and, to the extent permitted by law, grants a security interest to the Lessor and the Master Trustee in all of the Gross School Revenues of the Borrower to secure the payment of all Rent (as defined in Section 4.1 of this Lease) payable under this Lease and the performance by the Borrower of all other obligations under this Lease. The Lessee shall execute and cause to be filed Uniform Commercial Code financing statements, shall execute and cause to be sent to the Lessor and to the Master Trustee a notice of the security interest granted hereunder and shall execute and deliver such other documents (including, but not limited to, control agreements and continuation statements) as may be necessary or reasonably requested by the Lessor or Master Trustee in order to perfect or maintain as perfected such security interest or give public notice thereof. Notwithstanding anything to the contrary contained herein, neither the Master Trustee nor any other Person (other than the Borrower) shall be responsible for any initial filings of any financing statements, or the information contained therein (including the exhibits thereto), the perfection or priority of any such security interests, or the accuracy or sufficiency of any description of collateral in such initial filings or for filing any continuation statements, modifications or amendments to the initial filings required by any amendments to Article 9 of the Uniform Commercial Code. The Borrower authorizes the Master Trustee to file continuation statements on behalf of the Borrower, and such costs associated therewith shall be deemed Additional Rent under this Lease, and Lessor shall collect such amounts from Lessee and pay the same over to the Master Trustee, provided that the Trustee shall have no obligation to file any continuation statements on behalf of the Lessee in any circumstance.

The Lessee’s exact legal name is accurately set forth in Section 21.2 of the Lease. The Lessee’s chief executive office is located at the address set forth in Section 21.2 of the Lease. The Lessee will not, without the prior written consent of the Trustee (which consent the Trustee shall not be obligated to provide absent the written direction of a majority of the Bondholders), (i) change its names, entity types or ownership structures or (ii) reorganize or reincorporate under the laws of another jurisdiction.

**Intercompany Borrowing.** The Gross School Revenues shall not fund any intercompany loans or be used to pay any lease expenses of the Lessee other than facilities leases benefiting the School or as otherwise permitted under this Lease.

**Enrollment Covenant.** (a) The Lessee shall maintain enrollment of 700 students at the School, commencing [October 15, 2022] (the “October Count Date”) occurring in 2022-23 and tested annually as of each October Count Date thereafter, with such enrollment to be based on the count of the full-time equivalent ("FTE") students as reported to the California Department of Education.

(b) Commencing in 2023, the Lessee shall report to the Trustee and post to EMMA its enrollment for each [October Count Date] by November 1 of each year.

(c) In the event the enrollment at the School is less than the amounts set forth above as of any October Count Date, the Lessee shall engage an Independent Consultant, which Person shall deliver a written report within ninety (90) days of engagement to the Trustee, the Beneficial Owners, and the Lessee containing recommendations concerning the Lessee's operations, marketing, academics, teacher training and retention, management practices, including the use of consultants, governance and administration practices, and other factors relevant to increasing enrollment, improving academics and retaining students and teachers. The Independent Consultant selected and appointed by the Lessee may be rejected upon the written request of the holders of not less than a majority in aggregate principal amount of the Related Bonds then Outstanding; if so rejected, the Lessee shall appoint a new Independent Consultant within 45 days thereof. The Lessee, on behalf of the Obligated Group School, agrees to implement the recommendations of the Independent Consultant, to the extent permitted by law. Notwithstanding the foregoing, the Lessee’s failure to achieve enrollment as of the October Count Date of [6xx] (the “Enrollment Default Level”) will constitute an Event of Default under this Lease.

(d) Upon submission of the Independent Consultant's report, the Lessee is required to arrange for payment of the amount owed to the Independent Consultant and issue a written certificate to the Trustee indicating its acceptance of the recommendations of the consultant within thirty (30) days of receiving the report of the Independent Consultant. So long as the Lessee is otherwise in full compliance with its obligations under this Lease, including following the recommendations of the Independent Consultant, it shall not constitute an Event of Default under this Lease if the enrollment of the School is less than the required amount, so long as such enrollment is above the Enrollment Default Level.

Deposit **Account Control Agreement.**  (a) [TBD based upon whether DACA in place or not.]

(b) In the event the Borrower wishes to change its Primary Depository Bank, the Borrower may do so, so long as no Event of Default shall have occurred or be continuing. In order to implement this change, the Borrower shall (i) first provide the Trustee thirty (30) days' prior written notice of such change, with the proposed effective date of such change, and (ii) execute a new Deposit Account Control Agreement with such bank in a form substantially similar to the Deposit Account Control Agreement, as approved by the Master Trustee acting at the direction of the Majority Obligation Holders (provided that the Master Trustee shall in no instance be obligated to approve any Deposit Account Control Agreement which, in its sole judgment, adversely affects it).Gross School Revenues shall not fund any intercompany loans or be used to pay any lease expenses of the Lessee other than facilities leases benefiting the School or as otherwise permitted under this Lease.

**All Assets Security Interest.** (a) In addition to the security interest in Gross School Revenues granted under Section 11 of this Exhibit D, the Lessee hereby grants to the Lessor and to the Master Trustee a continuing security interest in all of its presently existing and hereafter acquired or arising Collateral (as hereinafter defined) in order to secure the Lessee’s prompt payment, performance and observance of the obligations under this Lease, and any modifications, extensions or renewals thereof. The Lessee acknowledges and affirms that, subject to the provisions of subsection (e), such security interest in the Collateral has attached to all Collateral without further act on the part of the Master Trustee or the Lessor. By its signature hereto, the Lessee hereby consents to the foregoing grant of a security interest in the Collateral, regardless of where located. For purposes of this Lease, the term “Collateral” shall mean, collectively, the following:

(i) all Accounts;

(ii) all Chattel Paper;

(iii) all Licenses, Copyrights, Patents and Trademarks;

(iv) all Documents;

(v) all Equipment;

(vi) all Fixtures;

(vii) all General Intangibles;

(viii) all Goods;

(ix) all Instruments;

(x) all Inventory;

(xi) all Investment Property;

(xii) all cash or cash equivalents;

(xiii) all letters of credit, Letter-of-Credit Rights and Supporting Obligations;

(xiv) all Deposit Accounts with any bank or other financial institution;

(xv) all Commercial Tort Claims; and

(xvi) all accessions to, substitutions for and replacements, proceeds (including Stock Rights), rents, profits, proceeds (including insurance proceeds) and products of the foregoing, together with all books and records, customer lists, credit files, computer files, programs, printouts and other computer materials and records related thereto and any General Intangibles at any time evidencing or relating to any of the foregoing;

Capitalized terms used in this Section 15 of Exhibit D to the Lease shall have the meaning set forth in the California Uniform Commercial Code (the “UCC”).

(b) The Lessee hereby authorizes the Lessor or the Master Trustee to file financing statements perfecting the security interest granted in this Lease in any jurisdiction, and if requested, will deliver financing statements and other documents to the Lessor or Master Trustee and will take such other actions as may from time to time be requested by the Lessor or Master Trustee in order to maintain a first perfected security interest in and, if applicable, control of, the Collateral for the Lessor and Master Trustee. Any financing statement filed by the Trustee may be filed in any filing office in any jurisdiction and may (i) indicate the Collateral (1) as all assets of the Lessee or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the UCC, or (2) by any other description which reasonably approximates the description contained in this Section, and (ii) contain any other information required by part 5 of Article 9 of the UCC for the sufficiency or filing office acceptance of any financing statement or amendment, including (1) whether the Lessee is an organization, the type of organization and any organization identification number issued to the Lessee, and (2) in the case of a financing statement filed as a fixture filing, a sufficient description of real property to which the Collateral relates. The Lessee also agrees to furnish any such information described in the foregoing sentence to the Lessor or the Master Trustee promptly upon request.

(c) The Lessee will, if so requested by the Lessor or Master Trustee, furnish to the Lessor or Master Trustee, as often as the Lessor or Master Trustee requests, statements and schedules further identifying and describing the Collateral and such other reports and information in connection with its Collateral as the Lessor or Master Trustee may request, all in such reasonable detail as the Lessor or Master Trustee may specify. The Lessee also agrees to take any and all actions necessary to defend title to the Collateral against all persons and to defend the security interest of the Lessor or Master Trustee in its Collateral and the priority thereof against any Lien not expressly permitted hereunder.

(d) The Lessee’s exact legal name and state of organization is accurately set forth in Section 1.1 of this Lease. The Lessee’s FEIN is 47-5411291, and the and charter identification number of the School is 36-75044-0116707. The Lessee’s chief executive office is located at the address set forth in Section 21.2 of this Lease, and there are no other locations where Grantor conducts business or Collateral is kept. The Lessee will not, without the prior written consent of the Master Trustee (which consent the Master Trustee shall not be obligated to provide absent the written direction of the Majority Obligation Holders), (i) change either of its names, entity types or ownership structures, (ii) reorganize or reincorporate under the laws of another jurisdiction or (iii) change its address where Collateral is kept.

(d) The Lessee’s exact legal name and state of organization is accurately set forth in Section 1.1 of this Lease. The Lessee’s FEIN is 47-5411291, and the and charter identification number of the School is 36-75044-0116707. The Lessee’s chief executive office is located at the address set forth in Section 21.2 of this Lease, and there are no other locations where Grantor conducts business or Collateral is kept. The Lessee will not, without the prior written consent of the Master Trustee (which consent the Master Trustee shall not be obligated to provide absent the written direction of the Majority Obligation Holders), (i) change either of its names, entity types or ownership structures, (ii) reorganize or reincorporate under the laws of another jurisdiction or (iii) change its address where Collateral is kept.

(e) From time to time, Lessee may own or hold funds or other assets subject to a statutory, regulatory, grantor-imposed or donor-imposed restriction on use that prohibits the use of such funds or assets to satisfy the obligations of Lessee under this Lease and/or prohibits the encumbrance of such funds or assets to secure such obligations. No security interest granted in this Lease shall encumber, attach to, or transfer any funds or assets of Lessee to the extent that any transfer of such funds or assets to or for the benefit of such holder would violate any such restriction on the use of such funds or assets.

**Prepayment of Base Rent.** Until the Series 2022 Bonds are paid or defeased in full, (a) within 5 business days of receiving any [2021-22 “hold harmless” funding] or [Employee Retention Tax Credit payments], Lessee shall prepay Base Rent due under this Lease in an amount equal to the amount received and (b) in each Fiscal Year ending on or after June 30, 2023, if the Days Cash On Hand (DCOH) covenant test submitted at the time of the Annual Report of Borrower filed on EMMA including the final audited financial statements (expected on or around December 15) shows over 45 DCOH, Lessee shall prepay Base Rent due under this Lease in amounts equal to Lessee’s Consolidated Days Cash on Hand as of the last day of the prior Fiscal Year in excess of 45 days, provided that an Independent Consultant report shows that the Lessee is projecting positive cash balances in each month for the current and subsequent Fiscal Years after the prepayment (and, if not, the prepayment shall be reduced to the amount that maintains positive cash in each month). In the event that the DCOH covenant test submitted at the time of the Annual Report filed on EMMA including the final audited financial shows over 45 DCOH, Lessee will obtain the report of the Independent Consultant and submit the report and confirmation of the amount of the rent prepayment to the Lessor and the Series 2022 Bond Trustee within 30 days of the filing of the Annual Report. The Series 2022 Bond Trustee shall not intercept these amounts; instead, the Series 2022 Bond Trustee will transfer funds to Lessee and Lessee will transfer the rent prepayments to the Series 2022 Bond Trustee for the account of Lessor separately. Such prepayments shall be applied by Lessor to Base Rent attributable to debt service on the Series 2022 Bonds in the inverse order of maturity and shall be applied by the Series 2022 Bond Trustee to the redemption of Series 2022 Bonds, in inverse order of maturity. Assuming a 30-day redemption notice, Lessee would be responsible for delivering cash to the Series 2022 Bond Trustee by 5 business days prior to the redemption date.

**Capital Improvements.** Until the Series 2022 Bonds are paid or defeased in full, Lessee agrees toretain an Independent Consultant, at the expense of the Lessee, to provide Lessee on or before May 1, 2023, with a five-year plan for capital improvements so that Lessee can develop reasonable capital improvements budgets for Fiscal Year ending on or after June 30, 2024. Lessee shall not make any capital improvement expenditures in excess of the capital improvement budget without the prior written approval of the Majority Obligation Holders.

**Operating Budget.** Until the Series 2022 Bonds are paid or defeased in full, in the event audited actual expenditures for the any fiscal year ending on or after June 30, 2023, exceed budgeted expenditures in the audited year’s Second Interim Budget, determined at the time Lessee prepares the report issued pursuant to Section 2(b) of this Exhibit D, Lessee agrees to retain Independent Consultant to perform a budgetary control analysis report to be received by April 1 of the year following the audit year. School agrees to incorporate recommendations of the Independent Consultant’s report in development of the operating budget for the upcoming fiscal year.

**Back-Office Services Provider; Auditors.** Lessee agrees to seek proposals from qualified backoffice services and accounting firms for the 2023-24 fiscal year on, with the intent (but not obligation) of replacing existing backoffice and auditors. Final selection decision of most qualified firms is up to Lessee’s Board, and may include existing firms. Lessee covenants to provide a report to Bondholders by April 1, 2023 describing how the proposed combination of school staff, backoffice providers and audit firms selected are qualified and able to remedy each area that has been a previous concern, including but not limited to budget controls, purchasing controls, student services accounting, attendance accounting, and consolidated audit and Form 990 filings for both Lessee and Borrower (including Lessor). If either firm selected is the same firm as currently providing such services, by April 15, 2023, Majority Obligation Holders will have the right to reject the initial proposed selection of backoffice providers and/or audit firms if, in the opinion of Majority Obligation Holders, such existing firms are not qualified to perform the necessary functions. In the case of rejection of either or both existing backoffice provider and/or audit firm, Lessee will then select alternate new qualified providers for each function rejected, and will provide a revised report by July 1, 2023 describing how the aforementioned services will instead be performed by the alternate new provider(s). Majority Obligation Holders will not have right of rejection on alternate providers.

**Members of Board of Directors.** Lessee will work earnestly to diversify the experience of the members of its board of directors and to expand the number of directors serving from five to seven members, with a goal of finding members who have legal or finance experience. If the board has not been expanded to at least five members by January 1, 2023, Lessee covenants to retain a qualified board consultant to assist in the board member search. Once expanded, all board members will be required to undergo board training in best practices for directors of nonprofit educational institutions.

EXHIBIT D-1

FORM OF REPORT FOR ANNUAL FILING OF CERTAIN  
FINANCIAL AND OPERATING COVENANTS

Defined terms used in this report and not defined herein shall have the meaning granted to such terms in the Master Trust Indenture. The information contained below is unaudited.

The undersigned authorized representative of [Lessee/CMO] (“Lessee/CMO”) is familiar with the provisions of the Leases, and based on such review and familiarity, Lessee/CMO has fulfilled all of its obligations thereunder throughout Fiscal Year preceding the date hereof, and there have been no Defaults or Events of Default under the Leases (or, if there has been a Default or Event of Default in the fulfillment of any such obligation in such Fiscal Year, attached hereto as Exhibit D-2 is additional information specifying each such Default or Event of Default known to the undersigned and the nature and status thereof and the actions taken or being taken to correct such Default or Event of Default).

Obligated Group – Financial Covenants As of June 30, 20\_\_:

The Rent Coverage Ratio pursuant to Section \_\_\_ of the Master Trust Indenture for the Fiscal Year ended June 30, 20\_\_ was \_\_\_x.

Consolidated Days Cash on Hand pursuant to Section \_\_\_ of the Master Trust Indenture for the Fiscal Year ended June 30, 20\_\_ was \_\_\_days.

Individual School Tenants – Financial Covenants (To be completed for each Individual School Tenant) As of June 30, 20\_\_:

Base Rent Coverage Ratio was \_\_\_x which [does/does not] comply with the Base Rent Coverage Ratio covenant in Section \_\_\_of Exhibit D of the Lease.

(i) To meet this covenant, Lessee/CMO [has]/[has not] exercised its right to use any unrestricted cash above 5% of Lessee/CMO System Gross Revenue in the calculation of Net Income Available for Lease and Debt Payments.

The following information with respect to the Schools:

Enrollment by Grade Level (Actual for Prior + Projected for Two Following Years) (To be completed for each Individual School Tenant)

|  |  |  |  |
| --- | --- | --- | --- |
| **Grade Level** | **20\_\_-20\_\_** | **20\_\_-20\_\_** | **20\_\_-20\_\_** |
| Kindergarten |  |  |  |
| 1st Grade |  |  |  |
| 2nd Grade |  |  |  |
| 3rd Grade |  |  |  |
| 4th Grade |  |  |  |
| 5th Grade |  |  |  |
| 6th Grade |  |  |  |
| 7th Grade |  |  |  |
| 8th Grade |  |  |  |
| 9th Grade |  |  |  |
| 10th Grade |  |  |  |
| 11th Grade |  |  |  |
| 12th Grade |  |  |  |
| **Totals** |  |  |  |

Student Retention (Prior Year) (To be completed for each Individual School Tenant)

|  |  |  |  |
| --- | --- | --- | --- |
| **School Year 20\_\_-20\_\_** | **Re-Enrolled** | **Did Not Re-Enroll** | **% Re-Enrolled** |
| **Totals** |  |  |  |

This certificate is being provided by Lessee/CMO on a date which is [within]/[outside] of 30 days from the governing board’s approval.

Dated:

**[LESSEE/CMO]**

By:

Its:

EXHIBIT E

Form of Intercept Notice

*\*\*This Notice shall he provided not later than the date of issuance of the Bonds. \*\**

**Notice to the State Controller Pursuant to Education Code Section 17199.4**

\_\_\_\_\_\_\_\_\_\_, 2016

Re: California School Finance Authority Charter School Revenue Bonds (Encore Education Obligated Group), Series 2016A and California School Finance Authority Charter School Revenue Bonds (Encore Education Obligated Group), Series 2016B (Taxable)

WHEREAS, Western Encore Properties Incorporated (the “Borrower”) has entered into a Loan Agreement, dated as of November 1, 2016, with the California School Finance Authority (the “Issuer”), providing for a loan (the “Loan”) for the acquisition and construction of charter school facilities to be owned by 16955 Lemon Street, LLC, a California limited liability company, the sole member of which is the Borrower, and leased to Encore Education Corporation, a California nonprofit public benefit corporation (the “Lessee”), for use by Encore High School for the Arts, a school established pursuant to the Charter Schools Act of 1992, as amended, constituting Part 26.8 (commencing with Section 47600) of Division 4 of Title 2 of the Education Code of the State of California (CDS # 36-75044-0116707); and

WHEREAS, the Issuer has issued its above-referenced revenue bonds (the “Bonds”) to fund the Loan;

NOW THEREFORE, NOTICE IS HEREBY GIVEN PURSUANT TO SECTION 17199.4 OF THE EDUCATION CODE OF THE STATE OF CALIFORNIA TO THE STATE CONTROLLER OF THE STATE OF CALIFORNIA (the “State Controller”), that:

The governing board of the Lessee has elected, pursuant to a resolution adopted on \_\_\_\_\_\_\_\_\_\_ and Section 17199.4 of the Education Code, to direct the State Controller to make transfers at the times and in the amounts (or such lesser amounts as are available to transfer) in the “State Intercept” column set forth on Schedule I attached hereto, directly to U.S. Bank National Association, as trustee (the “Trustee”), for the Bonds. If the amount transferred on any transfer date is less than the amount in the “State Intercept” column set forth on Schedule I attached hereto, then such deficiency shall be added to subsequent transfers until no deficiency remains.

Transfers pursuant to paragraph 1 above shall be paid by wire transfer of immediately available funds to:

U.S. Bank National Association

Attention:

Telephone Number:

ABA Routing Number:

Account Title/Owner:

Account Number:

**ENCORE EDUCATION CORPORATION**

a California nonprofit public benefit corporation

By:

Name:

Its:

Schedule I

Intercept Payment Amounts and Dates

*(Remainder of page intentionally left blank)*

1. Notwithstanding the effective date of this Lease, this Schedule shall be effective retroactively as of July 1, 2021, and Lessee shall make up any deficiency in Base Rent due prior to the effective date of this Lease within 30 days of the effective date of this Lease. [↑](#footnote-ref-1)