

**RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:**

San Carlos School District
1200 Industrial Road, Unit 9
San Carlos, CA 94070
Attention: Robert Porter

This document is recorded for the benefit of the San Carlos School District, and recording is fee exempt under Section 6103 of the Government Code.

**FACILITIES LEASE
ARROYO BRIDGE SCHOOL MODERNIZATION AND NEW CONSTRUCTION
JULY 2015 – JUNE 2016**

by and between

BLACH CONSTRUCTION COMPANY
2020 Fortune Drive, Suite 100
San Jose, CA 95131

and

SAN CARLOS SCHOOL DISTRICT
1200 Industrial Road, Unit 9
San Carlos, CA 94070

Dated as of June 26, 2015

FACILITIES LEASE

THIS FACILITIES LEASE (“Facilities Lease”), made as of June 26, 2015 (“Effective Date”), is entered into by and between Blach Construction Company, a California company duly organized and existing under the laws of the State of California, as sublessor (the “Corporation”), and the San Carlos School District, a school district duly organized and validly existing under the Constitution and laws of said State of California, as sublessee (the “District”).

RECITALS

WHEREAS, the District desires to provide for the construction of Modernization and New Construction project at Arroyo Bridge School as more particularly described in Exhibit “A” attached hereto and incorporated herein by this reference (the “Project”);

WHEREAS, as of the date hereof, the District has leased to the Corporation the real property for the construction of the Project described on Exhibit “B” attached hereto (the “Site”) pursuant to the terms of a Site Lease dated June 26, 2015 by and between the District and the Corporation;

WHEREAS, the District is authorized under Section 17406 of the Education Code of the State of California to lease the Site to the Corporation and to have the Corporation construct the Project on the Site and to lease to the District the Site and the Project, and has duly authorized the execution and delivery of this Facilities Lease;

WHEREAS, the Corporation is authorized to sublease the Site as lessee and to construct the Project on the Site, and has duly authorized the execution and delivery of this Facilities Lease;

WHEREAS, the Governing Board of the District (the “Board”) has determined that it is in the best interests of the District and for the common benefit of the citizens residing in the District to construct the Project by leasing the Site to the Corporation and by immediately entering into this Facilities Lease under which the District will sublease the Site and lease the Project from the Corporation and make Lease Payments on the dates and in the amounts set forth in the payment schedule attached hereto as Exhibit “C” (the “Lease Payment Schedule”).

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

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants hereinafter contained and for other valuable consideration, the parties hereto do hereby agree as follows:

ARTICLE I

DEFINITIONS AND EXHIBITS

Section 1.1. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Facilities Lease, have the meanings herein specified.

“Construction Provisions” means the terms and conditions for construction of the Project as set forth in Exhibit “D”.

“Corporation” means Blach Construction Company, a California company duly organized and existing under the laws of the State of California, its successors and assigns.

“Corporation Representative” means the Chief Executive Officer of the Corporation, or any person authorized to act on behalf of the Corporation under or with respect to this Facilities Lease as evidenced by a resolution conferring such authorization adopted by the Board of Directors of the Corporation or as so designated by the President of the Corporation.

“District” means the San Carlos School District, a school district duly organized and existing under the laws of the State of California.

“District Representative” means the Superintendent or any Assistant Superintendent of the District, the Director of Facilities of the District, or any other person authorized by the Governing Board of the District to act on behalf of the District under or with respect to this Facilities Lease.

“Event of Default” means one or more events of default as defined in Section 9.1 of this Facilities Lease.

“Facilities Lease” means this Facilities Lease together with any duly authorized and executed amendment hereto.

“Lease Payment” means any payment required to be made by the District pursuant to Section 4.5 of this Facilities Lease and as set forth in Exhibit “C” attached to this Facilities Lease.

“Lease Payment Schedule” shall mean the payment schedule attached hereto as Exhibit “C”.

“Permitted Encumbrances” means, as of any particular time: (i) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the District may, pursuant to provisions of Section 5.1 hereof, permit to remain unpaid; (ii) the Site Lease; (iii) this Facilities Lease; (iv) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of this Facilities Lease and which will not materially impair the use of the Site; and (v) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of this Facilities Lease and to which

the Corporation and the District consent in writing which will not impair or impede the operation of the Site.

“Project” means the improvements and equipment to be constructed and installed by the Corporation as more particularly described in Exhibit “A” attached hereto, and includes, unless the context requires otherwise, the Site.

“Site” means that certain parcel of real property and improvements thereon (if any) more particularly described in Exhibit “B” attached hereto.

“Site Lease” or “Lease” means the Site Lease dated as of June 26, 2015 by and between the District and the Corporation together with any duly authorized and executed amendment thereto under which the District leases the Site to the District.

“Term of this Facilities Lease” or “Term” means the time during which this Facilities Lease is in effect, as provided for in Section 4.2 of this Facilities Lease.

Section 1.2. Exhibits. The following Exhibits are attached to and by reference incorporated and made a part of this Facilities Lease:

Exhibit A - DESCRIPTION OF PROJECT: The description of the Project.

Exhibit B - DESCRIPTION OF SITE: The descriptions of the real property constituting the Site.

Exhibit C - SCHEDULE OF LEASE PAYMENTS: The schedule of Lease Payments to be paid by the District hereunder.

Exhibit D - CONSTRUCTION PROVISIONS: The terms and conditions for the construction of the Project.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1. Representations, Covenants and Warranties of the District. The District represents, covenants and warrants to the Corporation as follows:

(a) Due Organization and Existence. The District is a school district, duly organized and existing under the Constitution and laws of the State of California.

(b) Authorization. The District has the full power and authority to enter into, to execute and to deliver this Facilities Lease, and to perform all of its duties and obligations hereunder, and has duly authorized the execution of this Facilities Lease.

(c) No Violations. Neither the execution and delivery of this Facilities Lease nor the Site Lease, nor the fulfillment of or compliance with the terms and conditions

hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the District is now a party or by which the District is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the District, or upon the Site, except Permitted Encumbrances.

Section 2.2. Representations, Covenants and Warranties of the Corporation.
The Corporation represents, covenants and warrants to the District as follows:

(a) Due Organization and Existence. The Corporation is a California company duly organized and existing under the laws of the State of California, has power to enter into this Facilities Lease and the Site Lease; is possessed of full power to own and hold real and personal property, and to lease and sell the same; and has duly authorized the execution and delivery of all of the aforesaid agreements.

(b) No Encumbrances. The Corporation will not pledge the Lease Payments or other amounts derived from the Site and from its other rights under this Facilities Lease, and will not mortgage or encumber the Site, except as provided under the terms of this Facilities Lease or for the purposes of Corporation receiving financing for any portion of the Project

(c) No Violations. Neither the execution and delivery of this Facilities Lease or the Site Lease, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Corporation is now a party or by which the Corporation is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Corporation, or upon the Site, except Permitted Encumbrances.

(d) No Assignments. Except as provided herein, the Corporation will not assign this Facilities Lease, its right to receive Lease Payments and prepayments from the District, or its duties and obligations hereunder to any other person, firm or Corporation so as to impair or violate the representations, covenants and warranties contained in this Section 2.2. This Lease may be assigned to an affiliate of the Corporation provided that the representations, covenants and warranties in this Section 2.2 are not impaired or violated.

(e) Authorization. The Corporation has the full power and authority to enter into, to execute and to deliver this Facilities Lease, and to perform all of its duties and obligations hereunder, and has duly authorized the execution of this Facilities Lease.

ARTICLE III

CONSTRUCTION OF PROJECT

Section 3.1. The Corporation agrees to cause the Project to be constructed and installed in accordance with the Construction Provisions which are attached hereto as Exhibit "D". The Corporation agrees that it will cause the construction and installation of the Project to be diligently performed. The District and the Corporation may approve changes in the plans and specifications for the Project as provided in the Construction Provisions. The Corporation will cooperate at all times with the District in bringing about the timely completion of the Project. The definition and description of the Project contained herein may be amended by the District from time to time pursuant to Section 8.2.

ARTICLE IV

AGREEMENT TO LEASE; TERMINATION OF LEASE; LEASE PAYMENTS; TITLE TO THE SITE

Section 4.1. Lease of Property; No Merger. The Corporation hereby leases the Project and the Site to the District, and the District hereby leases said Project and Site from the Corporation upon the terms and conditions set forth in this Facilities Lease. The leasing by the Corporation to the District of the Site shall not effect or result in a merger of the District's leasehold estate pursuant to this Facilities Lease and its fee estate as lessor under the Site Lease, and the Corporation shall continue to have and hold a leasehold estate in said Site pursuant to the Site Lease throughout the term thereof and the term of this Facilities Lease. As to the Site, this Facilities Lease shall be deemed and constitute a sublease.

Section 4.2. Term of Facilities Lease. The Term of this Facilities Lease shall commence as of the Effective Date and shall terminate on October 26, 2016 Project and payment of the last Lease Payment, as provided in the Lease Payment Schedule.

Section 4.3. Termination of Term. The Term of this Facilities Lease shall terminate upon the earliest of any of the following events:

- (a) an Event of Default and the Corporation's election to terminate this Facilities Lease pursuant to Section 9.2 hereof; or
- (b) the arrival of last day of the Term of this Facilities Lease and payment of all Lease Payments hereunder.

Section 4.4. Possession. The District may take possession of the Project hereunder as it is completed.

Section 4.5. Lease Payments.

(a) Obligation to Pay. Subject to the provisions of Articles III, VI and X hereof, the District agrees to pay to the Corporation, its successors and assigns, as rental for the use and occupancy of the Project and the Site, the Lease Payments in the amounts specified in the Lease Payment Schedule. All Lease Payments will be subject to the Final Guaranteed Maximum Sum set forth in the Construction Provisions.

(b) Lease Payments to Constitute Current Expense of the District. The District and the Corporation understand and intend that the obligation of the District to pay Lease Payments and other payments hereunder constitutes a current expense of the District and shall not in any way be construed to be a debt of the District in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the District, nor shall anything contained herein constitute a pledge of the general tax revenues, funds or moneys of the District. Lease Payments due hereunder shall be payable only from current funds which are budgeted and appropriated, or otherwise legally available, for the purpose of paying Lease Payments or other payments due hereunder as consideration for use of the Site during the fiscal year of the District for which such funds were budgeted and appropriated or otherwise made legally available for such purpose. This Facilities Lease shall not create an immediate indebtedness for any aggregate payments which may become due hereunder. The District has not pledged the full faith and credit of the District, the State of California or any agency or department thereof to the payment of the Lease Payments or any other payments due hereunder.

(c) Appropriation. The District has appropriated the Guaranteed Maximum Sum as set forth in Article 3(b) of the Construction Provisions from the District's current fiscal year and/or State funds to be received during the District's current fiscal year, and has segregated such funds in a separate account to be utilized solely for Lease Payments.

Section 4.6. Quiet Enjoyment. Excepting any interference resulting from the Corporation's performance pursuant to the Construction Provisions, during the term of this Facilities Lease, the Corporation shall provide the District with quiet use and enjoyment of the Site, and the District shall during such Term peaceably and quietly have and hold and enjoy the Site, without suit, trouble or hindrance from the Corporation, except as expressly set forth in this Facilities Lease. The Corporation will, at the request of the District join in any legal action in which the District asserts its right to such possession and enjoyment to the extent the Corporation may lawfully do so, at District's sole cost. Notwithstanding the foregoing, the Corporation shall have the right to inspect the Site as provided in Section 7.1 hereof.

Section 4.7. Title. During the Term of this Facilities Lease, the District shall hold title to the Site and shall obtain title to the Project from the Corporation, and any and all additions which comprise fixtures, repairs, replacements or modifications thereof, at the end of the term of the Facilities Lease. During the term of this Facilities Lease, the Corporation shall have a leasehold interest in the Site pursuant to the Site Lease.

If the District prepays the Lease Payments in full pursuant to Article X hereof or makes an advance deposit pursuant to Section 10.1 hereof, or pays all Lease Payments, all remaining right, title and interest of the Corporation, if any, in and to the Project and the Site,

shall be fully transferred to and vested in the District. Upon such prepayment, this facilities Lease shall terminate and title shall be transferred to and vested in the District hereunder without the necessity for any further instrument of transfer.

Section 4.8. Abatement of Rental in the Event of Substantial Interference With Use and Occupancy of the Project and the Site. The amount of Lease Payments for the Project and the Site shall be abated during any period in which by reason of delay in the completing of the Project beyond the final completion date specified in the Construction Provisions, there is substantial interference with the use and occupancy of the Project and the Site by the District. The amount of such abatement shall be agreed upon by the District and the Corporation such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portion of the Project and the Site, if any, with respect to which there is no such substantial interference. Such abatement shall continue for the period commencing with such substantial interference and ending with the termination of such interference.

Section 4.9. Fair Rental Value. The Lease Payments and any prepayment thereof coming due and payable constitute the total rental for the Project and shall be paid by the District as set forth in Exhibit "C" hereto for and in consideration of the right to use and occupy, and the continued quiet use and enjoyment of, the Project during each month. District and Corporation have agreed and determined that the total Lease Payments and any prepayment thereof do not exceed the fair rental value of the Project. In making such determination, consideration has been given to the obligations of the parties under the Facilities Lease and Site Lease, the uses and purposes which may be served by the Project, and the benefits therefrom which will accrue to the District and the general public.

ARTICLE V

MAINTENANCE; TAXES; AND OTHER MATTERS

Section 5.1. Maintenance, Utilities, Taxes and Assessments. Except as provided for in the Construction Provisions, the repair and maintenance of the Site shall be the responsibility of the District. Upon the Project's completion the repair and maintenance shall be the responsibility of the District.

If applicable, the District shall also pay or cause to be paid all taxes and assessments of any type or nature charged to the Corporation or District affecting the Project and the Site.

ARTICLE VI

EMINENT DOMAIN

Section 6.1. Eminent Domain.

(a) Eminent Domain Takings. If all of the Project and the Site shall be taken permanently under the power of eminent domain, the term of this Facilities Lease shall cease as of the day possession shall be so taken. If less than all of the Project and the Site shall be taken permanently, or if all of the Project and the Site or any part thereof shall be taken temporarily, under the power of eminent domain:

(1) this Facilities Lease shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and

(2) there shall be a partial abatement of Lease Payments as a result of the application of the net proceeds of any eminent domain award to the prepayment of the Lease Payments hereunder.

(b) From Eminent Domain Award. The net proceeds of any eminent domain or condemnation shall be payable to the District.

ARTICLE VII

ACCESS

Section 7.1. The Corporation shall have the right at all reasonable times to enter upon the Site to construct the Project pursuant to the Construction Provisions. The District shall have the right at all reasonable times to enter upon the Site for whatever purpose District chooses provided that during construction, the District shall follow all safety precautions required by the Corporation.

ARTICLE VIII

ASSIGNMENT, SUBLEASING; AMENDMENT

Section 8.1. Assignment and Subleasing by the District. This Facilities Lease may not be assigned by the District. Any sublease shall be subject to all of the following conditions:

(a) This Facilities Lease and the obligation of the District to make Lease Payments hereunder shall remain obligations of the District; and

(b) The District shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Corporation a true and complete copy of such sublease; and

(c) No such sublease by the District shall cause the Project or the Site to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the Constitution and laws of the State of California.

Section 8.2. Amendment of this Facilities Lease. Without the written consent of the Corporation, the District will not alter, modify or cancel, or agree or consent to alter, modify or cancel this Facilities Lease.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1. Events of Default Defined. The following shall be “events of Default” under this Facilities Lease and the Site Lease and the terms “Event of Default” and “default” shall mean, whenever they are used in this Facilities Lease, any one or more of the following events:

(a) Failure by the District to pay any Lease Payment or other payment required to be paid hereunder at the time specified herein.

(b) Failure by the District to observe and perform any covenant, condition or agreement in this Facilities Lease on its part to be observed or performed, other than as referred to in clause (a) of this Section, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corporation; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Corporation shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected.

(c) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the Federal Bankruptcy Statute, as amended, or under any similar acts which may hereafter be enacted.

Section 9.2. Remedies on Default. Whenever any Event of Default referred to in Section 9.1 hereof shall have happened and be continuing, it shall be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to this Facilities Lease; provided, however, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each and every covenant hereof to be kept and performed by the

District is expressly made a condition hereof and upon the breach thereof, the Corporation may exercise any and all rights of entry and re-entry upon the Project and the Site, and also, at its option, with or without such entry, may terminate this Facilities Lease; provided, that no such termination shall be effected either by operation of law or acts of the parties hereto, except only in the manner herein expressly provided. In the event of such default and notwithstanding any re-entry by the Corporation, the District shall, as herein expressly provided, continue to remain liable for the payment of the Lease Payments and/or damages for breach of this Facilities Lease and the performance of all conditions herein contained and, in any event such rent and/or damages shall be payable to the Corporation at the time and in the manner as herein provided, to wit:

(a) In the event the Corporation does not elect to terminate this Facilities Lease in the manner herein provided for in subparagraph (b) hereof, the District agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions herein contained and shall reimburse the Corporation for any deficiency arising out of the re-letting of the Project and the Site, or, in the event the Corporation is unable to re-let the Project and the Site, then for the full amount of all Lease Payments to the end of the Term of this Facilities Lease, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinbefore provided for the payment of Lease Payments hereunder, notwithstanding such entry or reentry by the Corporation or any suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Project and the Site or the exercise of any other remedy by the Corporation. The District agrees that the terms of this Facilities Lease constitute full and sufficient notice of the right of the Corporation to re-rent the Project and the Site in the event of such re-entry without effecting a surrender of this Facilities Lease, and further agrees that no acts of the Corporation in effecting such re-renting or re-leasing shall constitute a surrender or termination of this Facilities Lease irrespective of the term for which such re-leasing or re-renting is made or the terms and conditions of such re-leasing or re-renting, or otherwise, but that, on the contrary, in the event of such default by the District the right to terminate this Facilities Lease shall vest in the Corporation to be effected in the sole and exclusive manner hereinafter provided for in subparagraph (b) hereof.

(b) In an event of default by the District hereunder, the Corporation at its option may terminate this Facilities Lease and re-rent or re-lease all or any portion of the Project and the Site. The Corporation has the remedy described in California Civil Code section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if lessee has right to sublet, subject only to reasonable limitations.) In the event of the termination of this Facilities Lease by the Corporation at its option and in the manner hereinafter provided on account of default by the District (and notwithstanding any re-entry upon the Project and the Site by the Corporation in any manner whatsoever or the re-renting or re-leasing of the Project and the Site), the District nevertheless agrees to pay to the Corporation all costs, losses or damages directly attributable to the default, payable at the same time and in the same manner as is herein provided in the case of payment of Lease Payments. The Net Proceeds relating to the re-renting of the Site and the Project shall be used in the manner set forth in Section 9.6 hereof. Neither notice to pay rent or to deliver up possession of the premises given pursuant to law nor any proceeding in unlawful detainer taken by the Corporation shall of itself operate to terminate this Facilities Lease, and no termination of this Facilities Lease on account of default by the District shall be or become effective by operation of law, or otherwise, unless

and until the Corporation shall have given written notice to the District of the election on the part of the Corporation to terminate this Facilities Lease. The District covenants and agrees that no surrender of the Site for the remainder of the Term hereof or any termination of this Facilities Lease shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Corporation by such written notice.

Section 9.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Facilities Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved to it in this Article IX it shall not be necessary to give any notice, other than such notice as may be required in this Article or by law.

Section 9.4. Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Facilities Lease should default under any of the provisions hereof, and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

Section 9.5. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Facilities Lease should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 9.6. Application of Proceeds. All net proceeds received from the re-rent, re-lease or other disposition of the Project and the Site under this Article IX, and all other amounts derived by the Corporation as a result of an Event of Default hereunder, shall be applied to the Lease Payments in order of payment date and, in the case of the Net Proceeds received from the re-renting or re-leasing of the Project and the Site pursuant to Section 9.2(b), to be applied to the prepayment of the Lease Payments in accordance with Section 10.2 hereof.

ARTICLE X

PREPAYMENT OF LEASE PAYMENTS

Section 10.1. Security Deposit. Notwithstanding any other provision of this Facilities Lease, the District may, so long as the District is not in default hereunder, on any date secure the payment of Lease Payments by a deposit with the Corporation of cash in an amount which is sufficient to pay all unpaid Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment Schedule set forth in Exhibit "C" hereto. In the event of a deposit pursuant to this Section, all obligations of the District under this Facilities Lease, and all security provided by this Facilities Lease for said obligations, shall cease

and terminate, excepting only the obligation of the District to make, or cause to be made, Lease Payments from the deposit made by the District pursuant to this Section, and any title interest held by Corporation, if any, to the Project and/or the Site shall revert to the District on the date of said deposit automatically and without further action by the District or the Corporation.

Section 10.2. Optional Prepayment. The District may prepay the Lease Payments, in whole or in part, at any time. The District shall give the Corporation written notice of its intention to exercise its option and the date and amount of such prepayment.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed to have been received forty-eight (48) hours after deposit in the United States mail in registered or certified form with postage fully prepaid:

If to the Corporation: Blach Construction Company
 2020 Fortune Drive, Suite 100
 San Jose, CA 95131
 Attn: Paul Kehoe

WITH A COPY TO-
San Mateo County Counsel

If to District: San Carlos School District
 1200 Industrial Road, Unit 9
 San Carlos, CA 94070
 Attention: Robert Porter, Chief Operating Officer

The Corporation and the District, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 11.2. Binding Effect. This Facilities Lease shall inure to the benefit of and shall be binding upon the Corporation and the District and their respective successors and assigns.

Section 11.3. Severability. In the event any provision of this Facilities Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.4. Net-Net-Net Lease. This Facilities Lease shall be deemed and construed to be a “net-net-net lease” and the District hereby agrees that the Lease Payments shall

be an absolute net return to the Corporation, free and clear of any expenses, charges or setoffs whatsoever.

Section 11.5. Further Assurances and Corrective Instruments. The Corporation and the District agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Site hereby leased or intended so to be or for carrying out the expressed intention of this Facilities Lease. Within fifteen (15) days of receipt of written notice by District from Corporation or Corporation's lender, District agrees that it will execute, acknowledge and deliver to Corporation and Corporation's lender a written estoppel certificate in customary form declaring any modifications, defaults or advance payments and stating whether this Facilities Lease, as it may be modified, is in full force and effect. Any such estoppel certificate may be conclusively relied upon for the intended transaction for which the certificate was requested.

Section 11.6. Execution in Counterparts. This Facilities Lease may be executed in several counterparts, each of which shall be original and all of which shall constitute but one and the same instrument.

Section 11.7. Applicable Law. This Facilities Lease shall be governed by and construed in accordance with the laws of the State of California, County of San Mateo.

Section 11.8. Dispute Resolution. (a) The parties agree that all claims, disputes or controversies between the parties arising out of or relating to this Facilities Lease, or breach thereof, ("Claim") shall initially be submitted to non-binding mediation before a mediator mutually agreed upon by the parties. In the event the parties are unable to agree upon the identity of the mediator within fifteen days from the date either party submits a written request to mediate a Claim, the mediator shall be selected and the mediation administered under the Construction Mediation Rules of the American Arbitration Association. The costs and fees of the mediator shall be paid equally by the parties. The parties shall negotiate in good faith in an effort to reach an agreement with respect to the Claim. Neither party shall commence or pursue arbitration or litigation until the completion of mediation proceedings.

(b) In the event that a Claim remains unresolved after mediation, the Claim may be submitted to non-binding arbitration. If the parties agree to arbitrate, the arbitrator shall be selected through the San Mateo County Bar Association or the American Arbitration Association and shall be mutually agreed upon by both parties. If the parties do not opt for non-binding arbitration or non-binding arbitration is unsuccessful, either party may file an action in San Mateo County Superior Court.

Section 11.9. Corporation and District Representatives. Whenever under the provisions of this Facilities Lease the approval of the Corporation or the District is required, or the Corporation or the District is required to take some action at the request of the other, such approval or such request shall be given for the Corporation by the Corporation Representative and for the District by the District Representative, and any party hereto shall be authorized to rely upon any such approval or request.

Section 11.10. Captions. The captions or headings in this Facilities Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or section of this Facilities Lease, nor the construction or interpretation of any part thereof.

Section 11.11. Prior Agreements. This Facilities Lease and the corresponding Site Lease collectively contain all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Facilities Lease and no prior agreements or understanding pertaining to any such matter shall be effective for any purpose. No provision of this Facilities Lease may be amended or added to except by an agreement in writing signed by the parties hereto or their respective successors-in-interest.

Section 11.12. Attorney's Fees. If either party brings an action or proceeding involving the Property or to enforce the terms of this Facilities Lease or to declare rights hereunder, each party shall bear the cost of its own attorney's fees.

Section 11.13. Further Assurances. Parties shall promptly execute and deliver all documents and instruments reasonably requested to give effect to the provisions of this Lease.

Section 11.14. Effect of Recitals. The Recitals above are deemed true and correct, are hereby incorporated into this Section as though fully set forth herein, and Seller and Buyer acknowledge and agree that they are each bound by the same.

Section 11.15. Time of the Essence. Time is of the essence with respect to each of the terms, covenants, and conditions of this Agreement.

Section 11.16. Interpretation. None of the Parties hereto, nor their respective counsel, shall be deemed the drafters of this Agreement for purposes of construing the provisions thereof. The language in all parts of this Agreement shall in all cases be construed according to its fair meaning, not strictly for or against any of the Parties hereto.

Section 11.17. Indemnity.

Corporation's Indemnity Obligation. Corporation shall indemnify, defend and hold harmless District and District's officers, agents and employees from and against any claims, damages, costs, expenses (including reasonable attorneys' fees), judgments or liabilities arising out of or in any way connected with this Facilities Lease, including, without limitation, claims, damages, expenses, or liabilities for loss or damage to any property, or for death or injury to any person or persons, in proportion to and to the extent that such claims, damages, expenses, judgments or liabilities arise from the negligence or willful acts or omissions of Corporation, its officers, agents, or employees at the Project.

District's Indemnity Obligation. District shall indemnify, defend and hold harmless Corporation and Corporation's officers, directors, shareholders, partners, members, agents and employees from and against any claims, damages, costs, expenses (including reasonable attorneys' fees), judgments or liabilities arising out of or in any way connected with this Facilities Lease, including, without limitation claims, damages, expenses, or liabilities for loss or damage to any property or for death or injury to any person or persons, in proportion to and to

the extent that such claims, damages, expenses, judgments or liabilities arise from the negligence or willful acts or omissions of District, its officers, agents or employees at the Project.

IN WITNESS WHEREOF, the parties hereto have caused this Facilities Lease to be executed by their respective officers thereunto duly authorized, as of the Effective Date.

SAN CARLOS SCHOOL DISTRICT

By: _____
Robert Porter, Chief Operating Officer

Its: Member

BLACH CONSTRUCTION COMPANY

By: _____
Paul Kehoe, Project Executive

Its: Member

EXHIBIT “A”

DESCRIPTION OF PROJECT

Project Name: Arroyo Bridge School Modernization and New Construction
Address: 828 Chestnut Street San Carlos, CA 94070
Owner: San Carlos School District San Carlos, CA 94070
Architects: Quattrocchi Kwok Architects
DSA Application #: 01-114530

Project Description: Modernization and new construction as shown on drawings and specifications prepared by Quattrocchi Kwok Architects and DSA approved on **TBD**. This includes the following scope of work:

Scope of Work Description – Modernization and new construction of the Arroyo Bridge School campus. The modernization of three existing buildings includes fire alarm, clock/bell/speaker and fire protection upgrades as required; improvements to create a band and orchestra rooms at Building D; a new storage area at Building B; and pass-thru doors between classrooms at Building B. The new construction includes the demolition of two existing buildings and the new construction of a 8,000 SF building with 4 classrooms, learning commons, and restroom core; and all related sitework and utility work. As well as minor upgrades to the existing parking lot and select hardscape areas.

Exclusions:

1. Builder’s Risk Insurance. However, the District shall provide a copy of the District’s Builder’s Risk Insurance naming Blach Construction Company and its subcontractors as additional insured to Blach Construction Company.
2. Plan check, permit, and other DSA/agency fees.
3. City fees.
4. Architectural and engineering fees.
5. Hazardous material reports.
6. Testing and inspection fees.
7. Pre-construction service fees.
8. Furniture removal, storage and reinstallation.
9. Telephone/data/IT equipment unless otherwise indicated on plans and specifications.
10. Furniture, furnishings and equipment.
11. Items indicated on plans and specifications as Owner Furnished.

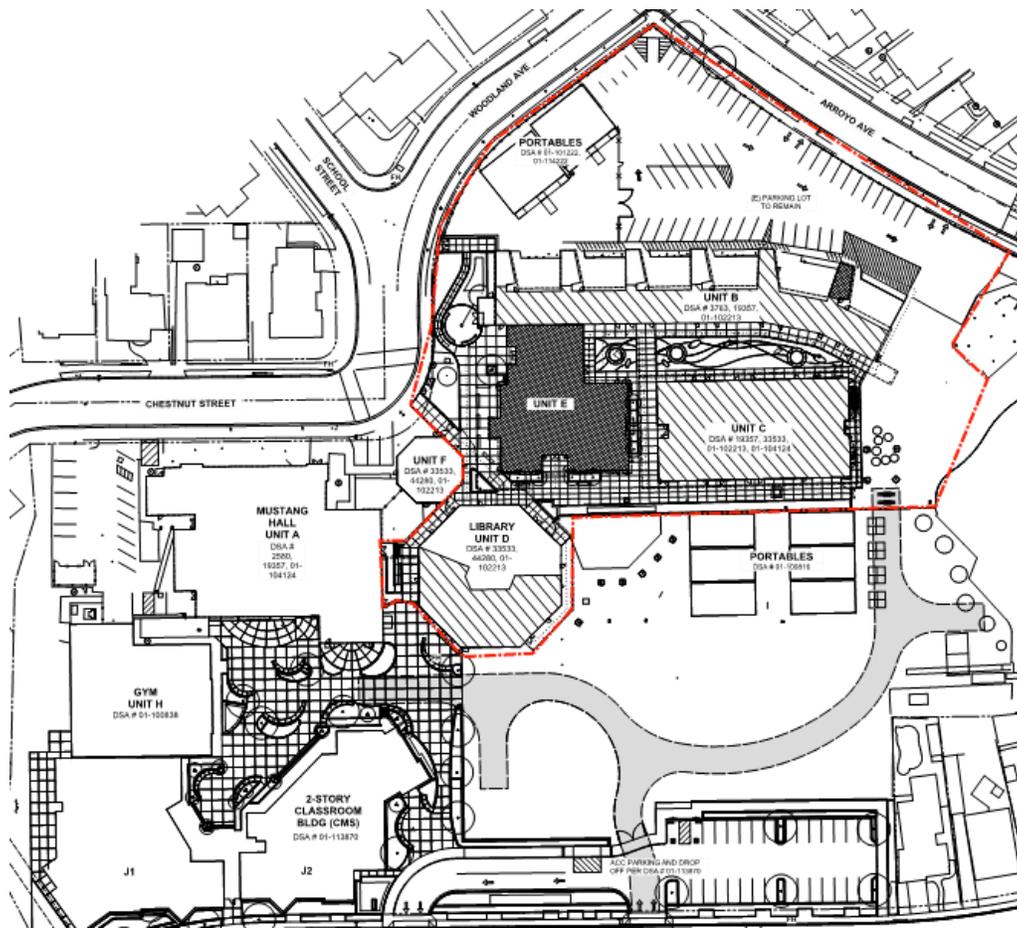
EXHIBIT "B"

DESCRIPTION OF SITE LEASE

The following are the Site Legal Description and
map of Arroyo Bridge School

and A map of the Site Lease, dated June 26, 2015

Site is located southwest of Chestnut Street in San Carlos between Arroyo Avenue and Cedar Street at approximately North latitude 37 ° 30', and West longitude 122 ° 15' at the southeast side of the campus.



The limits of the site lease will include the existing campus as bordered by portions of Chestnut Street, Woodland Avenue, and Arroyo School as well as the area indicated on the map above.

This will include Unit D, Unit E, Unit C, and Unit B, the portables adjacent to Woodland Avenue, the parking lot adjacent to Arroyo Avenue, and adjacent hardscape and landscape areas.

Arroyo Bridge School 828 Chestnut Street San Carlos, CA 94070

EXHIBIT “C”

SCHEDULE OF LEASE PAYMENTS

District shall make Lease Payments for the Facilities Lease in conformance with and subject to the terms and conditions for payments for the Project as set forth in the Construction Provisions and Schedule of Payments. The total Lease Payments under this Facilities Lease shall be adjusted as described in the Construction Provisions to reflect: (1) any adjustments to the Guaranteed Maximum Price that the parties make pursuant to Section 3.b; (2) any cost savings as described in Section 6; and (3) any shared savings as described in section 7; and (4) interest savings as a result of lease pre-payment(s); and (5) any other adjustments required by any of the Constructions Provisions. Upon substantial completion of the Project, all lease payments due shall incur interest at the rate of .5% per anum during the time that such amounts remain unpaid.

EXHIBIT “D”

CONSTRUCTION PROVISIONS

Dated TBD

(attached)