

**STATE OF ARIZONA
SALE/LEASE-BACK OF STATE FACILITIES
OUTLINE FOR THE CONSIDERATION OF FINANCING ALTERNATIVES**

As previously posted on the web site for the Arizona Department of Administration (the "Department"), the State of Arizona (the "State"), acting by and through the Director of the Department, intends to undertake the sale and simultaneous lease-back of various State properties. After careful consideration of the various ideas and approaches for the State to accomplish its lease-purchase financing, the Department has determined to proceed with a financing through the issuance of certificates of participation into the public debt markets. Under this approach, the property will be nominally "sold" to a bank trustee for the transaction and simultaneously leased back to the State under the terms and conditions of a lease-purchase agreement (the "Lease") with the Department, with the purchase of the property by the trustee being financed by the sale of certificates of participation evidencing interests in the Lease payments. This approach has been used on many occasions by the State in the past. The expectation, based on discussions with several nationally recognized bond counsel firms, is that the certificates will be issued as tax-exempt certificates, thereby reducing the cost of the financing to the State. By utilizing this approach, the certificates will be available for purchase as an investment by both individuals and institutions. By reaching the broadest market of potential investors through a public offering of the State's lease-purchase financing, the State believes it will achieve the lowest cost of this type of financing. While the State has determined that the financing approach outlined above is the most advantageous to the State, the Department will continue to receive any financing alternatives from interested parties as outlined below through December 1, 2009.

The Department will accept suggestions of financing alternatives from interested parties to purchase parcels of real property owned free and clear by the State (each a "Property Unit" and, collectively, the "Property"). Schedule I contains a list of the Property currently proposed to be included in the transaction and the estimated replacement value of each Property Unit, as determined by the Department. The State will provide no appraisals of the Property and the Property is being sold in its current condition. No suggestion for the purchase of less than all the Property will be considered.

Any party submitting a financing alternative must agree:

1. To pay to the State for the Property an amount not less than \$737,000,000. The State will not accept less than this amount. Payment must be made in full, in cash, at the closing of the transaction.
2. To execute the Lease, which shall be for a period of not to exceed 20 years in a form, and with terms and conditions, prepared by the State. No material modifications or amendments to the Lease are expected to be made or agreed to by the State. A copy of the most recent similar lease-purchase agreement entered into by the State, and which contains many but not necessarily all of the provisions that will be included in the Lease, is attached. The Lease will include, in substance, at least the following provisions:
 - a. The State will make payments for the portion of the Lease payments relating to principal on an annual basis. The current estimate of the principal portion of Lease payments are shown on Schedule II. Any suggested change to this schedule of Lease payments must be explained and supported in writing.

- b. The lessor must make the Property available to the State immediately upon the execution of the Lease at a rental rate which does not exceed the total of the actual acquisition cost for the Property (i.e. an amount not less than \$737,000,000) with interest and associated financing charges (which should not exceed the interest rate and financing charges applicable to tax-exempt municipal obligations amortized over a period of not to exceed 20 years as determined by the State).
 - c. The State, at its sole and exclusive option, may purchase all of the Property or one or more individual Property Units pursuant to the Lease at any time and at a purchase price sufficient to provide for payment of the outstanding financed amount or proportion of the outstanding financed amount for that Property Unit or those Property Units.
 - d. The State may make such modifications, additions or alterations to the Property as it deems necessary.
 - e. The State may use the Property for any public purpose and may sublease all or any part of the Property.
 - f. The Lease shall be a triple net lease. The State will be solely responsible for all expenses associated with the Property and will provide all utility and other services to the Property on a basis consistent with other facilities owned and operated by the State.
 - g. The lessor will convey all of the Property, by warranty deed, free of all liens and encumbrances, to the Department on behalf of the State at the end of the Lease term or upon earlier purchase by the State for no further consideration and at no additional cost or expense to the State.
 - h. The lessor will covenant in the Lease to refrain from encumbering, pledging, mortgaging, or in any other way using the Property as security for any obligation of whatever nature incurred by the lessor, except as provided in the Lease.
 - i. The Lease will be treated as a capital lease and the State will be treated as the owner of the Property for accounting and tax purposes.
 - j. The payments under the Lease by the State are subject to annual appropriation by the State legislature. If the State legislature fails to make an appropriation for the Lease payments or the Department fails to allocate amounts for any subsequent fiscal year with respect to the Lease payments, the Lease terminates and no further payments are required to be made by the State.
3. If a party submitting a suggested financing alternative intends to finance acquisition of the Property, the suggested alternative must specify (i) the source and type of financing proposed, (ii) whether the performance by the party submitting the financing alternative is subject to obtaining such financing, (iii) the interest rate or rates and any and all finance charges or other costs of such financing, and (iv) any special conditions or covenants of the alternative approach. No lien on State property or subordination of the State interest will be permitted, except as provided in the Lease.

The Department currently expects to complete any lease-purchase financing of the Property by January 31, 2010. As such, any party choosing to submit a suggested financing alternative should do so as soon as possible and in no event not later than December 1, 2009. Any suggested financing alternative received after that date will not be considered by the State. Financing alternatives should be submitted to Clark Partridge at the General Accounting Office of the Department at the address below. Please provide 10 written copies and one electronic version.

For each financing alternative, an interested party must provide the following information:

1. A general description of the financing alternative.
2. Key aspects of the financing alternative, including any additional terms and conditions to the financing alternative not already identified in this document, which the State must agree to as a condition of acceptance.
3. Key individuals and organizations that will be involved in the financing alternative.
4. Any and all costs to be incurred by the State under this financing alternative, including the applicable interest rate that the State would pay on an annual basis.
5. An acknowledgement that the financing alternative is consistent with and that no substantive changes can be made to the key aspects outlined by the State in this document.

The Department may, in its sole discretion, request any party submitting a suggested financing alternative to submit additional information, including audited financial statements, other evidence of financial strength, or both. Failure of any party submitting a suggested financing alternative to provide such additional information to the satisfaction of the Department may result in such party's suggestion not being reviewed or considered.

In accepting financing alternatives, the State and the Department are not undertaking requests for proposals, requests for information, sealed bids or any other formal solicitation. The purpose of this outline is merely to inform interested parties of the State's current plans and to allow an opportunity and procedure for submitting other financing alternatives that a party believes is advantageous for the State and should be considered by the State. The State reserves the right to postpone, continue, suspend or cancel the sale of the Property. The State also reserves the right to reject or not consider any and all financing alternatives that may be received. The determination by the State of the most advantageous financing approach will be made solely by the State and any interested party submitting a financing alternative acknowledges the State's final authority in this regard and waives all rights to any further remedies. No party submitting a suggested financing alternative will receive any payment or reimbursement from the State for any costs incurred.

Suggestions provided will be considered public records and will be subject to the State's public records laws when the Department has made a final decision on the approach for this financing.

For further information, contact Clark Partridge, Arizona Department of Administration, General Accounting Office, 100 North 15th Avenue, Suite 302, Phoenix, Arizona, 85007, Telephone: (602) 542-5405; e-mail: Clark.Partridge@azdoa.gov.

SCHEDULE I

**State of Arizona
Sale/Lease-Back of State Property
Preliminary List of Properties ***

Property *	Estimated FY 2009 Replacement Value *
Department of Corrections	
Florence	\$ 123,127,341
Yuma	\$ 77,317,448
Eyman - SMU II	\$ 58,272,164
Safford	\$ 26,803,100
Eyman - Meadows	\$ 23,856,990
Legislature	
House	\$ 18,508,739
Senate	\$ 18,508,739
Secretary of State	
Polly Rosenbaum - Archives Building	\$ 29,511,923
Department of Administration	
Executive Office Tower	\$ 43,896,988
Department of Public Safety	
Phoenix Headquarters	\$ 53,331,719
Department of Health Services	
Arizona State Hospital	\$ 178,949,265
Coliseum and Exposition Center Board	
Coliseum and Exposition Center	<u>\$ 84,915,584</u>
Total	<u><u>\$ 737,000,000</u></u>

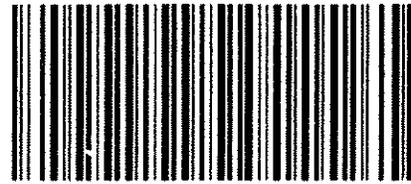
* **Subject to Change**

SCHEDULE II

State of Arizona Sale/Lease-Back of State Property Estimated Principal Payments *

October 1 Payment Date	Fiscal Year	Principal Payment Amount *
2012	FY13	\$ 27,325,000
2013	FY14	\$ 28,150,000
2014	FY15	\$ 29,145,000
2015	FY16	\$ 30,330,000
2016	FY17	\$ 31,560,000
2017	FY18	\$ 33,005,000
2018	FY19	\$ 34,685,000
2019	FY20	\$ 36,455,000
2020	FY21	\$ 38,315,000
2021	FY22	\$ 40,270,000
2022	FY23	\$ 42,325,000
2023	FY24	\$ 44,485,000
2024	FY25	\$ 46,755,000
2025	FY26	\$ 49,205,000
2026	FY27	\$ 51,845,000
2027	FY28	\$ 54,630,000
2028	FY29	\$ 57,635,000
2029	FY30	\$ 60,880,000
Total		\$ 737,000,000

* Subject to Change



OFFICIAL RECORDS OF
MARICOPA COUNTY RECORDER
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When recorded return to:

Charles E. James, Jr., Esq.
Squire, Sanders & Dempsey L.L.P.
40 North Central Avenue, Suite 2700
Phoenix, Arizona 85004

**UNOFFICIAL
DOCUMENT**

Affidavit and Fee Exemption claimed:
A.R.S. § 11-1134(A)2

Property Tax Exemption:
Property Tax Exemption:
A.R.S. § 42-11102(A)2

LEASE-PURCHASE AGREEMENT

between

U.S. BANK NATIONAL ASSOCIATION, Trustee
as Lessor

and

STATE OF ARIZONA
Acting by and through the Director
of the Department of Administration,
as Lessee

Dated as of April 1, 2008

DO NOT REMOVE

This is part of the official document.

This document is being re-recorded to correct the legal descriptions of Parcel Nos. 8, 9 and 10.

When recorded return to:

Charles E. James, Jr., Esq.
Squire, Sanders & Dempsey L.L.P.
40 North Central Avenue, Suite 2700
Phoenix, Arizona 85004

Affidavit and Fee Exemption claimed:
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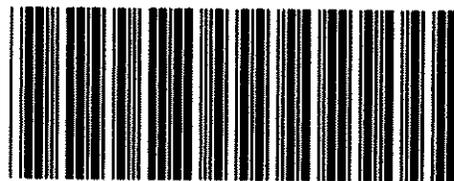
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**CHARLES E JAMES
40 NORTH CENTRAL AVE SUITE 2700
TWO RENAISSANCE SQUARE
PHOENIX AZ 85004**



OFFICIAL RECORDS OF
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CAPTION HEADING:

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When recorded return to:
Charles E. James, Jr., Esq.
Squire, Sanders & Dempsey L.L.P.
Two Renaissance Square
40 North Central Avenue
Suite 2700
Phoenix, Arizona 85004-4441

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Acting by and through the Director
of the Department of Administration,
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Dated as of April 1, 2008

**Squire, Sanders & Dempsey L.L.P.
Special Counsel**

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but rather is for convenience of reference only)

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LEASE-PURCHASE AGREEMENT

This Lease-Purchase Agreement (this "*Lease*"), made and entered into as of April 1, 2008, by and between U.S. Bank National Association, acting in its fiduciary capacity as trustee for the benefit of the registered owners of the Certificates (as defined herein) (the "*Trustee*"), as lessor (the "*Lessor*"), and the STATE OF ARIZONA, acting by and through the Director of the Department of Administration, as lessee (the "*Lessee*" or the "*State*"),

W I T N E S S E T H :

WHEREAS, the State wishes to acquire by lease-purchase from the Lessor of (i) the Prison Facilities (as defined herein) located on the Prison Site (as defined herein), which Prison Site and Prison Facilities are to be sold by the State to the Lessor pursuant to a Warranty Deed (as defined herein), and (ii) the State Hospital Project Facilities (as defined herein) to be constructed on State Hospital Project Site (as defined herein), which State Hospital Project Site is to be leased by the State to the Lessor pursuant to the Ground Lease (as defined herein),

WHEREAS, pursuant to this Lease, the State will lease from the Lessor (i) the Prison Site and the Prison Facilities and appurtenant rights thereto described in Exhibit A-1 hereto ("*Prison Property*") and (2) the State Hospital Project Site and the State Hospital Project Facilities and appurtenant rights thereto described in Exhibit A-2 hereto ("*State Hospital Project Property*" and, together with Prison Property, the "*Property*"); and

WHEREAS, simultaneously with the execution of this Lease, the Lessor will execute the Declaration of Irrevocable Trust, dated as of April 1, 2008 (the "*Declaration of Trust*"), to facilitate the execution and delivery of the Series 2008A Certificates (as defined herein) evidencing and representing proportionate interests of the owners thereof in lease payments to be made by the State under this Lease, which will be sold to provide the moneys for the Lessor to purchase the Prison Property and to pay all or a portion of the costs of acquiring, constructing and improving the State Hospital Project Property; and

WHEREAS, in order to secure the State's obligation under this Lease, the Lessor, as Trustee under the Declaration of Trust, will establish a trust to receive the Lease Payments (as defined herein) received hereunder and to hold all right, title and interest the Lessor may have in and to, including the right to enforce the terms of, this Lease for the benefit of the registered owners of the Certificates (as defined herein), and will apply moneys received from this Lease to the payment of the Certificates, as the same shall mature or come due; and

WHEREAS, the State is authorized to (i) sell the Prison Property to the Lessor, (ii) lease the State Hospital Project Site to the Lessor, and (iii) enter into this Lease with respect to the Property pursuant to Sections 37-803 and 41-791.02 of the Arizona Revised Statutes, respectively, and Arizona Laws 2007, Chapter 257, section 8 and Arizona Laws 2007, Chapter 261, Section 9; and

NOW, THEREFORE, in consideration of the Lease Payments to be paid under and the covenants and agreements contained in this Lease, the parties agree as follows:

Section 1. Certain Defined Terms and References.

(a) In addition to the terms defined elsewhere in this Lease and capitalized terms as defined in the Declaration of Trust, the following terms have the meanings given below unless the context clearly requires otherwise:

“Acquisition Fund” means the Acquisition Fund established pursuant to the Declaration of Trust.

“Additional Certificates” means certificates, other than the Series 2008A Certificates, that may be executed and delivered pursuant to the Declaration of Trust.

“Additional Rent” means any payments required to be made pursuant to Section 6 hereof in addition to the Base Rent.

“Appropriation” or *“Appropriations”* means an appropriation by the Legislature that has become law.

“Asbestos Containing Materials” means material in friable form containing more than one percent (1%) of the asbestiform varieties of (a) chrysotile (serpentine); (b) crocidolite (ricbeckite); (c) amosite (cummington-itegrinerite); (d) anthophyllite; (e) tremolite; and (f) actinolite.

“Attorney General” means the Attorney General of the State.

“Authorized Officer,” when used:

(i) With respect to the Lessee, means the Director or the Assistant Director for Finance of the Department, the State Comptroller, the Assistant State Comptroller or any other or additional officer of Lessee who is designated in writing by said Director as its Authorized Officer for the purposes of this Lease.

(ii) With respect to the Lessor, means any person authorized to act on behalf of the Lessor under or with respect to the Lease as evidenced by a resolution confirming such authorization.

“Base Rent” means the payments, including the principal and interest components of those payments, specified in Exhibit B.

“Business Day” means a day of the year other than (a) Saturday or Sunday, (b) a day on which banking institutions located in the city designated by the Trustee for presentation and payment of Certificates are required or authorized to remain closed or (c) any day on which the Certificate Insurer is closed.

“Certificate Fund” means the Certificate Fund established pursuant to the Declaration of Trust.

“Certificate Insurer” means, with respect to the Series 2008A Certificates, Financial Security Assurance Inc., a New York stock insurance company, or any successor thereto or assignee thereof and, with respect to Additional Certificates, the insurer named in the documents relating to the Additional Certificates.

“Certificates” means the Series 2008A Certificates and any Additional Certificates.

“Code” means the Internal Revenue Code of 1986, as amended. References to the Code and Sections thereof include applicable regulations and temporary regulations thereunder and any successor provisions to those Sections, regulations or temporary regulations and any applicable regulations or temporary regulations issued pursuant to the Internal Revenue Code of 1954.

“Contracts” means the contracts entered into by the Lessee for the acquisition, construction and improvements of the State Hospital Project Facilities (with all amendments and change orders), or any contracts designated by Lessee as a partial or complete replacement or substitute for any of those contracts.

“Declaration of Trust” means the Declaration of Irrevocable Trust, dated as of April 1, 2008, executed by U.S. Bank National Association, as trustee of the trust established for the benefit of the registered owners of the Certificates, as the same may be amended or supplemented from time to time in accordance with its terms.

“Defeasance Obligations” means, to the extent permitted by law (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Certificate Insurer, pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, (5) subject to the prior written consent of the Certificate Insurer, securities eligible for “AAA” defeasance under then existing criteria of S & P, (6) any other investment approved in writing by the Certificate Insurer, or (7) any combination of the foregoing.

“Department” means the Department of Administration of the State.

“Director” means the Director of the Department and any person or persons designated by the Director of the Department and authorized to act on behalf of the Director of the Department as certified by a written certificate signed by the Director of the Department and containing the specimen signature of each such person.

“Eligible Investments” means, to the extent permitted by law:

1. Defeasance Obligations;

2. Federal Housing Administration debentures;
3. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):
 - A. Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”) Participation Certificates (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date) Senior debt obligations
 - B. Farm Credit Banks (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) Consolidated system-wide bonds and notes
 - C. Federal Home Loan Banks (FHL Banks) Consolidated debt obligations
 - D. Federal National Mortgage Association (FNMA or “Fannie Mae”) Senior debt obligations Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding the portion of their unpaid principal amounts)
 - E. Student Loan Marketing Association (SLMA or “Sallie Mae”) Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)
 - F. Financing Corporation (FICO) Debt obligations
 - G. Resolution Funding Corp. (REFCORP) Debt obligations
4. Unsecured certificates of deposit, time deposits, and bankers’ acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated ‘A-1’ or better by S&P.
5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million.
6. Commercial paper (having original maturities of not more than 270 days) rated ‘A-1+’ by S&P and ‘Prime-1’ by Moody’s.
7. Money market funds rated ‘AAm’ or ‘AAM-G’ or higher by S&P
8. “State Obligations”, which means:

- A. Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated 'A3' by Moody's and 'A' by S&P, or higher, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.
 - B. Direct general short-term obligations of any state agency or subdivision or agency thereof described in (a) above and rated "A-1+" by S&P and "MIG-1" by Moody's.
 - C. Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (a) above and rated "AA" or better by S&P and "Aa" or better by Moody's.
9. Pre-refunded municipal obligations rated "AAA" by S & P and "Aaa" by Moody's meeting the following requirements:
- A. the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;
 - B. the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;
 - C. the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");
 - D. the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;
 - E. no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and
 - F. the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase agreements: With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A" by S&P and Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated "A" or better by S&P and Moody's and acceptable to the Certificate Insurer, provided that:

- A. The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach);
- B. The Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);
- C. The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);
- D. All other requirements of S&P in respect of repurchase agreements shall be met;
- E. The repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the Issuer or the Trustee (who shall give such direction if so directed by the Certificate Insurer), within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Issuer or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (i) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's, respectively.

11. Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline

financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa2" by Moody's; provided that, by the terms of the investment agreement:

- A. interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Certificates;
- B. the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Trustee hereby agrees to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;
- C. the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;
- D. the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Trustee and the Certificate Insurer) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Certificate Insurer;
- E. the investment agreement shall provide that if during its term:
 - (i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S & P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment; and

- (ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Issuer or the Trustee (who shall give such direction if so directed by the Certificate Insurer), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Trustee, and
- F. the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);
- G. the investment agreement must provide that if during its term:
 - (i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Trustee (who shall give such direction if so directed by the Certificate Insurer), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Trustee, and
 - (ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Trustee.

12. Interests in the Local Government Investment Pool established pursuant to Arizona Revised Statutes Section 35-326.

"Engineer" means an individual or firm acceptable to the Lessee and Lessor who is qualified to practice the profession of engineering or architecture under the laws of the State and is not a salaried employee of the Lessee or the Lessor.

"Environmental Regulations" means all laws and regulations, now or hereafter in effect, with respect to hazardous materials, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended (42 U.S.C. Section 9601, et seq.) (together with the regulations promulgated thereunder, "CERCLA"), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Section 6901, et seq.) (together with the regulations promulgated thereunder, "RCRA"), the Emergency Planning and Community Right-to-Know Act, as amended (42 U.S.C. Section 11001, et seq.) (together with the regulations

promulgated thereunder, "Title III"), the Clean Water Act, as amended (33 U.S.C. Section 1321, et seq.) (together with the regulations promulgated thereunder, "CWA"), the Clean Air Act, as amended (42 U.S.C. Section 7401, et seq.) (together with the regulations promulgated thereunder, "CAA") and the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601 et seq.) (together with the regulations promulgated thereunder, "TSCA"), and any similar state or local laws and regulations and any so-called local, state or federal "superfund" or "superlien" law.

"Event of Default" means an Event of Default described in Section 25 hereof.

"Event of Non-appropriation of Funds" means termination of the Lease for non-appropriation of funds without reinstatement as described in Section 7 hereof.

"Facilities" means the real property (excluding the Sites) consisting of the Prison Facilities described in Exhibit A-1 and State Hospital Project Facilities described in Exhibit A-2, together with any additions, modifications, improvements and substitutions thereto.

"Fiscal Period" means a period of 12 consecutive months commencing on the first day of July and ending on the last day of June, or any other consecutive 12-month period that may be established hereafter as the fiscal year of the Lessee for budgeting and appropriation purposes; provided, however, that if the Legislature enacts a general appropriation bill including Appropriations for Lease Payments due hereunder for a period less than 12 consecutive months, Fiscal Period shall mean the period for which the Legislature makes such Appropriations.

"Ground Lease" means the Ground Lease, dated as of April 1, 2008, between the State, acting by and through the Director, as lessor, and the Trustee, as lessee, as amended or supplemented from time to time with respect to the State Hospital Project Site.

"Independent Counsel" means an attorney or a firm of attorneys, engaged by the Trustee, admitted to practice law before the highest court of the State, and not a salaried employee of the Lessee or the Lessor.

"Insurance Requirements" means those insurance requirements described in Section 21 hereof.

"Interest Rate for Advances" means that rate per annum which is one percentage point in excess of that interest rate per annum announced by the Trustee in its lending capacity as a bank as its "prime rate" on the date such interest rate is to be charged, which is lawfully chargeable, in whole or in part.

"Lease" means this Lease-Purchase Agreement, as the same may be amended or supplemented from time to time in accordance with its terms.

"Lease Payment Date" means February 15 and August 15 of each year during the Lease Term, commencing August 15, 2008.

"Lease Payments" means the sum of the Base Rent and Additional Rent due at or during a stated time.

"Lease Term" means the period beginning on the date of the initial execution and delivery of the Series 2008A Certificates and ending on the date on which all Lease Payments and other amounts due hereunder with respect to the Property shall have been paid, or the date upon which this Lease is sooner terminated in accordance with its terms.

"Legal Requirements" means those legal requirements described in Section 19 hereof.

"Legislature" means the Legislature of the State.

"Lessee" means the State, acting by and through the Director.

"Lessor" means the Trustee acting in its fiduciary capacity on behalf of the registered owners of the Certificates under the Declaration of Trust, initially U.S. Bank National Association, and its successors or assigns as provided in the Declaration of Trust.

"Net Proceeds," when used with respect to any insurance proceeds or eminent domain award, means the gross proceeds thereof less the payment of all expenses, including expert witness fees, attorneys' fees and costs, incurred in connection with the collection of those gross proceeds.

"Permitted Encumbrances" shall be defined, as of any particular time, as (i) liens for *ad valorem* property taxes and special assessments not then delinquent (the parties acknowledge that the Property is exempt from property taxes pursuant to Section 42-11102(A)(2) of the Arizona Revised Statutes); (ii) the Declaration of Trust; (iii) this Lease; (iv) the Ground Lease; (v) the Warranty Deed; (vi) utility, access and other easements and rights-of-way, mineral rights, restrictions, exceptions and encumbrances that will not (x) materially interfere with or impair the operations being conducted on the Property, or (y) materially adversely affect the security granted to Certificate owners by the Declaration of Trust or easements granted to the Trustee; (vii) such minor defects, irregularities, encumbrances, easements, mechanics' liens, rights-of-way and clouds on title as, in the opinion of independent counsel, normally exist with respect to properties similar in character to the Property affected thereby for the purpose for which it was acquired or is held by the Trustee and do not (x) materially interfere with or impair the operations being conducted on the Property, or (y) materially adversely affect the security granted to Certificate owners by the Declaration of Trust or easements granted to the Trustee; and (viii) those certain liens and encumbrances described in the title reports delivered in connection with the execution and delivery of the Certificates, together with any other liens and encumbrances approved from time to time by the Certificate Insurer.

"Prison Facilities" means the real property (excluding the Prison Site) and personal property described in Exhibit A-1, together with any additions, modifications and substitutions thereto.

"Prison Property" means, together, the Prison Site and the Prison Facilities.

"Prison Site" means the real estate upon which Prison Facilities are located, as described in Exhibit A-1.

"Property" means, together, the Prison Property and the State Hospital Project Property.

“Property Costs” means costs incurred directly or indirectly for or in connection with the acquisition of the Property; attributable to, or incurred in acquiring or leasing, the Property, including the costs associated with the bidding of the Property; legal, accounting, consulting, supervisory and other services; recording of documents and title work; premiums attributable to any surety bonds, title insurance and any other insurance (including builder’s risk insurance) required to be taken out and maintained prior to the closing out of the Acquisition Fund under the Declaration of Trust, with respect to the Property; *provided that* all Property Costs for which disbursement is to be made from the Acquisition Fund shall be permitted to be capitalized as assets in conformity with U.S. generally accepted accounting principles applicable to the Lessee.

“Required Property Insurance Coverage” means insurance insuring the Facilities against loss or damage by fire, lightning, vandalism and malicious mischief and all other perils covered by standard “extended coverage” or “all risks” policies, including amounts as to which the State is a self-insurer as set forth in the State’s certificate of insurance to be filed with the Lessor in accordance with Section 21 hereof.

“Required Public Liability Insurance Coverage” means comprehensive general accident and public liability insurance, including amounts as to which the State is a self-insurer as set forth in the State’s certificate of insurance to be filed with the Lessor in accordance with Section 21 hereof.

“Series 2008A Certificates” means the Certificates of Participation, Series 2008A, executed and delivered pursuant to the Declaration of Trust in the original aggregate principal amount of \$238,990,000 and dated as of the date of the initial execution and delivery thereof.

“Site” means the Prison Site as described in Exhibit A-1 and the State Hospital Project Site as described in Exhibit A-2.

“State” means the State of Arizona.

“State Hospital Project” means the construction of the State Hospital Project Facilities, generally referred to as the construction of a new forensic unit and additional infrastructure improvements at the Arizona State Hospital.

“State Hospital Project Costs” means costs incurred directly or indirectly for or in connection with the acquisition, construction, installation, equipment or improvement of the State Hospital Project, including costs incurred in respect of the State Hospital Project for preliminary planning and studies; attributable to, or incurred in acquiring or leasing, the State Hospital Project Site, including prepayment of the rental due under the Ground Lease; architectural, legal, engineering, accounting, consulting, supervisory and other services; labor, services and materials; recording of documents and title work; premiums attributable to any surety bonds, title insurance and any other insurance (including builder’s risk insurance) required to be taken out and maintained prior to the closing out of the Acquisition Fund under the Declaration of Trust, with respect to the State Hospital Project; costs incurred directly or indirectly in seeking to enforce any remedy against any contractor or subcontractor in respect of any actual or claimed default under any Contract relating to the State Hospital Project; any other costs, expenses, fees and charges properly chargeable to the cost of acquisition, construction,

installation, equipment, administration or improvement of the State Hospital Project; *provided that* all State Hospital Project Costs for which disbursement is to be made from the Acquisition Fund shall be permitted to be capitalized as assets in conformity with U.S. generally accepted accounting principles applicable to the Lessee.

“State Hospital Project Facilities” means the real property (excluding the State Hospital Project Site) and personal property described in Exhibit A-2 (as more particularly described in the plans and specifications approved by and on file with the Lessee), together with any additions, modifications and substitutions thereto.

“State Hospital Project Property” means, together, the State Hospital Project Site and the State Hospital Project Facilities.

“State Hospital Project Site” means the real estate upon which the State Hospital Project Facilities are to be constructed as described in Exhibit A-2, as adjusted and amended as provided in Section 22 hereof.

“Subject to Appropriations” means conditioned upon the Legislature making an Appropriation for the amounts payable by the Lessee under this Lease when due.

“Trustee” means the Trustee at the time under the Declaration of Trust, initially U.S. Bank National Association.

(a) References to sections or exhibits, unless otherwise indicated, are to sections of or exhibits to this Lease.

(b) Any reference to a section or provision of the United States Code or the Constitution of the State, or to the Arizona Revised Statutes, or to a section, provision or chapter of the Arizona Revised Statutes, shall include such section, provision or chapter as amended, modified, revised, supplemented or superseded from time to time. No amendment, modification or revision, or supplemental or superseding section, provision or chapter, shall be applicable solely by reason of this provision if it constitutes in any way an impairment of the rights or obligations of the Lessor or Lessee under this Lease.

“Warranty Deed” means the Special Warranty Deed executed and delivered by the State to the Lessor to evidence the transfer to the Lessor of the State’s interest in Prison Property.

Section 2. Conveyance of State Hospital Project and the Property.

(a) All property interests in the Prison Property which the Lessee may have had have been, for reasonable consideration, conveyed, transferred and assigned by the Lessee to the Lessor, and ownership of the Prison Property is vested in the Lessor. The ownership of the State Hospital Project Site is vested in the Lessee and pursuant to the Ground Lease is leased to the Lessor. The ownership of the State Hospital Project Property that is to be acquired or constructed after the effective date of this Lease, shall vest in the Lessor upon acquisition or construction of the same, subject to future conveyance, transfer and assignment to the Lessee as provided in this Lease.

(b) The Lessor hereby authorizes the Lessee during the Lease Term, and so long as no Event of Default has occurred and is continuing, to contract in the Lessee's name with regard to the State Hospital Project or the Property in accordance with the terms hereof, and all such contracts shall be made or done by the Lessee on its own behalf and not as an agent or contractor for the Lessor.

(c) The Lessee acknowledges that all parcels have been selected by the Lessee and have been or will be acquired or constructed by the Lessor at the Lessee's request pursuant to this Lease specifically for the purpose of leasing the Property to the Lessee; the State Hospital Project has been or will be acquired or constructed on the basis of specifications and requirements furnished by the Lessee; and the Lessor has not held itself out as having knowledge or skill particular to the State Hospital Project or the Property or made any affirmations of fact regarding the State Hospital Project or the Property.

Section 3. Lease of Property.

(a) The Lessor hereby demises, leases and lets to the Lessee, and the Lessee rents, leases and hires from the Lessor, the Property in accordance with the provisions of this Lease, to have and to hold for the Lease Term. The Lease Term, subject to termination with respect to the Property upon an Event of Default or an Event of Non-appropriation of Funds, shall terminate no earlier than when the Certificates are no longer Outstanding (as defined in the Declaration of Trust).

The Lessee shall have the right to cancel and terminate this Lease only at the end of its Fiscal Period as a result of an Event of Non-appropriation of Funds.

(b) The Lessor covenants with the Lessee that, upon the Lessee's payment of Base Rent and Additional Rent as required hereunder, and the performance and observance of the other covenants and agreements on its part to be performed and observed under this Lease, the Lessee shall and may peaceably and quietly have, hold and enjoy the Property without hindrance from the Lessor, its assigns and successors or any person within the control of the Lessor.

(c) The Lessee shall pay all costs of operating, repairing and maintaining the Property, including all charges for necessary utility services. The Lessor shall not have responsibility for these costs, or for any other costs or expenses for which the Lessee has responsibility under this Lease.

Section 4. Acquisition of Property.

(a) The Lessee shall cause the Property to be acquired, improved, constructed and equipped, as applicable, in accordance with specifications and requirements furnished by the Lessee, and the Lessee shall have all required rights of ingress and egress to the Property. In connection with the Property, and to pay other costs incident to the Property, the Lessee shall authorize and direct the Lessor to make disbursements from the Acquisition Fund to pay Property Costs in accordance with the Declaration of Trust. The Lessee agrees that all Property Costs and State Hospital Project Costs that the Lessee authorizes and directs the Lessor to make disbursements from the Acquisition Fund to pay shall be permitted to be capitalized as assets in

conformity with U.S. generally accepted accounting principles applicable to the State and shall be so capitalized by the State.

(b) It is understood that any contracts made by the Lessee with respect to the Property, whether acquisition contracts or otherwise, and any work to be done by the Lessee on the Property, are made or done by the Lessee in its own behalf and not as agent or contractor for the Lessor.

(c) Upon completion of the acquisition and construction of the State Hospital Project, the Lessee shall submit to the Lessor and the Certificate Insurer the certificate(s) required to be provided to the Lessor pursuant to Section 5(b) of this Lease.

(d) THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE LESSEE OF, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO, THE PROPERTY OR ANY PORTION OF THE PROPERTY. IN NO EVENT SHALL THE LESSOR BE LIABLE FOR INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES, IN CONNECTION WITH THIS LEASE OR THE EXISTENCE, FURNISHING, OR FUNCTIONING OF THE PROPERTY OR THE LESSEE'S USE OF THE PROPERTY, EXCEPT SUCH DAMAGES AS MAY ARISE BY REASON OF THE LESSOR'S BREACH OF THE LEASE.

Section 5. Acceptance of State Hospital Project; Completion.

(a) Acceptance of the State Hospital Project by the Lessee shall be in accordance with and as contemplated by the provisions of the Contracts. That acceptance shall not be unreasonably withheld or delayed.

(b) The Lessee shall notify the Lessor of the completion date of the State Hospital Project by a certificate, in the form attached hereto as Exhibit D, signed by its Authorized Officer stating:

- (1) The date on which the State Hospital Project was substantially completed;
- (2) That all other facilities necessary in connection with the State Hospital Project have been acquired, constructed, installed, equipped and improved;
- (3) That the acquisition, construction, installation, equipment and improvement of the State Hospital Project and those other facilities have been accomplished in such a manner as to conform with all applicable zoning, planning, building, environmental and other similar governmental regulations;
- (4) That, except as provided in clause (5) below, all costs of the acquisition, construction, installation, equipment and improvement of the State Hospital Project then or theretofore due and payable have been paid; and

(5) The amounts that should be retained in the Acquisition Fund for the payment of State Hospital Project Costs relating to the State Hospital Project not yet due or for liabilities that the Lessee is contesting or that otherwise should be retained and the reasons such amounts should be retained.

The certificate may state that it is given without prejudice to any rights against third parties that then exist or subsequently may come into being. The Authorized Officer shall include with the certificate a statement specifically describing all items of personal property to which the certificate applies comprising a part of the State Hospital Project. The certificate shall be delivered as promptly as practicable after the occurrence of the events and conditions referred to in clauses (1) through (4) above.

Section 6. Lease Payments.

(a) The Lessee agrees to pay the Lease Payments to the Lessor when due during the Lease Term, including the principal and interest components of the Base Rent, equal to the amounts provided below in this Section. Except as specifically provided in Section 7 hereof, the Lessee's obligation to make the Lease Payments during the Lease Term will be absolute and unconditional in all events and will not be subject to any set-off, abatement, defense, counterclaim or recoupment for any reason whatsoever.

(b) The Lessee agrees to pay to the Lessor as Base Rent for the Property the amounts specified in Exhibit B on or before the dates specified in Exhibit B, less the amounts on deposit in the Certificate Fund on such dates that are available to pay the principal and interest components of the Base Rent represented by the Certificates. Each payment of Base Rent shall be applied first to payment of the interest component of the respective Base Rent payment then due. The earliest-occurring principal components of Lease Payments allocable to the Prison Project Component on Exhibit B are deemed to relate to the prison water and wastewater projects authorized by Laws 2007, Chapter 257, Section 8.

(c) The Lessee agrees to pay to the Lessor the following amounts, if and whenever applicable, as Additional Rent:

(1) The Lessee represents that no charges or taxes (local, State or federal) are currently imposed on the ownership, leasing, rental, sale, purchase, possession or use of the Property, exclusive of income taxes on or measured by the Lessor's income, and acknowledges that no provision has been made for the inclusion of any such charges or taxes in the Base Rent. If during the Lease Term, the ownership, leasing, rental, sale, purchase, possession or use of the Property or any portion of the Property shall result in the imposition on the Lessor of any charges, assessments or taxes (local, State or federal), exclusive of income taxes on or measured by Lessor's income, the Lessee shall promptly pay to the Lessor, upon receipt from the Lessor of a statement therefor, as Additional Rent an amount equal to those charges and taxes imposed on the Lessor.

(2) The Lessee will pay to the Lessor as Additional Rent all reasonable costs and expenses incurred or to be paid by the Lessor under this Lease and in connection with the performance of the Trustee's obligations under the Declaration of Trust and all fees,

charges and expenses, including agent and counsel fees, of the Trustee and the Paying Agent (as defined in the Declaration of Trust) incurred under the Declaration of Trust, as and when the same become due.

(3) The Lessee will pay to the Lessor or the Certificate Insurer, as applicable, as Additional Rent all amounts coming due under Section 14 hereof.

(4) The Lessee will make all calculations required under Section 5.09 of the Declaration of Trust, will transmit such calculations to the Lessor and will pay to the Lessor, within five days of notice from the Lessor, any amount determined under Section 5.09 of the Declaration of Trust for deposit into the Rebate Fund.

(5) All costs incident to the payment of the principal, premium, if any, and interest with respect to the Certificates as the same become due and payable, including all costs and expenses in connection with the call, redemption and payment of the Certificates.

(6) All expenses incurred by the Trustee or the owners of the Certificates in connection with the enforcement of any rights under the Ground Lease, this Lease or the Declaration of Trust.

(7) All other payments of whatever nature which the Lessee has agreed to pay or assume under the provisions of this Lease.

(8) Any premium due for insurance required by Section 21 hereof.

(9) The Lessee agrees to reimburse the Certificate Insurer for all expenses incurred by the Certificate Insurer in connection with the enforcement of any rights under the Ground Lease, this Lease or the Declaration of Trust, and for any payments pursuant to subsections 5.10(a) and 5.10(c) of the Declaration of Trust (other than payments made under the Certificate Insurance Policy [defined in the Declaration of Trust] that are provided for in the Declaration of Trust and the Certificate Insurance Policy by the Certificate Insurer's subrogation rights) made by the Certificate Insurer on behalf of, or advanced to, the Lessee including, without limitation, any amounts payable by the Lessee pursuant to the Certificates, this Lease (including the Lessee's obligations under Section 14 hereof) or any other related documents.

(d) The Lessee's obligation to pay Additional Rent in each Fiscal Period is Subject to Appropriations and the Department's allocation of funds. If Appropriations are not made for payment of all or any part of that Additional Rent or the Department does not allocate funds for such purpose, the Lessor shall have the right, but shall not be obligated, to pay or advance the amount of such Additional Rent. If the Lessor so pays or advances any portion of such Additional Rent, the Lessee shall, Subject to Appropriations, pay the Lessor, no later than the first Lease Payment Date in the next succeeding Fiscal Period during which the Lease Term is in effect, an amount equal to the sum of such Additional Rent and the costs incurred by the Lessor in making such payment or advance, including the amount the Lessor would have earned from investment of the amount paid or advanced before repayment thereof at the Interest Rate for Advances during the same period. The Lessor shall notify the Lessee in writing of the costs

incurred in any case of its payment or advancement of such Additional Rent. If the Lessor pays or advances such Additional Rent, and is repaid as provided in this subsection, the Lease shall not be deemed terminated pursuant to Section 7 hereof as a result of such nonpayment of Additional Rent. For all Fiscal Periods subsequent to any payment or advance by the Lessor of Additional Rent, the Lessee shall budget for and will seek Appropriations for payment of the Additional Rent, in accordance with subsection (g) below.

(e) The Lessor will deliver to the Lessee a written invoice for the last Base Rent payment in each Fiscal Period 30 days prior to the applicable Lease Payment Date, stating the amount of Base Rent payment then due. The amount of that Base Rent payment then due shall equal the Base Rent due on that Lease Payment Date as specified in Exhibit B less the amount of available moneys then in the Certificate Fund. The Lessor's failure to provide such invoice shall not affect the Lessee's obligation to make Lease Payments.

(f) Lease Payments shall be payable at the designated corporate trust office of the Trustee or at such other place as the Lessor may from time to time designate in writing.

(g) The Lessee intends and reasonably believes that funds will be available to make all Lease Payments during each Fiscal Period during the Lease Term.

The Lessor acknowledges that, pursuant to Section 41-791.02(B)(1) of the Arizona Revised Statutes and other provisions of law, the Lessee's obligation to make Lease Payments is a current expense of the Department, payable exclusively from Appropriations, and is not a general obligation or indebtedness of the State or the Department.

Section 41-791.02(B)(2) of the Arizona Revised Statutes provides that, if the Legislature fails to make an Appropriation or the Department fails to allocate monies for any periodic payment or renewal term of a lease-purchase agreement relating to land acquisition or capital projects under Section 41-791.02 of the Arizona Revised Statutes, such agreement shall terminate at the end of the current term and the State and the Department are relieved of any subsequent obligation under such agreement. The Lessee hereby covenants to make Lease Payments for all Fiscal Periods during the Lease Term if the Legislature makes an Appropriation and the Department makes an allocation for that purpose.

The Lessee hereby covenants, pursuant to Section 41-791.02(C) of the Arizona Revised Statutes, that it will use its best efforts to budget, obtain, allocate and maintain sufficient appropriated monies to make Lease Payments when due. The Lessor acknowledges that, pursuant to Section 41-791.02(C) of the Arizona Revised Statutes and other provisions of law, appropriation of State monies is a legislative act and is beyond the control of the Department.

(h) The Lessee represents and certifies that (i) the Property is not in a 100-year flood plain, (ii) the Property complies in all material respects with applicable zoning, environmental and safety ordinances, and (iii) the Lessee's use of the Property are essential to the governmental operations of the Lessee.

Section 7. Non-appropriation of Funds.

(a) The obligation of the Lessee to make any payment under this Lease is a current expense of the Department, payable exclusively from Appropriations, and is not a general obligation or indebtedness of the State or the Department. If the Legislature fails to make an Appropriation or the Department fails to allocate monies for any subsequent Fiscal Period with respect to the Property, this Lease shall terminate at the end of the then-current Fiscal Period and the State and the Department shall be relieved of any subsequent obligation under this Lease with respect thereto, other than to return to the Lessor possession of the Property as provided in this Lease and to pay any accrued and unpaid obligations for the payment of which monies are lawfully available. For the purposes hereof, the Department shall be deemed to have allocated monies to this Lease for any Fiscal Period if (i) the Legislature makes a specific line-item Appropriation for this Lease for such Fiscal Period, or (ii) the Legislature makes a lump-sum Appropriation to the Department for such Fiscal Period in an amount at least sufficient to pay the Lease Payments becoming payable hereunder in such Fiscal Period unless, within the period of 15 days following the date on which such lump-sum Appropriation becomes law, but not later than August 15th of such Fiscal Period, the Department notifies the Trustee that monies have not been allocated to this Lease for such Fiscal Period.

(b) If on the 30th day prior to the beginning of a Fiscal Period, an Appropriation has not been made for that Fiscal Period in an amount sufficient for the payment of Lease Payments to become due during that Fiscal Period, the Lessee will immediately notify the Lessor and the Certificate Insurer in writing of that fact. If on or before the last day of the Fiscal Period for which the Lease Payments have been appropriated and allocated, no such Appropriation has been made, this Lease shall terminate (subject to reinstatement as provided in subsection (c)) without penalty or expense to the Lessee of any kind whatsoever. In the event of such termination without reinstatement, the Lessor will have all legal and equitable rights and remedies to take possession of the Property, and the Lessee agrees to peaceably surrender possession of the Property to the Lessor on the day following the 45-day reinstatement period (as defined in paragraph (c) below) following such termination, with, if requested by the Lessor, any personal property included in the Property packed for shipment in accordance with manufacturer specifications and freight prepaid to any location in the continental United States designated by the Lessor. The Lessee will be liable for any loss or damage incurred in that transportation of such personal property.

(c) If this Lease terminates in whole or in part pursuant to subsections (a) and (b) and if within 45 days after such date of termination, Appropriations are made or the Department allocates funds that would have caused this Lease to have continued in effect if the Appropriation or allocation had been made prior to the termination of the prior Fiscal Period, then this Lease shall be reinstated and deemed renewed as of the day following the date of such termination.

Section 8. Authority and Authorization.

(a) The Lessee will deliver to the Lessor the certification of the Attorney General set forth in Exhibit C hereof to the effect that this Lease complies with the Constitution and laws of

the State. This Lease shall be reviewed and approved by the Attorney General before it may take effect.

(b) The Lessee agrees and warrants that: (i) it will do or cause to be done all things necessary to preserve and keep this Lease in full force and effect during the Lease Term; (ii) it has complied with all requirements applicable to it and has taken all steps for approval and adoption of this Lease as a valid obligation on its part; and (iii) to the extent required, it has obtained or will obtain all easements, rights-of-way and use agreements and governmental agency approvals, necessary for its use and operation of, and access to, the Property.

Section 9. Title.

(a) The Lessor will retain title to the Prison Property during the Lease Term and will, during the Lease Term or during the term of the Ground Lease, retain title to the State Hospital Project Facilities and a ground leasehold interest in the State Hospital Project Site. The Lessor will not encumber or dispose of the Property, except with the prior written consent of the Certificate Insurer. The Lessor and the Lessee agree that this Lease or any other appropriate documents (including a memorandum evidencing the Ground Lease and this Lease) may be filed or recorded to evidence the parties' respective interests in the Property and this Lease.

(b) The Property shall become the property of the Lessee, and title thereto shall pass to the Lessee without further cost, upon the Lessee's exercise of the applicable purchase option granted in Section 23 hereof; provided that (i) if there is no Event of Default in existence at such time, the Lessee shall be deemed to have exercised such option with respect to the State Hospital Project, without any further act or notice on its part, on September 1, 2022 or the first date thereafter when there is no Event of Default in existence, as provided in Section 23(b) hereof, and (ii) the Lessee shall be deemed to have exercised such option with respect to all Property, without any further act or notice on its part upon the payment in full of all applicable Lease Payments by the Lessee as they shall have come due in accordance with Exhibit B hereto and all payments due to the Certificate Insurer have been paid, so long as there shall be no Event of Default in existence at such time. In such case, the Lessor (or any assignee thereof) agrees to execute such instruments and do such things as the Lessee reasonably requests in order to effectuate transfer of any and all of the Lessor's (and any assignee's) right, title and interest in the Property or portion thereof being purchased, as is, to the Lessee, without warranty, express or implied, by the Lessor (or any assignee thereof), except that the Lessor (or any assignee thereof) will warrant to the Lessee that the Property and all portions of the Property are free and clear of any liens created by the Lessor (or any assignee thereof).

Section 10. Personal Property.

(a) Any personal property included in the Facilities is and will remain personal property and will not be deemed to be affixed to or a part of the Site, notwithstanding that such personal property or any part thereof may be or hereafter may become in any manner physically affixed or attached to the Site. If requested by the Lessee, the Lessor will furnish a landlord or mortgagee waiver with respect to such personal property.

(b) The Lessee may from time to time, in its discretion and at its expense, install the Lessee's own personal property, in addition to the Facilities, in or upon the Property. All such items so installed shall be and remain the sole property of Lessee and shall not be deemed part of the Property for purposes of this Lease. The Lessee may, at any time, remove from the Property any property installed pursuant to this subsection. If any such removal causes damage to any portion of the Property, the Lessee shall restore the same or repair such damage at its expense.

Section 11. Maintenance, Operation and Use of Property.

(a) The Lessee, at its expense and during the Lease Term, will:

(1) Keep or cause to be kept the Property in good order and condition (ordinary wear and tear excepted), and make all necessary, proper or appropriate repairs, replacements and renewals thereof, interior, exterior, structural and nonstructural, ordinary and extraordinary, foreseen and unforeseen;

(2) Comply with all laws, insurance policies and regulations relating to, and obtain and maintain any governmental licenses and permits required for, the use, maintenance, repair and operation of the Property;

(3) Pay all costs, claims, damages, fees and charges arising out of its possession, use, operation or maintenance of the Property; and

(4) (i) Promptly comply with all rights of way or use, privileges, franchises, servitudes, licenses, easements, tenements, hereditaments and appurtenances forming a part of the Property and all instruments creating or evidencing the same, in each case, to the extent compliance therewith is required of the Lessee under the terms of this Lease;

(ii) Not do, or permit to be done, any act or thing that might materially impair the value of the Property, not commit or permit any material waste of the Property, and not permit any unlawful or unauthorized occupation, business or trade to be conducted on the Property; and

(iii) During the Lease Term, and for a period of 45 days after any termination under Section 7 hereof and 30 days after any other termination of the Lease, not impair the Lessee's abilities to operate or maintain the Property in sound operating condition so that the Lessee may use the Property to carry out its intended functions.

(b) The Lessor shall have no responsibility for any maintenance of or repairs to the Property.

Section 12. Additions, Modifications and Improvements. The Lessee, in its discretion and at its expense, may make from time to time any additions, modifications or improvements to the Property that it may deem desirable for the purposes of the Property, provided that if such additions, modifications or improvements with respect to the Property shall cost \$250,000 or more in a single Fiscal Year, excluding the cost and construction of the State Hospital Project, an

Engineer shall render his opinion to the Lessor that (a) no such additions, modifications or improvements shall adversely affect the structural integrity or strength of any improvements constituting a part of the Property or materially interfere with the use and operation of the Property, and (b) the undertaking and completion of such addition, modification and improvement will not cause the aggregate value of the Property to be reduced below the value of the Property immediately prior to the undertaking and completion of any such addition, modification and improvement. All additions, modifications and improvements so made to the Property by the Lessee shall become and be deemed to constitute a part of the Property.

Section 13. Substitutions and Removals.

(a) If the Lessee, in its reasonable discretion, determines that any item of personal property constituting a part of the Property has become inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary or should be replaced, the Lessee may remove such item provided that such removal (taking into account any substitutions) shall not impair the operation of the Property and will not damage the Property, and provided that the Lessee shall:

(1) Substitute and install other items of property having equal or greater utility and value (but not necessarily the same property function in the operation of the Property) as the removed property, which substituted property shall be free from all liens and encumbrances and shall become part of the Property; or

(2) In the case of removal of property without substitution, promptly pay to the Lessor for application as provided in the Declaration of Trust an amount equal to: (i) if the removed property is sold or scrapped, the proceeds of such sale or the scrap value; (ii) if the removed property is used as a trade-in for property not to be installed as part of the Property, the trade-in credit received by the Lessee; or (iii) in the case of the retention of such removed property by the Lessee for other purposes, the fair market value of such property, as determined by an Engineer.

(b) The Lessee shall promptly report to the Lessor each such removal, substitution, sale or other disposition. In addition, the Lessee shall pay to the Lessor such amounts as are required by the provisions of the preceding subsection (a)(2) to be paid to the Lessor promptly after the sale, trade-in or other disposition requiring such payment. However, no such report or payment need be made for any Fiscal Period until the amount to be paid to the Lessor on account of all such sales, trade-ins or other dispositions not previously paid aggregates at least \$100,000 in such Fiscal Period.

(c) Notwithstanding any other provisions of this Lease, items of personal property included in the Property that have an aggregate value in excess of \$50,000 will not be removed from the Property in any one Fiscal Period without the Lessor's prior written consent, which consent will not be unreasonably withheld. Personal property valued at less than \$50,000 in the aggregate may be removed from the Property in any one Fiscal Period without the Lessor's consent.

(d) No removal under this section shall adversely affect the Lessee's obligation to make Lease Payments.

Section 14. Indemnification. To the extent permitted by the laws and Constitution of the State, the Lessee shall protect, hold harmless and indemnify the Lessor and the Certificate Insurer for, from and against any and all liability, obligations, losses, claims and damages paid or incurred in connection with the Property, the Declaration of Trust or this Lease and any related instrument (including all environmental liabilities regarding the Property), (except that the Lessee shall not protect, hold harmless or indemnify the Lessor or the Certificate Insurer for the willful or wanton acts or omissions, mistakes, gross negligence or negligence of the Lessor or the Certificate Insurer, respectively, to the extent that such acts, omissions, mistakes, gross negligence or negligence of such party are successfully alleged to have caused the liability, obligation, loss, claim or damage) and expenses in connection therewith including reasonable attorneys' fees and expenses. Any amounts payable hereunder shall be paid as Additional Rent pursuant to Section 6 hereof. The obligations of the Lessee to protect, hold harmless, reimburse and indemnify the Lessor as set forth under this Section shall survive any termination of this Lease and the release, satisfaction and discharge of the Declaration of Trust.

Section 15. Inspection. Subject to reasonable security and safety regulations and upon reasonable notice, the Lessor and its agents will be entitled to enter upon the Property during business hours to inspect, or observe the use and operation of, the Property to the extent it does not compromise the Lessee's ability to maintain confidentiality of records.

Section 16. Liens and Encumbrances.

(a) The Lessee shall keep the Property free and clear of all liens and encumbrances except Permitted Encumbrances. The Lessor will not create any liens or encumbrances on the Property or any portion thereof except for Permitted Encumbrances and as otherwise permitted by this Lease. The Lessor shall provide timely notice to the Lessee of any liens or encumbrances with regard to the Property or any portion thereof of which the Lessor has notice. The Lessor shall cooperate with the Lessee with regard to removal of any lien or encumbrance with regard to the Property or any portion thereof.

(b) Supplementing and not limiting subsection (a) above, the Lessee shall not permit any mechanics' or other liens to be filed or exist against the Property by reason of work, labor, services or materials supplied or claimed to have been supplied to, for or in connection with the Property or to the Lessee. If any such lien shall at any time be filed, the Lessee shall, within 30 days after notice of its filing but subject to the right to contest set forth below, cause the same to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise. Notwithstanding the foregoing, the Lessee shall have the right, at its own expense, and after prior notice to the Lessor and the Certificate Insurer, by appropriate proceedings duly instituted and diligently prosecuted, to contest in good faith the validity or the amount of any such lien. In the event of such contest of a lien, within 30 days of the commencement of such contest, the Lessee shall deliver to the Lessor and the Certificate Insurer an opinion of counsel (which may include the Arizona Attorney General) to the effect that, by nonpayment of any such items, the interest created by the Ground Lease and this Lease will not be materially affected and the Property or any part thereof will not be subject to imminent loss or forfeiture. In the event no such opinion is delivered to the Lessor and the Certificate Insurer within 30 days of the commencement of any such contest of lien, the Lessee shall promptly cause such lien to be discharged of record.

Section 17. Risk of Loss; Damage; Destruction.

(a) The Lessee assumes all risk of loss of or damage to the Property from any cause whatsoever. No loss of or damage to, or appropriation by governmental authorities of, or defect in or unfitness or obsolescence of, the Property will relieve the Lessee of the obligation to make Lease Payments during the Lease Term or to perform any other obligation under this Lease.

(b) In case of any damage to or destruction of the Property that might exceed \$100,000, the Lessee will promptly give or cause to be given written notice thereof to the Lessor, who shall promptly give notice thereof to the Certificate Insurer, generally describing the nature and extent of such damage or destruction. Unless the Lessee exercises its option to purchase the Property pursuant to this Lease, there shall be no abatement or diminution of Lease Payments and the Lessee shall, whether or not the Net Proceeds of insurance, if any, received on account of such damage or destruction shall be sufficient for such purpose, promptly commence and complete, or cause to be commenced and completed, the repair or restoration of the Property as nearly as practicable to the value, condition and character thereof existing immediately prior to such damage or destruction, with such changes or alterations, however, as the Lessee may deem necessary for proper operation of the Property.

(c) In the event of total destruction of the Property or any portion the Property, the Lessee shall apply insurance proceeds, self-insurance and any other moneys available and appropriated for the purpose to the acquisition and installation of replacement facilities to constitute the Property, unless the Lessee provides for defeasance of this Lease pursuant to Section 27 hereof from lawfully available funds including Net Proceeds of insurance.

(d) Any Net Proceeds in excess of the amount required under subsections (b) or (c) above shall be paid to and held by the Lessor and applied to the redemption of Certificates pursuant to the Declaration of Trust.

Section 18. Eminent Domain.

(a) If title to or the temporary use of the Property shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under any governmental authority, the Lessee will promptly give written notice thereof to the Lessor describing the nature and extent of such taking. Any Net Proceeds received from any eminent domain award and not used to acquire replacement property constituting part of the Property shall, if received prior to the end of the Lease Term, be paid to and held by the Lessor in accordance with the Declaration of Trust.

(b) The Lessee hereby covenants and agrees, to the extent permitted by law, (i) that so long as any of the Certificates remain outstanding and unpaid, the Lessee will not exercise its power of condemnation with respect to the Property, and (ii) that if for any reason the covenant described in (i) above is determined to be unenforceable or if the Lessee should fail or refuse to abide by such covenant and condemns the Property, the appraised value of the Property will not be less than the greater of (A) if all Certificates are then subject to prior redemption, the principal and interest components of the Certificates Outstanding through the date of redemption, or (B) if all Certificates are not then subject to redemption, the amount necessary to defease such

Certificates to the first available redemption date, or to their scheduled payment dates, in accordance with the Declaration of Trust.

Section 19. Compliance with Legal and Insurance Requirements.

(a) The Lessee, at its expense, shall promptly comply or cause compliance with all Legal Requirements (as defined below) and Insurance Requirements (as defined below), and shall procure, maintain and comply with all permits, licenses and other authorizations required for any use of the Property then being made or anticipated to be made, and for the proper construction, installation, operations and maintenance of the Property, and will comply with any instruments of record at the time in force burdening the Property.

(b) As used in this Section:

(1) "*Legal Requirements*" means all laws, codes, acts, ordinances, resolutions, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements of all governmental entities, departments, commissions, boards, courts, authorities, agencies, officials and officers, foreseen or unforeseen, ordinary or extraordinary, which now or at any time hereafter may be applicable to the Property, or to any use, anticipated use or condition of the Property.

(2) "*Insurance Requirements*" means all provisions of any insurance policy covering or applicable to the Property and all contractual requirements of the issuer of any such policy.

(c) The Lessee may, at its expense and after prior notice to the Lessor, by any appropriate proceedings diligently prosecuted, contest in good faith any Legal Requirement and postpone compliance therewith pending the resolution or settlement of such contest, provided that such postponement does not, in the opinion of Independent Counsel satisfactory to the Lessor, materially affect the interest created by the Ground Lease or this Lease as to any Property or subject any Property imminent loss or forfeiture.

(d) (1) Neither this Lease nor the Lessee's actions pursuant hereto shall create any warranties regarding environmental conditions at the Property. Nothing in this paragraph (1) shall be deemed to negate the terms of paragraphs (2) through (5) below.

(2) The Lessee has, after reasonable inquiry, no knowledge and has not given or received any written notice indicating that the Property or the past or present use thereof or any practice, procedure or policy employed by it in the conduct of its business materially violates any applicable law, regulation, code, order, rule, judgment or consent agreement, including, without limitation, those relating to zoning, building, use and occupancy, fire safety, health, sanitation, air pollution, ecological matters, environmental protection, hazardous or toxic materials, substances or wastes, conservation, parking, architectural barriers to the handicapped, or restrictive covenants or other agreements affecting title to the Property (collectively, "Laws and Regulations"). Without limiting the generality of the foregoing, neither the Lessee nor, to the best of its knowledge, after reasonable inquiry, any prior or present owner, tenant or subtenant of any of the Property has, other than as set forth in subsections (3) and (4) of this subsection or as may have

been remediated in accordance with Laws and Regulations, (i) used, treated, stored, transported or disposed of any material amount of flammable explosives, polychlorinated biphenyl compounds, heavy metals, chlorinated solvents, cyanide, radon, petroleum products, asbestos or any Asbestos Containing Materials, methane, radioactive materials, pollutants, hazardous materials, hazardous wastes, hazardous, toxic, or regulated substances or related materials, as defined in CERCLA, RCRA, CWA, CAA, TSCA and Title III, and the regulations promulgated pursuant thereto, and in all other Environmental Regulations applicable to the Lessee, any of the Property or the business operations conducted by the Lessee thereon (collectively, "Hazardous Materials") on, from or beneath its Property, (ii) pumped, spilled, leaked, disposed of, emptied, discharged or released (hereinafter collectively referred to as "Release") any material amount of Hazardous Materials on, from or beneath the Property, or (iii) stored any material amount of petroleum products at the Property in underground storage tanks.

(3) Excluded from the representations and warranties in subsection (2) hereof with respect to Hazardous Materials are those Hazardous Materials in those amounts ordinarily found in the inventory of or used in the operation of facilities similar to the Property, the use, treatment, storage, transportation and disposal of which has been and shall be in compliance with all Laws and Regulations.

(4) No Property is located in an area of high potential incidence of radon or has an unventilated basement or subsurface portion which is occupied or used for any purpose other than the foundation or support of the improvements to such Property.

(5) To the extent permitted by law and as long as the Lessee has possession and/or ownership of the Property and as permitted by A.R.S. 41-621, the Lessee shall not use or permit the Property or any part thereof to be used to generate, manufacture, refine, treat, store, handle, transport or dispose of, transfer, produce or process Hazardous Materials, except, and only to the extent, if necessary to maintain the improvements on the Property and then, only in compliance with all Environmental Regulations, and any State equivalent laws and regulations, nor shall it permit, as a result of any intentional or unintentional act or omission on its part or by any tenant, subtenant, licensee, guest, invitee, contractor, employee and agent, the storage, transportation, disposal or use of Hazardous Materials or the Release or threat of Release of Hazardous Materials on, from or beneath the Property or onto any other property excluding, however, those Hazardous Materials in those amounts ordinarily found in the inventory of or used in the operation of facilities such as the Property, the use, storage, treatment, transportation and disposal of which shall be in compliance with all Environmental Regulations. Upon the occurrence of any Release or threat of Release of Hazardous Materials, the Lessee shall promptly commence and perform, or cause to be commenced and performed promptly, without cost to the Trustee, all investigations, studies, sampling and testing, and all remedial, removal and other actions necessary to clean up and remove all Hazardous Materials so released, on, from or beneath the Property or other property, in compliance with all Environmental Regulations. Notwithstanding anything to the contrary contained herein, underground storage tanks shall only be permitted subject to compliance with subsection (d) and only to the extent necessary to maintain the improvements on the Property.

(6) The Lessee shall comply with, and shall use its best efforts to assure that its tenants, subtenants, agents, licensees, employees, contractors, and agents comply with, all Environmental Regulations and shall keep the Property free and clear ; provided, however, that notwithstanding that a portion of this covenant is limited to the Lessee's use of its best efforts, the Lessee shall remain solely responsible for ensuring such compliance and such limitation shall not diminish or affect in any way the Lessee's obligations contained in subsection (4) hereof. Upon receipt of any notice from any person with regard to the Release of Hazardous Materials on, from or beneath the Property, the Lessee shall give prompt written notice thereof to the Trustee and the Certificate Insurer (and, in any event, prior to the expiration of any period in which to respond to such notice under any Environmental Regulation).

(7) To the extent permitted by law, the Lessee shall defend, indemnify and hold harmless the Trustee, the Owners of Certificates and the Certificate Insurer, its partners and each of its and their employees, agents, officers, directors, trustees, successors and assigns ("Indemnified Parties"), from and against any claims, demands, penalties, fines, attorneys' fees (including, without limitation, attorneys' fees incurred to enforce the indemnification contained in this Section 19, consultants' fees, investigation and laboratory fees, liabilities, court costs, damages, losses, costs or expenses ("Claims") occurring in whole or in part, arising out of, or in any way related to, (i) the presence, disposal, Release, threat of Release, removal, discharge, storage or transportation of any Hazardous Materials on, from or beneath the Property, (ii) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials, (iii) any lawsuit brought or threatened, or governmental order relating to Hazardous Materials on, from or beneath any of the Property, (iv) any violation of Environmental Regulations or of subsection (2) or (3) hereof by it or any of its agents, tenants, employees, contractors, licensees, guests, subtenants or invitees, and (v) the imposition of any governmental lien for the recovery of environmental cleanup or removal costs. To the extent that the Lessee is strictly liable under any Environmental Regulation, its obligation to the Indemnified Parties under the foregoing indemnification shall likewise be without regard to fault on its part with respect to the violation of any Environmental Regulation which results in liability to any indemnitee. Lessee's obligations and liabilities under this Section 19 (7) shall survive any foreclosure of the security interest in the Property or the delivery of any instrument in lieu of foreclosure, and the satisfaction of all Certificates. Lessee shall provide such defense at Lessee's expense. Lessee shall have sole discretion to settle Claims for which Lessee is obligated to provide an indemnity hereunder, and Lessee shall have no obligation to provide any indemnification for any Claim settled by Indemnified Parties without Lessee's written consent. Notwithstanding the foregoing, Lessee shall have no obligation to indemnify or hold harmless Indemnified Parties for Claims or fractions of Claims to the extent attributable to the negligence of Indemnified Parties.

(8) The Lessee shall conform to and carry out a reasonable program of maintenance and inspection of any underground storage tanks, and shall maintain, repair, and replace such tanks only in accordance with Laws and Regulations, including but not limited to Environmental Regulations. The Lessee has determined that there are no underground storage tanks located on the Property.

Section 20. Payment of Taxes and Other Governmental Charges.

(a) The Lessee shall pay, promptly when due and before penalty or interest accrues thereon, all taxes and assessments, whether general or special, and other governmental charges of any kind whatsoever, foreseen or unforeseen, ordinary or extraordinary, that now or hereafter at any time during the Lease Term may be lawfully taxed, charged, levied, assessed or imposed upon or against or be payable for or in respect of the Property or any part thereof or interest therein (including the leasehold estate of the Lessee therein) or any buildings, improvements, machinery and equipment at any time installed thereon by the Lessee, or the income therefrom or Lease Payments and other amounts payable under this Lease, including any new taxes and assessments not of the kind enumerated above to the extent that the same are lawfully made, levied or assessed in lieu of or in addition to taxes or assessments now customarily levied against real or personal property, and further including all utility charges, (including gas, water, steam, electricity, heat, power, telephone and the charges incurred in the operation, maintenance, use, occupancy and upkeep thereof) assessments and other general governmental charges and impositions whatsoever, foreseen or unforeseen, which if not paid when due would impair the security of the Certificates or encumber the Trustee's title to the Property; provided that, with respect to any special assessments or other governmental charges that are lawfully levied and assessed but which may be paid in installments, the Lessee shall be obligated to pay only such installments thereof as become due and payable during the Lease Term. Nothing in this subsection shall be construed to be an agreement on the part of the Lessee to pay any tax, assessment, or other governmental charge the Lessor is not otherwise required by law to pay. The parties acknowledge that the Property is exempt from property taxes pursuant to Section 42-11102(A)(2) of the Arizona Revised Statutes.

(b) Notwithstanding subsection (a) above, the Lessee may, at its expense and after prior written notice to the Lessor and the Certificate Insurer, by appropriate proceedings diligently prosecuted, contest in good faith the validity or amount of any such taxes, assessments and other charges, and during the period of contest need not pay the items so contested. As a condition to and prior to pursuit of such a contest, the Lessee shall deliver to the Lessor and the Certificate Insurer an opinion of counsel (which may include the Arizona Attorney General) to the effect that by nonpayment of any such items, the interest created by the Ground Lease and this Lease as to the Property in question will not be materially affected or that the Property will not be subjected to imminent loss or forfeiture. Otherwise, the Lessee shall promptly pay such taxes, assessments or charges. During the period when any taxes, assessments or other charges so contested remain unpaid, the Lessee shall set aside on its books adequate reserves with respect to the unpaid amounts.

Section 21. Insurance.

(a) The Lessee shall keep the Property continuously insured during the Lease Term with Required Property Insurance Coverage in an amount not less than the then outstanding principal amount of the Certificates. Insurance may be obtained with any loss deductible commonly used by the Lessee. The Lessee shall self-insure to the extent required to cover any loss deductible under such casualty insurance.

(b) The Lessee shall, during the Lease Term, keep and maintain Required Public Liability Insurance Coverage with reference to the Property with coverage of a sufficient amount to meet the obligations of the Lessee.

(c) The insurance requirements of (a) and (b) may be fulfilled by a self-insurance program maintained by the Lessee that has been approved by the Department, including but not limited to the State of Arizona Risk Management Program.

(d) Any insurance (other than a program of self-insurance) shall be obtained and maintained by means of policies with nationally recognized, responsible insurance companies or in conjunction with other companies through an insurance trust or other arrangements satisfactory to the Lessor. All such companies must be qualified to do business in the State and must be rated at least "A" by Best, or in the two highest rating categories of S&P and Moody's. The insurance (other than a program of self-insurance) to be provided may be by blanket policies. Each policy of insurance shall be written so as not to be subject to cancellation or substantial modification upon less than 45 days' advance written notice to the Lessor. The Lessee shall deposit with the Lessor and the Certificate Insurer within five Business Days of receipt thereof, and annually thereafter, certificates or other evidence satisfactory to the Lessor that the insurance or self-insurance required by this Lease has been obtained and is in full force and effect and that all premiums on that insurance have been paid in full. Upon the expiration of any such insurance (except self-insurance), the Lessee shall furnish the Lessor with evidence satisfactory to the Lessor that such insurance has been renewed or replaced and that all premiums on that insurance have been paid in full, and the Lessor shall provide copies of the same to the Certificate Insurer within five Business Days of receipt thereof. Upon receipt of any notice of expiration, the Lessor shall notify the Certificate Insurer.

(e) All insurance policies (except self-insurance) providing the Required Property Insurance Coverage shall contain standard mortgage clauses, shall be in amounts and with deductibles acceptable to the Certificate Insurer and generally maintained nationally for property similar to the Property and shall name the Lessor as an additional loss payee. All settlements resulting from any claim for loss or damage shall be adjusted with the Department and made payable to the Lessee subject to the provisions hereof. Any proceeds of policies providing Required Public Liability Insurance Coverage shall be applied toward the extinguishment or satisfaction of the liability with respect to which such insurance proceeds have been paid and any excess shall be retained by the Lessee.

(f) Any material modifications to the Required Public Liability Insurance Coverage or the Required Property Insurance Coverage shall be subject to the approval of the Certificate Insurer.

Section 22. Subsequent Adjustment of State Hospital Project Site and Amendment of Lease. The Lessor and the Lessee acknowledge and recognize that the legal description of the State Hospital Project Site initially attached as Exhibit A-2 to this Lease includes more real property than that which is necessary in connection with the construction or use of the State Hospital Project. Promptly following finalization of the location of the State Hospital Project on the State Hospital Project Site, the Lessee agrees to provide the Lessor with a legal description of the portion of the State Hospital Project Site which is necessary in connection with full use of the

State Hospital Project by the State, together with all necessary access and other easements, and the parties to this Lease shall execute and deliver an amendment to this Lease substituting such legal description for the legal description initially attached to this Lease. The amendment to this Lease provided for in this Section may be executed and delivered by the parties hereto without any consents or approvals required from the Certificate Insurer or the owners of the Certificates, but with prior notice to the Certificate Insurer and, following the execution and delivery of such amendment, the substituted legal description shall thereafter constitute the complete State Hospital Project Site.

Section 23. Purchase Option.

(a) If there is not then existing an Event of Default, or a default which with notice or lapse of time or both could become an Event of Default, which would not be cured or remedied by the payments provided for in this Lease, the Lessee will have the right to purchase the Property at any time by paying to the Lessor the amount which will cause the defeasance of this Lease pursuant to Section 27 hereof.

(b) Notwithstanding the foregoing, if there is no Event of Default in existence at such time, the Lessee will be deemed to have exercised the purchase option set forth in subsection (a) above with respect to the State Hospital Project, without any further act or notice or payments on its part, on September 1, 2022 or the first date thereafter when there is no Event of Default in existence; at such time, the State Hospital Project will no longer constitute a part of the Property and will be deemed removed from this Lease and the Ground Lease shall terminate.

(c) Notwithstanding the foregoing, the Lessee will be deemed to have exercised the purchase option set forth in subsection (a) above, without any necessity of written notice or further action on its part, upon the payment in full of all Lease Payments, by the Lessee, as they shall have come due in accordance with Exhibit B hereto and all payments due to the Certificate Insurer have been paid, so long as there shall be no Event of Default in existence at such time.

Section 24. Transfers of Property.

(a) The Lessee shall not, without the Certificate Insurer's and the Lessor's prior written consents: (i) transfer, pledge, hypothecate or grant any security interest in or otherwise dispose of the Property or any interest therein, without replacement or substitution in accordance with the terms of this Lease; (ii) sublease the Property to anyone other than an agency of the State; or (iii) permit the Property to be used or operated by anyone other than the Lessee or an agency of the State, the Lessee's or such agency's employees or persons authorized by the Lessee or such agency in connection with the Lessee's or such agency's operation and maintenance of the Property. Except with respect to release of the State Hospital Site under Section 23(b) of this Lease, such consent shall be granted upon receipt of an opinion from the Lessee's nationally recognized special (bond) counsel that such action shall not adversely affect the exclusion of the interest component of the Base Rent from gross income for federal income tax purposes, provided that the Certificate Insurer may withhold its consent to a substitution or release of the Property at its sole discretion unless such substitution or release occurs in connection with a defeasance of this Lease pursuant to Section 27 hereof or release of the State Hospital Site under Section 23(b) of this Lease. Any sublease shall (1) not extend for longer

than the Lease Term, (2) be cancelable by the Trustee upon an Event of Default or Event of Non-appropriation of Funds and (3) not allow the sublessee to in any way encumber or dispose of the Property.

(b) The Lessor may not assign its rights, title and interest in and to this Lease, the Property or any documents executed with respect to this Lease, or grant or assign a security interest in this Lease or its rights to the Property, in whole or in part, except in connection with a transfer and assignment as contemplated by Section 6.05 or Section 6.09 of the Declaration of Trust.

(c) Subject to the preceding subsections, this Lease inures to the benefit of, and is binding upon, the successors or assigns of the parties to this Lease.

Section 25. Events of Default.

(a) The occurrence of any one or more of the following events constitutes an "*Event of Default*" under this Lease:

(1) The Lessee's failure to make any Lease Payment as it becomes due in accordance with the terms of this Lease; or

(2) The Lessee's failure to perform or observe any other covenant, condition or agreement to be performed or observed by it under this Lease, and the failure is not cured or steps satisfactory to the Lessor are not taken to cure the failure within 30 days after written notice of the failure to the Lessee by the Lessor, provided that no period to cure a failure shall exceed 30 days, or be extended for more than 60 days without the prior written consent of the Certificate Insurer.

(b) Notwithstanding the foregoing, if, by reason of Force Majeure (defined below), the Lessee is unable to perform or observe any agreement, term or condition of this Lease, other than any obligation to make payments required under this Lease, the Lessee shall not be deemed in default during the continuance of such inability. However, the Lessee shall promptly give notice to the Lessor and the Certificate Insurer of the existence of any event of Force Majeure and shall use its best efforts to remove the effects thereof; provided that the settlement of strikes or other labor disturbances shall be entirely within the Lessee's discretion.

For the purpose of this subsection, the term "*Force Majeure*" means, without limitation: Acts of God; strikes, lockouts or other labor disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States or any of its departments, agencies, political subdivisions, courts or officials, or any civil or military authority; insurrections; civil disturbances; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornados; storms; droughts; floods; arrests; explosions; breakage, malfunction or accident to facilities, machinery, transmission pipes or canals; partial or entire failure of utilities; shortages of labor, materials, supplies or transportation, or any other similar or dissimilar cause that is beyond the reasonable control of the Lessee and occurs without the Lessee's fault or negligence and that the Lessee is unable to prevent by exercising reasonable diligence.

(c) No default by Lessor shall relieve the Lessee of its obligations to make Lease Payments as provided hereunder or cause a termination of this Lease, but the Lessee may exercise any other remedy available at law or in equity to require the Lessor to remedy such default so long as such remedy does not interfere with the payment of Lease Payments to the Lessor.

Section 26. Remedies.

(a) Upon the occurrence of an Event of Default, and as long as the Event of Default is continuing, subject to the provisions of subsection (i) hereof, the Lessor may, at its option, exercise any one or more of the following remedies:

(1) By written notice to the Lessee, terminate this Lease and direct the Lessee to (and the Lessee agrees that it will), at the Lessee's expense, promptly return possession of the Property to the Lessor and, as to the Lessee's personal property included in the Facilities, and at the Lessor's option, enter upon the Property and take immediate possession of and remove any or all of such personal property;

(2) Sell or lease the Lessor's interest in the Property or sublease the Property for the account of the Lessee pursuant to the terms of this Lease, holding the Lessee liable for all applicable Lease Payments and other payments due during the then-current Fiscal Period to the effective date of such sale, lease or sublease and for the difference between the purchase price, rental and other amounts paid by the purchaser, lessee or sublessee pursuant to such sale, lease or sublease and the amounts otherwise payable during the then-current Fiscal Period by the Lessee under this Lease; and

(3) Exercise any other right, remedy or privilege which may be available to it under the applicable laws of the State or any other applicable law or proceed by appropriate court action to enforce the terms of this Lease or to recover damages for the breach of this Lease or to rescind this Lease as to the Property.

(b) The Lessee will remain liable for all covenants and obligations under this Lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by the Lessor with respect to the enforcement of any of the remedies under this Lease, when an Event of Default has occurred.

(c) No remedy conferred on or reserved to the Lessor by this Lease is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease or now or hereafter existing at law, in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair or be construed to be a waiver of any such right or power, 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 Lessor to exercise any remedy reserved to it in this Lease, it shall not be necessary to give any notice, other than any notice required by law or for which express provision is made in this Lease.

(d) If an Event of Default occurs and the Lessor incurs expenses, including attorneys' fees, in connection with the enforcement of or the collection of amounts due under this Lease,

the Lessee shall reimburse the Lessor for the expenses so incurred upon demand. If any such expenses are not so reimbursed, the amount thereof, together with interest thereon from the date of demand for payment at the Interest Rate for Advances, to the extent permitted by law, shall be reimbursed and in any action brought to collect such amounts, the Lessor shall be entitled to seek recovery of those expenses in such action except as limited by law or by judicial order or decision.

(e) No failure by the Lessor to insist upon strict performance by the Lessee of any provision of this Lease shall constitute a waiver of the Lessor's right to strict performance and no express waiver shall be deemed to apply to any other existing or subsequent right to exercise any remedy upon the failure by the Lessee to observe or comply with any provision of this Lease.

(f) The Lessee shall notify the Lessor immediately if it becomes aware of the occurrence of any Event of Default or of any fact, condition or event which, with the giving of notice or passage of time or both, would become an Event of Default.

(g) The Lessee's obligations under this Section are subject to Appropriations.

(h) To the extent that the Property or the Lessor's interest in the Property is sold pursuant to the exercise by the Lessor of its remedies hereunder or otherwise and there remain proceeds of sale with respect thereto after payment of all claims prior in right thereto, such remaining proceeds shall be paid to the Lessee.

(i) Notwithstanding any of the foregoing, so long as the Certificate Insurer of a Series is not in default of its obligations under the Certificate Insurance Policy and the Certificate Insurance Policy is in effect, the Certificate Insurer, acting alone, shall have the right, subject to the Trustee's right to indemnification, as provided in Sections 6.01 and 6.02 of the Declaration of Trust, to direct the Lessor to pursue any remedy provided for herein with respect to such Series for which it provides a Certificate Insurance Policy and the Lessor shall not pursue any remedy except with the prior written consent of such Certificate Insurer. The Lessor shall provide immediate notice to the Certificate Insurer of any Event of Default hereunder and shall not waive any Event of Default hereunder without the prior written consent of the appropriate Certificate Insurer(s).

Section 27. Defeasance.

(a) All Lease Payments will be deemed to be paid, and this Lease will be deemed to be defeased, when:

(i) Money sufficient, or noncallable Defeasance Obligations that are certified by an independent public accounting firm acceptable to the Lessee and the Lessor to be of such maturity or redemption dates and interest payment dates, and to bear such interest, as will be sufficient together with any moneys on deposit, without further investment or reinvestment of either principal amounts thereof or the interest earnings thereon, to pay all Lease Payments when due, are irrevocably deposited with or made available to the Lessor in trust for such purpose; and

(ii) All reasonable, necessary and proper fees, compensation and expenses of the Lessor pertaining to this Lease and the Declaration of Trust, and its duties in connection therewith, are paid or provided for to the satisfaction of the Lessor.

(b) When all Lease Payments are deemed paid, as provided above, and all the Certificates are no longer outstanding under the Declaration of Trust, and the Lessor has received the unqualified written legal opinion of nationally recognized special (bond) counsel and the other items required under Section 9.02 of the Declaration of Trust, the Lessor shall be entitled to payment of those Lease Payments solely from that money or the proceeds of those Defeasance Obligations and the right, title and interest of the Lessor and the Lessee under this Lease as to the Property shall, except for the provisions relating to the Lessee's indemnification of the Lessor pursuant to Section 14 hereof and the exercise by the Lessee of its option to purchase and the conveyance of title to the Lessee, cease, terminate and become void.

Section 28. Notices. All notices to be given under this Lease shall be made in writing and mailed by first class mail, postage prepaid, to the party at its address stated below or at such other address as the party may provide in writing from time to time.

If to Lessor: U.S. Bank National Association
101 North First Avenue, Suite 1600
Phoenix, AZ 85003
Attention: Corporate Trust Services

If to Lessee: Director, Department of Administration
State of Arizona
100 North 15th Avenue, Suite 401
Phoenix, Arizona 85007

and to: Arizona Attorney General's Office
1275 West Washington Street
Phoenix, Arizona 85007

If to Certificate Insurer: Financial Security Assurance Inc.
31 West 52nd Street
New York, New York 10019
Attention: Managing Director – Surveillance
Re: Policy No. 210285-N
Telephone: (212) 826-0100
Telecopier: (212) 339-3556

In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

Section 29. Notice of Litigation. The Lessee shall give the Lessor prompt notice of any action, suit or proceeding by it or against it at law or in equity, or before any governmental instrumentality or agency, or of any of the same which may be substantially threatened, which, if adversely determined, would materially impair the right or ability of the Lessee to carry out its

obligations under this Lease or to renew this Lease, or which would materially and adversely affect the Lessee's operations, properties, assets or condition.

Section 30. Headings. All section headings contained in this Lease are for convenience of reference only and are not intended to define or limit the scope of any provision of this Lease.

Section 31. Cancellation of State Contracts; Conflicts of Interest. The Lessor and the Lessee acknowledge that this Lease is subject to cancellation by the Lessee pursuant to Section 38-511 of the Arizona Revised Statutes, the provisions of which are incorporated herein. The Lessor and the Lessee represent that, to the best of their knowledge, as of the date hereof, no basis exists for the Lessee to cancel this Lease pursuant to Section 38-511 of the Arizona Revised Statutes.

Section 32. Prohibition Against Discrimination. In the event that it applies, the parties agree to comply with the Arizona Governor's Executive Order No. 75-5, entitled "Prohibition of Discrimination in State Contracts - Non-Discrimination in Employment by Government Contractors and Subcontractors."

Section 33. Governing Law. This Lease shall be construed in accordance with and governed by the laws of the State. The venue for any proceedings on any and all controversies arising under this Lease shall be Maricopa County, Arizona.

Section 34. Arbitration. In the event of a dispute, the parties agree to use arbitration to the extent required by Section 12-1518 of the Arizona Revised Statutes, and the prevailing party shall be entitled to attorney's fees and costs with respect thereto.

Section 35. Delivery of Related Documents.

(a) The Lessee will execute or provide, as requested by the Lessor, such other documents and information as are reasonably necessary with respect to the transaction contemplated by this Lease.

(b) So long as the Series 2008A Certificates are outstanding and the Certificate Insurance Policy is in effect:

(i) In connection with the issuance of additional annual appropriation obligations of the State, the Lessee shall deliver to the Certificate Insurer a copy of the disclosure document, if any, circulated with respect thereto;

(ii) The Lessee shall send copies of any amendments to this Lease that are consented to by the Certificate Insurer to S&P and Moody's;

(iii) The Lessee shall send to the Certificate Insurer copies of all notices of the resignation or removal of the Trustee or any Paying Agent under the Declaration of Trust and the appointment of a successor thereto; and

(iv) The Lessee shall provide the Certificate Insurer with annual financial statements as soon as possible after the end of the State's Fiscal Period and the State's annual budget as soon as possible after the approval thereof, but in each case, not later than 30 days after availability or approval, as applicable.

(v) The Lessee shall provide the Certificate Insurer with notice of the commencement of any proceeding by or against the Lessee under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") and notice of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal or interest in respect of the Certificates.

Section 36. Entire Agreement; Amendment; Severability.

(a) This Lease, together with attachments, exhibits and other documents or instruments executed by the Lessee and the Lessor in connection with this Lease, constitutes the entire agreement between the parties with respect to the lease of the Property.

(b) This Lease may not be modified, amended, altered or changed except (i) without the consent of the owners of Certificates but with the written consent of the Lessee, the Lessor and the Certificate Insurer, to make any change relating to title to the Property which change does not adversely affect the owners of the Certificates, and (ii) in all other cases only with the written consent of the Lessee, the Lessor and the Certificate Insurer, and in certain cases the owners of the Certificates, as provided in the Declaration of Trust.

(c) If any provision of, or any covenant, obligation or agreement contained in, this Lease is determined by a court to be invalid or unenforceable, that determination shall not affect any other provision, covenant, obligation or agreement, each of which shall be construed and enforced as if the invalid or unenforceable portion were not contained in this Lease. Any such invalidity or unenforceability shall not affect any valid or enforceable application thereof, and each such provision, covenant, obligation or agreement shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

Section 37. Tax Covenants. The Lessee covenants (a) that it will take or cause to be taken all actions that may be required of it for the portion of the interest component of the Base Rent set forth in Exhibit B (the "*Interest Component*") to be and remain excluded from gross income for federal income tax purposes, (b) that it will not take or authorize to be taken any actions that would adversely affect such exclusion and (c) that it, or other persons acting for it, will, among other acts of compliance, (i) apply the proceeds of the Certificates in compliance with State law and the Declaration of Trust, (ii) restrict the yield on investment property, (iii) make timely and adequate payments to the federal government, (iv) maintain books and records, and (v) refrain from certain uses of proceeds and, as applicable, of property financed with such proceeds, all in such manner and to the extent necessary to assure such exclusion of the Interest Component. An officer of the Lessee shall take any and all such actions, make such rebate payments or potential payments and make or give such reports and certifications as may be appropriate to assure such exclusion of the Interest Component. The Lessee agrees to and shall act, on a timely basis, in accordance with the recommendations, advice and opinion of any

consultant engaged in accordance with Section 5.09 of the Declaration of Trust and shall pay all the fees and expenses of any such consultant.

The Lessee covenants that it will use, and will restrict the use and investment of moneys realized under this Lease or otherwise in connection with the acquisition of the Property, including the construction of the State Hospital Project, in such manner and to such extent, if any, as may be necessary, so that (a) there will not exist at any time any obligation in connection with this Lease or the Property that will cause the Certificates to (i) constitute an arbitrage bond, a private activity bond or a hedge bond under Sections 141, 148 or 149 of the Code, or (ii) be treated other than as bonds to which Section 103(a) of the Code applies, and (b) the Interest Component will not be treated as a preference item under the Code.

Any officer of the Lessee having responsibility with respect to the execution and delivery of this Lease shall, alone or in conjunction with any other officer, employee or agent of or consultant to the Lessee, be authorized (a) to make or affect any election, selection, designation, choice, consent, approval, or waiver on behalf of the Lessee with respect to this Lease or the Certificates as the Lessee is permitted or required to make or give under the federal income tax laws, including, without limitation thereto, any of the elections provided for in Section 148(f)(4)(C) of the Code or available under Section 148 of the Code, for the purpose of assuring, enhancing or protecting favorable tax treatment or status of this Lease or the Interest Component or assisting in compliance with requirements for that purpose, reducing the burden or expense of such compliance, reducing the rebate amount or payments of penalties, or making payments of special amounts in lieu of making computations to determine, or paying, excess earnings as rebate, or obviating those amounts or payments, as determined by that officer, which action shall be in writing and signed by the officer, (b) to take any and all other actions, make or obtain calculations, make payments, and make or give reports, covenants and certifications of and on behalf of the Lessee, as may be appropriate to assure the exclusion of the Interest Component from gross income for federal income tax purposes, and (c) to give one or more appropriate certificates of the Lessee, for inclusion in the transcript of proceedings setting forth the reasonable expectations of the Lessee regarding the amount and use of all the proceeds relating to this Lease, the facts, circumstances and estimates on which they are based, and other facts and circumstances relevant to the tax treatment of the Interest Component of this Lease or the status of the Certificates.

Section 38. Net Lease. Notwithstanding any other provision hereof to the contrary, this Lease shall be deemed and construed to be a "triple net lease" and the Lessee hereby agrees that the Lease Payments shall be an absolute net return to the Lessor, free and clear of any expenses, counterclaims, charges or set-offs whatsoever.

Section 39. Inspection, Audit and Production of Records. As required by the provisions of Section 35-214 of the Arizona Revised Statutes, the Lessor agrees that all books, accounts, reports, files and other records relating to this Lease shall be retained and shall be subject at all reasonable times to inspection and audits by the State for five years after completion of this Lease, and that upon request by the State such records shall be produced at any of the State offices designated herein as the place at which notices to the State are to be given.

IN WITNESS WHEREOF, the parties have executed this Lease-Purchase Agreement by their authorized officers on the dates of the respective acknowledgments but as of April 1, 2008.

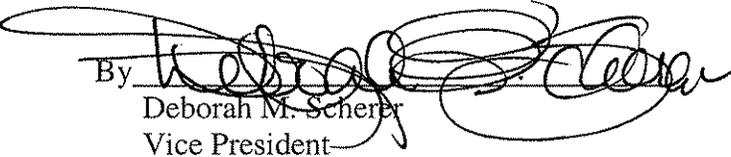
LESSOR:

U.S. BANK NATIONAL ASSOCIATION,
as trustee

LESSEE:

STATE OF ARIZONA, acting by and
through the Director of the Department
of Administration

By


Deborah M. Scherer
Vice President

By

William Bell
Director, Department of Administration

IN WITNESS WHEREOF, the parties have executed this Lease-Purchase Agreement by their authorized officers on the dates of the respective acknowledgments but as of April 1, 2008.

LESSOR:

U.S. BANK NATIONAL ASSOCIATION,
as trustee

By _____
Deborah M. Scherer
Vice President

LESSEE:

STATE OF ARIZONA, acting by and
through the Director of the Department
of Administration

By  _____
William Bell
Director, Department of Administration

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

The foregoing instrument was acknowledged before me this 28th day of April, 2008 by William Bell, the Director of the Department of Administration of the State of Arizona, on behalf of the State.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.



KEELA J. SEELANDT
Notary Public - Arizona
Maricopa County
Expires 08/28/08

Keela J. Seelandt

Notary Public

My Commission Expires:

[SEAL]

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

The foregoing instrument was acknowledged before me this _____ day of April, 2008 by Deborah M. Scherer, a Vice President of U.S. Bank National Association, as trustee, on behalf of the trustee.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Notary Public

My Commission Expires:

[SEAL]

[Acknowledgment page of Lease-Purchase Agreement]

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

The foregoing instrument was acknowledged before me this ____ day of April, 2008 by William Bell, the Director of the Department of Administration of the State of Arizona, on behalf of the State.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Notary Public

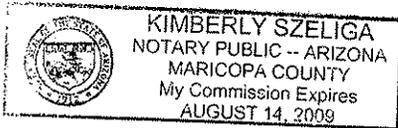
My Commission Expires:

[SEAL]

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

The foregoing instrument was acknowledged before me this 25 day of April, 2008 by Deborah M. Scherer, a Vice President of U.S. Bank National Association, as trustee, on behalf of the trustee.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.



Kimberly Szeliga

Notary Public

My Commission Expires:

August 14, 2009

[SEAL]

[Acknowledgment page of Lease-Purchase Agreement]

EXHIBIT A-1
PRISON PROPERTY DESCRIPTION
PRISON SITE

[LEGAL DESCRIPTION ATTACHED]

PRISON FACILITIES

The Southwest Regional Juvenile Correctional Facility and Morey Unit #1; Stiner Unit #2; Barchey Unit #4; Rast Unit #5; Bachman Unit #6 and Support Buildings at the ASPC Lewis Adult Prison Complex.

That portion of the Northeast quarter of Section 34, Township 2 South, Range 4 West of the Gila and Salt River Meridian, Maricopa County, Arizona, described as follows:

COMMENCING at a G.L.O. brass cap on post found at the Southwest corner of said Section 34 which bears South 00 degrees 00 minutes 04 seconds East a distance of 2642.00 feet from a G.L.O. brass cap on post found at the West quarter corner of Section 34;

Thence North 43 degrees 51 minutes 02 seconds East a distance of 4893.21 feet to the TRUE POINT OF BEGINNING;

Thence North 09 degrees 59 minutes 47 seconds East a distance of 1225.45 feet;

Thence North 55 degrees 06 minutes 00 seconds East a distance of 121.34 feet;

Thence South 80 degrees 00 minutes 37 seconds East a distance of 1054.95 feet;

Thence South 09 degrees 58 minutes 24 seconds West a distance of 1311.16 feet;

Thence North 80 degrees 00 minutes 23 seconds West a distance of 1141.43 feet to the TRUE POINT OF BEGINNING;

Except all oil, gas, other hydrocarbon substances, helium or other substances of a gaseous nature, coal, metals, minerals, fossils, fertilizer of every name and description and except all uranium, thorium or any other material which is or may be determined to be peculiarly essential to the production of fissionable materials whether or not of commercial value, as set forth in Section 37-231, ARS.

That portion of the Northeast quarter of Section 34, Township 2 South, Range 4 West of the Gila and Salt River Meridian, Maricopa County, Arizona, described as follows:

COMMENCING at a G.L.O. brass cap on post found at the Southwest corner of said Section 34 which bears South 00 degrees 00 minutes 04 seconds East a distance of 2642.00 feet from a G.L.O. brass cap on post found at the West quarter corner of Section 34;

Thence North 56 degrees 12 minutes 19 seconds East a distance of 5445.04 feet to the TRUE POINT OF BEGINNING;

Thence North 09 degrees 58 minutes 11 seconds East a distance of 917.04 feet;

Thence South 79 degrees 54 minutes 27 seconds East a distance of 301.87 feet;

Thence South 09 degrees 56 minutes 24 seconds West a distance of 915.33 feet;

Thence North 80 degrees 13 minutes 54 seconds West a distance of 302.35 feet to the TRUE POINT OF BEGINNING.

Except all oil, gas, other hydrocarbon substances, helium or other substances of a gaseous nature, coal, metals, minerals, fossils, fertilizer of every name and description and except all uranium, thorium or any other material which is or may be determined to be peculiarly essential to the production of fissionable materials whether or not of commercial value, as set forth in Section 37-231, ARS.

That portion of the Northeast quarter of Section 34, and the Northwest quarter of Section 35, Township 2 South, Range 4 West of the Gila and Salt River Meridian, Maricopa County, Arizona, described as follows:

COMMENCING at a G.L.O. brass cap on post found at the Southwest corner of said Section 34 which bears South 00 degrees 00 minutes 04 seconds East a distance of 2642.00 feet from a G.L.O. brass cap on post found at the West quarter corner of Section 34;

Thence North 56 degrees 35 minutes 33 seconds East a distance of 5914.09 feet to the TRUE POINT OF BEGINNING;

Thence North 10 degrees 01 minutes 10 seconds East a distance of 1310.75 feet;

Thence South 80 degrees 01 minutes 34 seconds East a distance of 1055.44 feet;

Thence South 34 degrees 58 minutes 38 seconds East a distance of 121.15 feet;

Thence South 09 degrees 58 minutes 57 seconds West a distance of 1225.42 feet;

Thence North 80 degrees 00 minutes 21 seconds West a distance of 1141.88 feet to the TRUE POINT OF BEGINNING.

Except all oil, gas, other hydrocarbon substances, helium or other substances of a gaseous nature, coal, metals, minerals, fossils, fertilizer of every name and description and except all uranium, thorium or any other material which is or may be determined to be peculiarly essential to the production of fissionable materials whether or not of commercial value, as set forth in Section 37-231, ARS.

That portion of the Southeast quarter of Section 34, Township 2 South, Range 4 West of the Gila and Salt River Meridian, Maricopa County, Arizona, described as follows:

COMMENCING at a G.L.O. brass cap on post found at the Southwest corner of said Section 34 which bears South 00 degrees 00 minutes 04 seconds East a distance of 2642.00 feet from a G.L.O. brass cap on post found at the West quarter corner of Section 34;

Thence North 73 degrees 45 minutes 51 seconds East a distance of 4381.79 feet to the TRUE POINT OF BEGINNING;

Thence North 09 degrees 59 minutes 09 seconds East a distance of 320.88 feet;

Thence South 79 degrees 54 minutes 48 seconds East a distance of 301.95 feet;

Thence South 09 degrees 51 minutes 34 seconds West a distance of 320.64 feet;

Thence North 79 degrees 57 minutes 29 seconds West a distance of 302.66 feet to the TRUE POINT OF BEGINNING.

Except all oil, gas, other hydrocarbon substances, helium or other substances of a gaseous nature, coal, metals, minerals, fossils, fertilizer of every name and description and except all uranium, thorium or any other material which is or may be determined to be peculiarly essential to the production of fissionable materials whether or not of commercial value, as set forth in Section 37-231, ARS.

That portion of the Southeast quarter of Section 34, and the Southwest Quarter of Section 35, Township 2 South, Range 4 West of the Gila and Salt River Meridian, Maricopa County, Arizona, described as follows:

COMMENCING at a G.L.O. brass cap on post found at the Southwest corner of said Section 34 which bears South 00 degrees 00 minutes 04 seconds East a distance of 2642.00 feet from a G.L.O. brass cap on post found at the West quarter corner of Section 34;

Thence North 73 degrees 58 minutes 01 seconds East a distance of 4781.56 feet to the TRUE POINT OF BEGINNING;

Thence North 10 degrees 00 minutes 18 seconds East a distance of 1310.25 feet;

Thence South 79 degrees 58 minutes 27 seconds East a distance of 1141.72 feet;

Thence South 10 degrees 00 minutes 01 seconds West a distance of 1309.72 feet;

Thence North 80 degrees 00 minutes 03 seconds West a distance of 1141.83 feet to the TRUE POINT OF BEGINNING.

Except all oil, gas, other hydrocarbon substances, helium or other substances of a gaseous nature, coal, metals, minerals, fossils, fertilizer of every name and description and except all uranium, thorium or any other material which is or may be determined to be peculiarly essential to the production of fissionable materials whether or not of commercial value, as set forth in Section 37-231, ARS.

That portion of the Southeast quarter of Section 34, Township 2 South, Range 4 West, and Lots 1, 2, and 3 and the South half of the Northeast quarter of Section 3, Township 3 South, Range 4 West of the Gila and Salt River Meridian, Maricopa County, Arizona, described as follows:

COMMENCING at a G.L.O. brass cap on post found at the Southwest corner of said Section 34 which bears South 00 degrees 00 minutes 04 seconds East a distance of 2642.00 feet from a G.L.O. brass cap on post found at the West quarter corner of Section 34;

Thence North 86 degrees 24 minutes 47 seconds East a distance of 271951 feet to the TRUE POINT OF BEGINNING;

Thence South 79 degrees 59 minutes 40 seconds East a distance of 2452.31 feet;

Thence South 10 degrees 03 minutes 53 seconds West a distance of 1190.48 feet;

Thence North 79 degrees 59 minutes 48 seconds West a distance of 2451.65 feet;

Thence North 10 degrees 01 minutes 56 seconds East a distance of 1190.58 feet to the TRUE POINT OF BEGINNING.

Except all oil, gas, other hydrocarbon substances, helium or other substances of a gaseous nature, coal, metals, minerals, fossils, fertilizer of every name and description and except all uranium, thorium or any other material which is or may be determined to be peculiarly essential to the production of fissionable materials whether or not of commercial value, as set forth in Section 37-231, ARS.

"PARCEL 8"

That portion of the Southeast quarter of Section 34, Township 2 South, Range 4 West, and Lots 1, 2, and 3 and the South half of the Northeast quarter of Section 3, Township 3 South, Range 4 West of the Gila and Salt River Meridian, Maricopa County, Arizona, described as follows:

COMMENCING at a G.L.O. brass cap on post found at the Southwest corner of said Section 34 which bears South 00 degrees 00 minutes 04 seconds East a distance of 2642.00 feet from a G.L.O. brass cap on post found at the West quarter corner of Section 34;

Thence North 86 degrees 24 minutes 47 seconds East a distance of 2719.51 feet to the TRUE POINT OF BEGINNING;

Thence South 79 degrees 59 minutes 40 seconds East a distance of 2452.31 feet;

Thence South 10 degrees 03 minutes 53 seconds West a distance of 1190.48 feet;

Thence North 79 degrees 59 minutes 48 seconds West a distance of 2451.65 feet;

Thence North 10 degrees 01 minutes 58 seconds East a distance of 1190.58 feet to the TRUE POINT OF BEGINNING.

Except all oil, gas, other hydrocarbon substances, helium or other substances of a gaseous nature, coal, metals, minerals, fossils, fertilizer of every name and description and except all uranium, thorium or any other material which is or may be determined to be peculiarly essential to the production of fissionable materials whether or not of commercial value, as set forth in Section 37-231, ARS.

That portion of Lots 2 and 3, Section 2, Township 3 South, Range 4 West of the Gila and Salt River Meridian, Maricopa County, Arizona, described as follows:

COMMENCING at a G.L.O. brass cap on post found at the Southeast corner of said Section 3 which bears South 89 degrees 57 minutes 06 seconds East a distance of 2674.61 feet from a G.L.O. brass cap on post found at the South quarter corner of said Section 3;

Thence North 32 degrees 02 minutes 20 seconds West a distance of 4785.60 feet to the TRUE POINT OF BEGINNING;

Thence North 89 degrees 59 minutes 18 seconds West a distance of 1130.63 feet;

Thence North 45 degrees 00 minutes 01 seconds West a distance of 121.21 feet;

Thence North 00 degrees 00 minutes 42 seconds East a distance of 840.93 feet;

Thence North 45 degrees 04 minutes 03 seconds East a distance of 120.68 feet;

Thence South 89 degrees 59 minutes 53 seconds East a distance of 1130.83 feet;

Thence South 45 degrees 07 minutes 53 seconds East a distance of 121.04 feet;

Thence South 00 degrees 01 minutes 44 seconds West a distance of 840.90 feet;

Thence South 44 degrees 53 minutes 35 seconds West a distance of 121.07 feet to the TRUE POINT OF BEGINNING.

Except all oil, gas, other hydrocarbon substances, helium or other substances of a gaseous nature, coal, metals, minerals, fossils, fertilizer of every name and description and except all uranium, thorium or any other material which is or may be determined to be peculiarly essential to the production of fissionable materials whether or not of commercial value, as set forth in Section 37-231, ARS.

"PARCEL 9"

That portion of Lots 2 and 3, Section 2, Township 3 South, Range 4 West of the Gila and Salt River Meridian, Maricopa County, Arizona, described as follows:

COMMENCING at a G.L.O. brass cap on post found at the Southeast corner of said Section 2 which bears South 89 degrees 57 minutes 06 seconds East a distance of 2674.61 feet from a G.L.O. brass cap on post found at the South quarter corner of said Section 2;

Thence North 32 degrees 02 minutes 20 seconds West a distance of 4785.60 feet to the TRUE POINT OF BEGINNING;

Thence North 89 degrees 59 minutes 18 seconds West a distance of 1130.63 feet;

Thence North 45 degrees 00 minutes 01 seconds West a distance of 121.21 feet;

Thence North 00 degrees 00 minutes 42 seconds East a distance of 840.93 feet;

Thence North 45 degrees 04 minutes 03 seconds East a distance of 120.68 feet;

Thence South 89 degrees 59 minutes 53 seconds East a distance of 1130.83 feet;

Thence South 45 degrees 07 minutes 53 seconds East a distance of 121.04 feet;

Thence South 00 degrees 01 minutes 44 seconds West a distance of 840.90 feet;

Thence South 44 degrees 53 minutes 35 seconds West a distance of 121.07 feet to the TRUE POINT OF BEGINNING.

Except all oil, gas, other hydrocarbon substances, helium or other substances of a gaseous nature, coal, metals, minerals, fossils, fertilizer of every name and description and except all uranium, thorium or any other material which is or may be determined to be peculiarly essential to the production of fissionable materials whether or not of commercial value, as set forth in Section 37-231, ARS.

That portion of the Southeast quarter of Section 2, Township 3 South, Range 4, West of the Gila and Salt River Meridian, Maricopa County, Arizona, described as follows:

COMMENCING at a G.L.O. brass cap on post found at the Southeast corner of said Section 3 which bears South 89 degrees 57 minutes 06 seconds East a distance of 2674.61 feet from a G.L.O. brass cap on post found at the South quarter corner of said Section 3;

Thence North 42 degrees 59 minutes 26 seconds West a distance of 2447.85 feet to the TRUE POINT OF BEGINNING;

Thence North 89 degrees 59 minutes 26 seconds West a distance of 601.32 feet;

Thence North 44 degrees 59 minutes 53 seconds West a distance of 141.92 feet;

Thence North 00 degrees 01 minutes 22 seconds West a distance of 700.77 feet;

Thence North 45 degrees 04 minutes 34 seconds East a distance of 142.40 feet;

Thence South 89 degrees 59 minutes 19 seconds East a distance of 600.61 feet;

Thence South 45 degrees 00 minutes 42 seconds East a distance of 14185 feet;

Thence South 00 degrees 01 minutes 59 seconds East a distance of 701.12 feet;

Thence South 44 degrees 59 minutes 08 seconds West a distance of 141.76 feet to the TRUE POINT OF BEGINNING.

Except all oil, gas, other hydrocarbon substances, helium or other substances of a gaseous nature, coal, metals, minerals, fossils, fertilizer of every name and description and except all uranium, thorium or any other material which is or may be determined to be peculiarly essential to the production of fissionable materials whether or not of commercial value, as set forth in Section 37-231, ARS.

"PARCEL 10"

That portion of the Southeast quarter of Section 2, Township 3 South, Range 4 West of the Gila and Salt River Meridian, Maricopa County, Arizona, described as follows:

COMMENCING at a G.L.O. brass cap on post found at the Southeast corner of said Section 2 which bears South 89 degrees 57 minutes 06 seconds East a distance of 2674.61 feet from a G.L.O. brass cap on post found at the South quarter corner of said Section 2;

Thence North 42 degrees 59 minutes 26 seconds West a distance of 2447.85 feet to the TRUE POINT OF BEGINNING;

Thence North 89 degrees 59 minutes 26 seconds West a distance of 601.32 feet;

Thence North 44 degrees 59 minutes 53 seconds West a distance of 141.92 feet;

Thence North 00 degrees 01 minutes 22 seconds West a distance of 700.77 feet;

Thence North 45 degrees 04 minutes 34 seconds East a distance of 142.40 feet;

Thence South 89 degrees 59 minutes 19 seconds East a distance of 600.61 feet;

Thence South 45 degrees 00 minutes 42 seconds East a distance of 141.85 feet;

Thence South 00 degrees 01 minutes 59 seconds East a distance of 701.12 feet;

Thence South 44 degrees 59 minutes 08 seconds West a distance of 141.76 feet to the TRUE POINT OF BEGINNING.

Except all oil, gas, other hydrocarbon substances, helium or other substances of a gaseous nature, coal, metals, minerals, fossils, fertilizer of every name and description and except all uranium, thorium or any other material which is or may be determined to be peculiarly essential to the production of fissionable materials whether or not of commercial value, as set forth in Section 37-231, ARS.

That portion of the Southeast quarter of Section 34 Township 2 South, Range 4 West, of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, described as follows:

Commencing at a G.L.O. Brass Cap on post found at the Southwest corner of said Section 34, which bears South 00 degree 00 minutes 04 seconds West, a distance of 2642.17 feet from a G.L.O. Brass Cap found at the West quarter corner of said Section 34;

Thence North 82 degrees 14 minutes 27 seconds East a distance of 2862.51 feet to the True Point of Beginning;

Thence North 10 degrees 01 minutes 23 seconds East, a distance of 1225.42 feet;

Thence South 80 degrees 00 minutes 15 seconds East, a distance of 1140.98 feet;

Thence South 10 degrees 01 minutes 24 seconds West, a distance of 1310.90 feet;

Thence North 80 degrees 00 minutes 03 seconds West, a distance of 1055.27 feet;

Thence North 35 degrees 05 minutes 18 seconds West, a distance of 120.91 feet to the True Point of Beginning.

That portion of the Southeast quarter of Section 34 and of the Southwest quarter of Section 35, Township 2 South, Range 4 West, and of the North East quarter of Section 3 and of the Northwest quarter of Section 2, Township 3 South, Range 4 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, described as follows:

Commencing at a G.L.O. Brass Cap on post found at the Southwest corner of said Section 34, which bears South 00 degree 00 minutes 04 seconds West, a distance of 2642.17 feet from a G.L.O. Brass Cap found at the West quarter corner of said Section 34;

Thence North 89 degrees 33 minutes 10 seconds East a distance of 4347.29 feet to the True Point of Beginning;

Thence North 10 degrees 03 minutes 20 seconds East, a distance of 66.58 feet;

Thence South 80 degrees 08 minutes 26 seconds East, a distance of 21.17 feet;

Thence North 10 degrees 00 minutes 06 seconds East, a distance of 1243.64 feet;

Thence South 79 degrees 59 minutes 29 seconds East, a distance of 1141.60 feet;

Thence South 10 degrees 02 minutes 09 seconds West, a distance of 1225.15 feet;

Thence South 55 degrees 18 minutes 35 seconds West, a distance of 121.16 feet;

Thence North 79 degrees 59 minutes 13 seconds West, a distance of 1075.97 feet to the True Point of Beginning.

EXHIBIT A-2

STATE HOSPITAL PROJECT PROPERTY DESCRIPTION

STATE HOSPITAL PROJECT SITE

[LEGAL DESCRIPTION ATTACHED]

STATE HOSPITAL PROJECT FACILITIES

A new Forensic unit and additional infrastructure improvements on the campus of the Arizona State Hospital, Phoenix, Arizona. The Forensic Unit is designed to house pre-trial defendants that have been determined incompetent to stand trial and post-trial patients that have either received Guilty Except Insane verdicts or that have been granted conditional releases into the community.

Arizona State Hospital
2500 E. Van Buren
Phoenix, AZ 85008

LEGAL DESCRIPTION

The Southwest quarter of Section 2, Township 1 North, Range 3 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

EXCEPT therefrom that portion described as follows:

From the Northwest corner of the Southwest quarter of said Section 2, run South (assumed bearing) along the West line of the Southwest quarter of Section 2, 902.50 feet, from which the Southwest corner of the Southwest quarter of said Section 2 bears South 1736.83 feet;

Thence South 89 degrees 43 minutes East 47.00 feet to a point on the East right of way line of 24th Street, said point being the POINT OF BEGINNING of the parcel of land herein described;

Thence continuing South 89 degrees 43 minutes East, 1001.63 feet;

Thence North 00 degrees 46 minutes East 68.37 feet;

Thence South 89 degrees 45 minutes 30 seconds East 240.22 feet;

Thence South 00 degrees 24 minutes West 384.61 feet;

Thence North 89 degrees 52 minutes East 326.41 feet;

Thence South 00 degrees 53 minutes West 70.23 feet;

Thence South 89 degrees 32 minutes 30 seconds East 1025.65 feet to a point on the East line of the Southwest quarter of Section 2, from which the Southeast corner of the Southwest quarter of Section 2 bears South 00 degrees 07 minutes 30 seconds West 1357.07 feet;

Thence North 00 degrees 07 minutes 30 seconds East 1254.53 feet to a point on the South line of Roosevelt Street from which the Northeast corner of the Southwest quarter of Section 2 bears North 00 degrees 07 minutes 30 seconds East 25.00 feet;

Thence North 89 degrees 30 minutes West along the South line of Roosevelt Street (identical with a line 25.00 feet South and parallel with the North line of the Southwest quarter of Section 2) 2472.85 feet to a point on the East line of that certain parcel described in Docket 1148, page 66, records of Maricopa County, Arizona;

Thence South along said East line 100.00 feet to the Southeast corner thereof;

Thence North 89 degrees 30 minutes West along the South line of that certain parcel described in Docket 1148, page 66, 121.00 feet to a point on the East line of 24th Street, from which a point on the West line of the Southwest quarter of Section 2 bears North 89 degrees 30 minutes West 47.00 feet;

Thence South along the East line of 24th Street (identical with a line 47.00 feet East and parallel with the West line of the Southwest quarter of Section 2) 777.32 feet to the POINT OF BEGINNING;

EXCEPTING therefrom the East 232.00 feet of the above described parcel (as measured along the North line thereof.

EXHIBIT B

**LEASE PAYMENT SCHEDULE RELATING TO
THE SERIES 2008A CERTIFICATES**

The following are the Lease Payments evidenced by the Series 2008A Certificates to be paid pursuant to the Lease.

<u>Lease Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Lease Payment Amount</u>	<u>Prison Property Portion Component</u>	<u>State Hospital Portion Component</u>
08/15/2008		\$ 3,700,448.89	\$ 3,700,448.89	\$ 3,235,392.95	\$ 465,055.94
02/15/2009		5,504,800.00	5,504,800.00	4,812,981.25	691,818.75
08/15/2009	\$8,960,000.00	5,504,800.00	14,464,800.00	12,017,981.25	2,446,818.75
02/15/2010		5,359,200.00	5,359,200.00	4,695,900.00	663,300.00
08/15/2010	9,300,000.00	5,359,200.00	14,659,200.00	12,180,900.00	2,478,300.00
02/15/2011		5,164,325.00	5,164,325.00	4,530,518.75	633,806.25
08/15/2011	9,705,000.00	5,164,325.00	14,869,325.00	12,360,518.75	2,508,806.25
02/15/2012		4,954,118.75	4,954,118.75	4,350,781.25	603,337.50
08/15/2012	10,130,000.00	4,954,118.75	15,084,118.75	12,540,781.25	2,543,337.50
02/15/2013		4,739,343.75	4,739,343.75	4,169,956.25	569,387.50
08/15/2013	10,550,000.00	4,739,343.75	15,289,343.75	12,699,956.25	2,589,387.50
02/15/2014		4,532,218.75	4,532,218.75	4,009,431.25	522,787.50
08/15/2014	11,000,000.00	4,532,218.75	15,532,218.75	12,904,431.25	2,627,787.60
02/15/2015		4,290,093.75	4,290,093.75	3,808,968.75	481,125.00
08/15/2015	11,505,000.00	4,290,093.75	15,795,093.75	13,108,968.75	2,686,125.00
02/15/2016		4,027,500.00	4,027,500.00	3,601,500.00	426,000.00
08/15/2016	12,040,000.00	4,027,500.00	16,067,500.00	13,336,500.00	2,731,000.00
02/15/2017		3,756,700.00	3,756,700.00	3,376,800.00	379,900.00
08/15/2017	12,560,000.00	3,756,700.00	16,316,700.00	13,536,800.00	2,779,900.00
02/15/2018		3,505,500.00	3,505,500.00	3,173,600.00	331,900.00
08/15/2018	13,075,000.00	3,505,500.00	16,580,500.00	13,753,600.00	2,826,900.00
02/15/2019		3,244,000.00	3,244,000.00	2,962,000.00	282,000.00
08/15/2019	13,675,000.00	3,244,000.00	16,919,000.00	14,022,000.00	2,897,000.00
02/15/2020		2,902,125.00	2,902,125.00	2,685,500.00	216,625.00
08/15/2020	14,375,000.00	2,902,125.00	17,277,125.00	14,315,500.00	2,961,625.00
02/15/2021		2,542,750.00	2,542,750.00	2,394,750.00	148,000.00
08/15/2021	15,110,000.00	2,542,750.00	17,652,750.00	14,619,750.00	3,033,000.00
02/15/2022		2,165,000.00	2,165,000.00	2,089,125.00	75,875.00
08/15/2022	15,890,000.00	2,165,000.00	18,055,000.00	14,944,125.00	3,110,875.00
02/15/2023		1,767,750.00	1,767,750.00	1,767,750.00	
08/15/2023	12,840,000.00	1,767,750.00	14,607,750.00	14,607,750.00	
02/15/2024		1,446,750.00	1,446,750.00	1,446,750.00	
08/15/2024	13,500,000.00	1,446,750.00	14,946,750.00	14,946,750.00	
02/15/2025		1,109,250.00	1,109,250.00	1,109,250.00	
08/15/2025	14,190,000.00	1,109,250.00	15,299,250.00	15,299,250.00	
02/15/2026		754,500.00	754,500.00	754,500.00	
08/15/2026	14,915,000.00	754,500.00	15,669,500.00	15,669,500.00	
02/15/2027		381,625.00	381,625.00	381,625.00	
08/15/2027	<u>15,670,000.00</u>	<u>381,625.00</u>	<u>16,051,625.00</u>	<u>16,051,625.00</u>	
Totals:	\$238,990,000.00	\$127,995,548.89	\$366,985,548.89	\$322,273,767.95	\$44,711,780.94

EXHIBIT C

CERTIFICATION
BY THE ARIZONA ATTORNEY GENERAL
REGARDING A LEASE PURCHASE AGREEMENT

(A.G. Contract No. KR08-0065)

The Lease-Purchase Agreement (the "Lease"), being Attorney General Contract No. KR08-0065, with its attachments and related documents, has been submitted to and reviewed and approved by the Attorney General as the attorney for the Director of the Arizona Department of Administration (the "Lessee"). The Attorney General has determined that the Lease is in compliance with the Constitution and the laws of the State of Arizona, is in proper form and is within the powers and authority granted under the laws of the State of Arizona to the Director of the Arizona Department of Administration.

DATED this 30th day of April, 2008.

Terry Goddard
Arizona Attorney General

By 
Rex C. Nowlan
Assistant Attorney General

EXHIBIT D

STATE HOSPITAL PROJECT COMPLETION CERTIFICATE

To: U.S. Bank National Association, as trustee, as lessor (the "*Lessor*"), under a Lease-Purchase Agreement, dated as of April 1, 2008 (the "*Lease*"), between the Lessor and the State of Arizona, acting by and through the Director of the Department of Administration, as lessee (the "*Lessee*").

Pursuant to Section 5 of the Lease, the undersigned Authorized Officer of the Lessee hereby certifies as follows:

1. That the acquisition or construction of the State Hospital Project, as such term is defined in the Lease (the "*Project*"), has been substantially completed;

2. That all other facilities or property necessary in connection with the State Hospital Project have been acquired, constructed, installed, equipped and improved;

3. That the acquisition, construction, installation, equipment and improvement of the State Hospital Project and those other facilities or property have been accomplished in such a manner as to conform with all applicable zoning, planning, building, environmental and other similar governmental regulations;

4. That except as provided in subparagraph 5 below, all costs of the acquisition, construction, installation, equipment and improvement of the State Hospital Project then or theretofore due and payable have been paid; and

5. That for the reasons stated below, the following amount should be retained in the State Hospital Project Account of the Series 2008A Account of the Acquisition Fund pursuant to Section 5(b)(5) of the Lease:

- (a) Amount to be retained \$_____;
- (b) Reasons for retention:

This Certificate is given without prejudice to any rights against third parties which exist at the date hereof or which may come into being subsequent to the date hereof.

Dated as of _____.

STATE OF ARIZONA, acting by and through the
Director of the Department of Administration, as
Lessee

Authorized Officer