

**LEASE OF REAL PROPERTY BETWEEN
THE GLENN COUNTY OFFICE OF EDUCATION
AND
CAPAY JOINT UNION SCHOOL DISTRICT**

This lease ("Lease") is entered into by and between CAPAY JOINT UNION ELEMENTARY SCHOOL DISTRICT, (referred to in this lease as "Lessor") and the GLENN COUNTY OFFICE OF EDUCATION (referred to in this lease as "Lessee").

Lessor is the owner of certain real property in the County of Glenn, State of California located at 7504 Cutting Avenue, Orland CA 95963

Lessee desires to lease the Premises (together with certain appurtenant rights and easements) for the purpose of constructing classroom buildings for the students of its schools in accordance with the agreement of the parties as set forth in this Lease.

AGREEMENT TO LEASE

1. For and in consideration of the rents to be paid and covenants to be performed by Lessee under this lease, Lessor hereby agrees to lease the Premises to Lessee, and Lessee agrees to lease the Premises from Lessor, on the terms and conditions set forth in this Lease.

TERM OF LEASE

2. The term of this Lease shall be for a period of forty (40) years, commencing on August 1, 2003, and ending on August 1, 2043.

The parties may mutually agree in writing, prior to expiration of this Lease, to extend the terms of this Lease for an additional period of time. Such extension shall be upon the same terms and conditions as set forth herein, unless agreed otherwise.

RENT

3. As rental for the Premises, Lessee agrees to pay to the Lessor a total rent of Zero Dollars (\$0.00) per month. In consideration, Lessee agrees to construct or cause to be constructed a school building(s) for classrooms for the use of Lessor.

PERMITTED USE

4. The Premises are leased to Lessee for the purpose of constructing and maintaining a school building(s) for classrooms. Lessee will, at Lessee's own cost and expense, construct or cause to be constructed a school building for classrooms, on the Premises.

COMPLIANCE WITH LAWS

5. Lessee shall comply with all statutes, ordinances, regulations, and requirements of all governmental entities, both federal and state and county or municipal, relating to Lessee's use of the Premises.

PROHIBITED USES

6. Lessee shall not use or permit the Premises or any portion of the Premises to be improved, developed, used, or occupied in any manner or for any purpose that is in any way in violation of any valid law, ordinance, or regulation of any federal, state, county, or local governmental agency, body, or entity. Furthermore, Lessee shall not maintain, commit, or permit the maintenance or commission of any nuisance as now or hereafter defined by any statutory or decisional law applicable to the Premises or any part of the Premises.

GOOD TITLE

7. Lessor represents, covenants and warrants that Lessor is seized of good and sufficient title to any interest in the Premises and has full authority to enter into and execute this lease. Lessor further covenants that there are no undisclosed liens, judgments or impediments of title on the Premises that would affect this lease.

TAXES AND ASSESSMENTS

8. Lessor shall be responsible for the payment of real property taxes or assessments levied on the Premises.

INSURANCE COVERAGE

9. Lessee shall, at all times during the term of this lease, maintain and keep in force insurance coverage in an aggregate amount of One Million Dollars (\$1,000,000.00) to protect both Lessee and Lessor against public liability and property damage upon the Premises. Lessee shall name the Lessor as an additional insured on such insurance policy. Proof of the insurance coverage obtained by Lessee shall be given to Lessor concurrently with execution of this lease.

MAINTENANCE

10. Lessee shall, at Lessee's own expense, keep and maintain the Premises and all improvements constructed thereon in good order and repair, unless otherwise agreed.

UTILITIES

11. Lessee shall pay all charges for utilities required by Lessee for Lessee's use of the Premises during the term of this lease, unless otherwise agreed.

PLANNING AND CONSTRUCTION

12. (a) Superintendent, his/her officers, employees, agents and representatives have the right to use of the property of the District, which extends beyond the special education school facility (improvements), at all times necessary for the purposes of the construction or installation, and utilization of the special education facility.

(b) Superintendent develops and submits appropriate documentation to the Office of Public School Construction for the construction of special education facility on District school site unless otherwise assumed by the District.

(c) Superintendent provides educational specifications for classroom design and contracts with architect to develop design. District determines location on campus and gives input to the design to ensure overall coordination of the campus design and function.

(d) Superintendent manages construction of the special education and is responsible for supervision of the construction contract unless otherwise designated to the District.

(e) District agrees to allow Superintendent to make all utility connections to existing utility lines which may be on District property. The District agrees to permit individual metering of utilities to the entity responsible for the payment of such utilities used at the special education facility.

(f) Superintendent is responsible for providing the list of furniture and equipment needed for said facility. Superintendent maintains inventory and retains ownership of furniture and equipment for said classrooms during the time it is needed for operation of its programs.

(g) Superintendent assumes financial obligation for owner-requested costs not approved by the State.

ALTERATIONS AND MECHANICS' LIENS

13. Lessee shall not make or permit any alterations or improvements to the Premises without the prior written consent of Lessor, except for those alterations or improvements related to the use of the Premises for school classrooms.

INDEMNIFICATION

14. (a) Throughout the term of this lease, Lessee shall indemnify and hold harmless the Lessor, its officers, trustees, agents and employees from and against any and all claims, losses, liability or damages, including the payment of attorney's fees, arising out of or resulting from the performance of this lease, caused in whole or in part by any negligent or intentional act or omission of Lessee, its officers, trustees, agents, employees, or invitees.

(b) Throughout the term of this lease, Lessor shall indemnify and hold harmless the Lessee, its officers, trustees, agents and employees from and against any and all claims, losses, liability or damages, including the payment of attorney's fees, arising out of or resulting from the performance of this

lease, caused in whole or in part but only to such extent, by any negligent or intentional act or omission of Lessor, its officers, trustees, agents, employees, or invitees.

ASSIGNMENT AND SUBLEASING

15. Lessee shall not assign, transfer, or encumber this lease, any right or interest in this lease, or any right or interest in the Premises, without the prior written consent of Lessor, whose consent shall not be unreasonably withheld. Lessor may use the premises with agreement of lessee with modifications of these lease terms.

TERMINATION OF LEASE

16. It is mutually understood and agreed upon that in the event there is a breach of this Lease or noncompliance by Lessee with Lessor's policies or procedures, Lessor can terminate this Lease with a ten (10) month written notice. Lease will terminate ten (10) months following written notification of intent to cease this agreement.

DAMAGE OR DESTRUCTION OF PREMISES

17. (a) Should the Premises be damaged or destroyed by natural causes to such extent as to render the Premises unusable for the intended purposes by Lessee, Lessee may, within forty-five (45) days of such damage, notify Lessor in writing of termination of this lease. Such termination shall take effect upon the expiration of fifteen (15) business days from the date such notice was sent to Lessor. Lessee will be liable for the pro rata portion of the compensation up to and including that fifteenth day; provided however, Lessor shall reimburse Lessee for the pro rata portion of the compensation paid that covers any period beyond such date. No other reimbursement of consideration paid under this lease shall be required.

(b) In the event that damage or destruction is caused by the negligent or intentional acts of Lessor or its agents, officers or employees, then Lessee's obligation for compensation, shall terminate upon the date Lessee notifies Lessor, in writing, of such termination of the lease and Lessor shall reimburse Lessee for the pro rata portion of the compensation paid that covers any period beyond such date.

DEFAULT BY LESSEE

18. All covenants and agreements contained in this lease are conditions to this lease. Should Lessee default in the performance of any covenant, condition, or agreement contained in this lease, Lessor shall have the option, in addition to any other remedies available at law or in equity, to terminate this lease.

SCOPE OF USE

19. Lessee shall maintain educational services to students in the same grade range as educational services provided by the lessor.

EXPENSES OF ENFORCEMENT

20. Should any litigation be commence between the parties to this Lease for the enforcement of any rights of either party against the other pursuant to the provisions of this Lease, or by reason of any alleged breech of any of the provisions of this Lease, the party prevailing in the litigation shall be entitled to receive from the unsuccessful party all costs incurred in connection with the litigation, including a reasonable allowance for attorneys' fees incurred by the prevailing party.

NOTICES

21. Except as otherwise expressly provided by law, any and all notices or other communications required or permitted by this lease or by law to be served on or given to either party by the other party shall be in writing and be deemed duly served and given when personally delivered to the party to who they are directed, or in lieu of such personal service when deposited in the United States mail, first-class postage prepaid, addressed to Lessee at 525 West Sycamore Street, Willows CA 95988 or to Lessor at 7504 Cutting Avenue, Orland CA 95963. Either party may change its address for the purpose of this Paragraph by giving written notice of the change to the other party in the manner provided in this Paragraph.

EFFECT ON HEIRS AND SUCCESSORS

22. This Lease and each of its provisions shall be binding on and shall inure to the benefit of the respective heirs, devisees, legatees, executors, administrators, trustees, successors and assigns of the parties to this lease.

SEVERABILITY

23. If any term or provision of this Lease or any application thereof shall be held invalid or unenforceable, the remainder of this Lease and any application of the terms and provisions shall not be affected thereby, but shall remain valid and enforceable pursuant to this lease or California law.

PROVISIONS REQUIRED BY LAW DEEMED INSERTED

24. Each and every provision of law and clause required by law to be inserted in this Lease shall be read and enforced as though it were included. If through mistake or otherwise, any provision is not correctly inserted, then upon application of either party, the Lease shall be amended to make the insertion or correction. All references to statutes and regulations shall include all amendments, replacements, and enactments in the subject which are in effect as of the date of this Lease, and any later changes which do not materially and substantially alter the positions of the parties.

GOVERNING LAW/VENUE

25. This agreement shall be governed by and construed in accordance with the laws of the State of California. Venue shall be in Glenn County California.

WAIVER

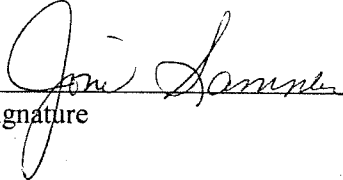
26. None of the provisions of this Lease shall be considered waived by either party unless such waiver is specifically specified in writing.

COMPLETE AGREEMENT

27. This Lease represents the entire agreement between the parties and supercedes all prior negotiations, representations or agreements, either written or oral. This Lease may be amended or modified only by an agreement in writing signed by both parties.

GLENN COUNTY OFFICE OF
EDUCATION

CAPAY JOINT UNION SCHOOL
DISTRICT



Signature

Print Title

Date/County of Execution



Signature

Clerk

Print Title

6-26-03

Date/County of Execution

EXHIBIT "A"

PROPERTY DESCRIPTION

APN: