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**SUBLEASE  
(SANTA BARBARA COUNTY)**

by and between the

SANTA BARBARA COUNTY FINANCE CORPORATION, INC.

and the

COUNTY OF SANTA BARBARA

Executed and Entered into as of December 1, 2014

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**THE TRANSFERABILITY OF THIS  
SUBLEASE SHALL BE RESTRICTED AS SET FORTH IN  
SECTION 10.08 OF THIS SUBLEASE**

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## SUBLEASE

This Sublease (the "Sublease"), executed and entered into as of December 1, 2014, by and between the **SANTA BARBARA COUNTY FINANCE CORPORATION, INC.**, a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California (as further defined in Section 1.01 hereof, the "Corporation"), as lessor, and the **COUNTY OF SANTA BARBARA**, a political subdivision duly organized and existing under and by virtue of the Constitution and laws of the State of California (as further defined in Section 1.01 hereof, the "County"), as lessee;

### WITNESSETH:

**WHEREAS**, the County has leased certain parcels of real property and all buildings, structures and fixtures thereon and improvements thereto (the "Demised Premises") to the Corporation pursuant to a lease, entitled "Lease (Santa Barbara County)," dated as of December 1, 2014, between the County and the Corporation (the "Lease"); and

**WHEREAS**, the County is authorized pursuant to the Government Code of the State of California to sublease the Demised Premises from the Corporation; and

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

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

## ARTICLE I

### DEFINITIONS

**Section 1.01. Definitions.** Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof have the meanings defined herein:

**"Additional Rental"** means all amounts payable to the Corporation or the Bank from the County as Additional Rental pursuant to Section 3.02 hereof.

**"Assignee"** means any assignee or transferee of all of the rights or interests of the Bank under the Assignment Agreement.

**"Assignment Agreement"** means that certain Assignment Agreement executed and entered into as of the date hereof by and between the Corporation and the Bank, as such may be amended from time to time.

“**Bank**” means Wells Fargo Municipal Capital Strategies, LLC and its permitted successors and assigns.

“**Base Rate**” means, for any day, a fluctuating rate of interest per annum equal to the greatest of (i) the Prime Rate in effect at such time plus one percent (1.0%), (ii) the Federal Funds Rate in effect at such time plus two percent (2.0%), and (iii) seven percent (7.0%).

“**Base Rental**” or “**Base Rental Payments**” means all amounts payable to the Corporation from the County as Base Rental pursuant to Section 3.01 hereof, set forth in Exhibit B attached hereto, including, without limitation, insurance proceeds used to make Base Rental Payments.

“**Certification**” or “**Request**” means, with respect to the County, an instrument in writing signed on behalf of the County by the Chair or the Vice Chair of its Board of Supervisors, the County Treasurer or his designee or any other officer of the County duly authorized by the Board of Supervisors of the County for that purpose and, with respect to the Corporation, an instrument in writing signed on behalf of the Corporation by its President, its Vice President or any other person (whether or not an officer of the Corporation) who is specifically authorized by resolution of the Board of Directors of the Corporation to sign or execute such a document on its behalf.

“**Closing Date**” means \_\_\_\_\_, 2014.

“**Code**” means the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder.

“**Corporation**” means the Santa Barbara County Finance Corporation, Inc., a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California, and any surviving, resulting or transferee corporation.

“**County**” means the County of Santa Barbara, a political subdivision duly organized and existing under and by virtue of the Constitution and laws of the State of California.

“**Debt**” means bonds, debentures, notes and capital leases of the County payable from its general fund in a principal amount in excess of \$25,000,000.

“**Demised Premises**” means the County Psych/Health Building #2 and the real property on which it is located, all as shown in Exhibit A attached hereto.

“**Default Rate**” means for any day, a rate of interest per annum equal to the sum of the Base Rate in effect on such day plus three percent (3.0%), but in any event not to exceed ten (10%) per annum.

“**Determination of Taxability**” means and shall be deemed to have occurred on the first to occur of the following:

(i) on the date when the County files any statement, supplemental statement or other tax schedule, return or document which discloses that an Event of Taxability shall have in fact occurred;

(ii) on the date when the County shall be advised in writing by the Commissioner or any District Director of the Internal Revenue Service (or any other government official or agent exercising the same or a substantially similar function from time to time) that, based upon filings of the County, or upon any review or audit of the County or upon any other ground whatsoever, an Event of Taxability shall have occurred; or

(iii) on the date when the County shall receive notice from the Bank or any assignee thereof (including, without limitation, any previous assignee thereof) that the Internal Revenue Service (or any other government official or agency exercising the same or a substantially similar function from time to time) has assessed as includable in the gross income of the Bank or any assignee thereof (including, without limitation, any previous assignee thereof) the interest component of the Base Rental Payments due to the occurrence of an Event of Taxability;

*provided, however*, no Determination of Taxability shall occur under subparagraph (ii) or (iii) hereunder unless the County has been afforded the opportunity, at its expense, to contest any such assessment, and, further, no Determination of Taxability shall occur until such contest, if made, has been finally determined; provided further, however, that upon demand from the Bank or any assignee thereof (including, without limitation, any previous assignee thereof), the County shall promptly reimburse the Bank or such assignee thereof (including, without limitation, any previous assignee thereof), as applicable, for any payments, including any taxes, interest, penalties or other charges, the Bank or such assignee thereof (including, without limitation, any previous assignee thereof) shall be obligated to make as a result of the Determination of Taxability.

**“Environmental Laws”** means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, and the Asset Conservation, Lender Liability, and Deposit Insurance Act of 1996, 42 U.S.C. §9601 et seq.; the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Solid and Hazardous Waste Amendments of 1984, 42 U.S.C. §9601 et seq.; the Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977, 33 U.S.C. §1251 et seq.; the Toxic Substances Control Act of 1976, 15 U.S.C. §2601 et seq.; the Emergency Planning and Community Right to Know Act of 1986, 42 U.S.C. §11001 et seq.; the Clean Air Act of 1966, as amended 42 U.S.C. §7401 et seq.; the National Environmental Policy Act of 1975, 42 U.S.C. §4321 et seq.; the Rivers and Harbours Act of 1899, 33 U.S.C. §401 et seq.; the Endangered Species Act of 1973, as amended 16 U.S.C. §1531 et seq.; the Occupational Safety and Health Act of 1970, as amended 29 U.S.C. §651 et seq.; and the Safe Drinking Water Act of 1974, as amended 42 U.S.C. §300(f) et seq.; and all rules, regulations and guidance promulgated or published thereunder, and any state, regional, country or local statute, law, rule, regulation or ordinance relating to public health, safety or the environment, including, without limitation, those relating (i) to releases, discharges, emissions or disposals to air, water, land or ground water, (ii) to the use, handling or disposal of polychlorinated biphenyls (PCB’s), asbestos or urea formaldehyde,

(iii) to the treatment, storage, disposal or management of Hazardous Substances (including, without limitation petroleum, crude oil or any fraction thereof) and any other solid, liquid or gaseous substance, exposure to which is prohibited, limited or regulated, or may or could pose a hazard to the adjacent or surrounding property, (iv) to the exposure of persons to toxic, hazardous, or other controlled, prohibited or regulated substances, (v) to the transportation, storage, disposal, management or release of gaseous or liquid substances, and any regulations, order, injunction, judgment, declaration, notice or demand issued thereunder.

**“Event of Default”** means any of the events described in Section 7.01 hereof as an “Event of Default.”

**“Event of Taxability”** means (i) the taking of any action by the County or the Corporation, or the failure to take any action by the County or the Corporation, or the making by the County or the Corporation of any misrepresentation herein, in the Lease or in any certificate required to be given in connection with the execution and delivery of the Sublease, the Lease or the Assignment Agreement which has the effect of causing the interest component paid or payable with respect to Base Rental Payments to become includable, in whole or in part, in the gross income of the Bank or any assignee thereof (including, without limitation, any previous assignee thereof) for federal income tax purposes or (ii) the entry of any decree or judgment by a court of competent jurisdiction, or the taking of any official action by the Internal Revenue Service or the Department of the Treasury as a result of any action by the County or the Corporation, or the failure to take any action by the County or the Corporation, or the making by the County or the Corporation of any misrepresentation herein, in the Lease or in any certificate required to be given in connection with the execution and delivery of the Lease, the Sublease or the Assignment Agreement, which decree, judgment or action shall be final under applicable procedural law, in either case, which has the effect of causing the interest component paid or payable with respect to Base Rental Payments to become includable, in whole or in part, in the gross income of the Bank or any assignee thereof (including, without limitation, any previous assignee thereof) for federal income tax purposes with respect to any Base Rental Payment.

**“Expiry Date”** means March 1, 2024.

**“Fiscal Year”** means the 12-month period ending on June 30.

**“Governmental Authority”** means the government of the United States of America or any other nation or any political subdivision thereof or any governmental or quasi governmental entity, including any court, department, commission, board, bureau, agency, administration, central bank, service, district or other instrumentality of any governmental entity or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government (including any supra national bodies such as the European Union or European Central Bank), or any arbitrator, mediator or other Person with authority to bind a party at law.

**“Hazardous Substance”** means any substance identified as hazardous under any of the Environmental Laws; provided, however, that Hazardous Substances shall not include cleaning and other maintenance-related materials and supplies in type and quantity customary for the County which are being used in a customary and safe manner.



**“Insurance Consultant”** means an individual or firm employed by the County as an independent contractor, experienced in actuarial analysis or the field of risk management.

**“Interest Payment Date”** means a date on which the interest component of the Base Rental Payments is due and payable.

**“Law”** means any treaty or any federal, regional, state and local law, statute, rule, ordinance, regulation, code, license, authorization, decision, injunction, interpretation, order or decree of any court or other Governmental Authority.

**“Lease”** means that certain lease, entitled “Lease (Santa Barbara County),” dated as of the date hereof, by and between the County, as lessor and the Corporation, as lessee, as originally executed and entered into and as it may from time to time be amended in accordance with its terms.

**“Material Adverse Effect”** means an event or occurrence which adversely affects in a material manner (a) the assets, liabilities, condition (financial or otherwise), business or operations of the County, or (b) the ability of the County to carry out its business as of the date of this Sublease or as proposed herein to be conducted or to meet or perform its obligations under this Sublease or the Lease on a timely basis.

**“Matters Contested in Good Faith”** means the imposition of charges, assessments, taxes or other payments, the application of any laws, rules, regulations or policies, or any other matters (a) then being contested in good faith by appropriate proceedings diligently and continuously pursued, (b) of which the Bank has been notified in writing and is being kept informed in such detail as the Bank may from time to time reasonably request, (c) the enforcement of which is effectively stayed during the period of the contest and (d) with respect to which either (i) adequate reserves in the nature of a cash deposit or pledge of securities, or a payment bond of a corporate surety in the face amount equal to the total amount in controversy, reasonably satisfactory to the Bank, have been furnished or (ii) adequate provision therefor, reasonably satisfactory to the Bank, has been reserved on the financial statements of the County.

**“Maximum Fair Rental Value”** means \$\_\_\_\_\_ for each Rental Payment Period.

**“Opinion of Counsel”** means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed by the County.

**“Original Rate”** means \_\_\_\_\_% per annum provided that if an Event of Default has occurred and is continuing, the Original Rate shall equal the Default Rate.

**“Permitted Encumbrances”** means, as of any particular time:

(1) liens for general *ad valorem* taxes and assessments, if any, not then delinquent;

(2) the Lease, as it may be amended from time to time;

(3) the Assignment Agreement, as it may be amended from time to time, and any assignment or transfer of all of the rights or interests therein in accordance with the terms thereof;

(4) the Sublease, as it may be amended from time to time;

(5) any right or claim of any mechanic, laborer, materialman, supplier or vendor filed or perfected in the manner prescribed by law;

(6) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date the term hereof commences and which the County certifies in writing will not materially impair the use of the Demised Premises by the County; and

(7) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Sublease and to which the County and the Corporation consent in writing.

**“Person”** means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization or any other entity or organization, including a government or agency or political subdivision thereof.

**“Rental Payment Period”** means the twelve-month period ending on the day immediately preceding the March 1 on which the principal component of Base Rental is due.

**“Risk Based Capital Guidelines”** means (a) the risk based capital guidelines in effect in the United States of America, including transition rules, and (b) the corresponding capital regulations promulgated by regulatory authorities outside the United States of America including transition rules, and any amendment to such regulations.

**“Sublease”** means this Sublease (Santa Barbara County), as originally executed and entered into and as it may from time to time be amended in accordance herewith.

**“Taxable Date”** means the date on which all or any portion of the interest component of any Base Rental Payment is first includable in gross income of the Bank or any assignee thereof (including, without limitation, any previous assignee thereof) as a result of an Event of Taxability as such a date is established pursuant to a Determination of Taxability.

**“Taxable Period”** has the meaning set forth in Section 3.01 hereof.

**“Taxable Rate”** means, with respect to a Taxable Period, the product of (i) the Original Rate during such period and (ii) 1.54.

**“Taxes”** means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, fines, additions to tax or penalties applicable thereto.

## ARTICLE II

### PURPOSE AND TERM

**Section 2.01. Purpose.** The Corporation hereby subleases the Demised Premises to the County and the County hereby subleases the Demised Premises from the Corporation on the conditions and terms hereinafter set forth, and subject to all easements, encumbrances and restrictions that existed at the commencement of the term hereof. The County hereby agrees and covenants during the term hereof that, except as hereinafter provided, it will use the Demised Premises for public purposes of the County so as to afford the public the benefits contemplated hereby and the County hereby further agrees and covenants during the term hereof, except as otherwise provided herein, that it will not abandon or vacate the Demised Premises.

**Section 2.02. Term.** The term hereof shall commence on December 1, 2014, or the date the Sublease is recorded, whichever is earlier, and shall end on the Expiry Date, unless such term is extended or sooner terminated as hereinafter provided. If on the Expiry Date, the principal components of the Base Rental Payments and all Additional Rental attributable to the Demised Premises shall not have been paid, for any reason, including, without limitation, because the Base Rental Payments shall have been abated at any time and for any reason, then the term hereof with respect to such Demised Premises shall be extended until 10 days after all the principal and interest components of the Base Rental Payments and all Additional Rental attributable to the Demised Premises have been paid, except that the term hereof shall in no event be extended beyond 10 years after the Expiry Date. If prior to the Expiry Date, the principal and interest components of the Base Rental Payments and all Additional Rental attributable to the Demised Premises have been paid, the term hereof with respect to the Demised Premises shall end 10 days thereafter or 10 days after written notice by the Corporation to the County, whichever is earlier.

**Section 2.03. Occupancy.** It is contemplated that the County will have the use and occupancy of the Demised Premises for public purposes on the effective date of this Sublease and that the payments of Base Rental shall be due on the Base Rental Payment dates, all as provided in Section 3.01 hereof and consistent with Exhibit B attached hereto and made a part hereof.

**Section 2.04. Substitution; Release.** The County and the Corporation may substitute real property and the improvements, buildings, fixtures and equipment thereon for all or a part of, or may release a part of, the Demised Premises for purposes of the Lease and this Sublease, but only with the prior written consent of the Bank and after the County shall have filed with the Corporation and the Bank, all of the following:

(a) Executed copies of the Lease and this Sublease or amendments thereto containing the amended description of the Demised Premises, including the legal description of the Demised Premises as modified if necessary.

(b) A Certification of the County, accompanied by a written appraisal from a qualified appraiser, who may but need not be an employee of the County, evidencing that the

annual fair rental value of the Demised Premises which will constitute the Demised Premises after such substitution (which may be based on the construction or acquisition cost or replacement cost of such facility to the County) or withdrawal will be at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current year and in each subsequent year.

(c) With respect to substitution, a leasehold owner's policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing policy or policies resulting in title insurance with respect to the Demised Premises after such substitution in an amount at least equal to the amount of such insurance provided with respect to the Demised Premises prior to such substitution; each such insurance instrument, when issued, shall name the Bank as the insured, and shall insure the leasehold estate of the Corporation in such substituted property subject only to such exceptions as do not substantially interfere with the County's and the Corporation's right to use and occupy such substituted property and as will not result in an abatement of Base Rental Payments payable by the County under this Sublease.

(d) A Certification of the County stating that such substitution or withdrawal, as applicable, does not adversely affect the County's use and occupancy of the Demised Premises.

(e) An Opinion of Counsel stating that such amendment or modification (i) will, upon the execution and delivery thereof, be valid and binding upon the County; and (ii) will not, in and of itself, cause the interest component of the Base Rental Payments to be included in gross income for federal income tax purposes.

### ARTICLE III

#### RENTAL PAYMENTS

**Section 3.01. Base Rental.** The County shall pay as Base Rental hereunder, without deduction or offset of any kind except as otherwise expressly provided herein annual rental payments with interest and principal components, the interest components being payable semiannually, in accordance with the Base Rental Payment Schedules set forth in Exhibit B attached hereto and made a part hereof. Each Base Rental Payment shall be payable in funds that are immediately available no later than the due date. The interest components of the Base Rental Payments payable by the County hereunder shall be paid by the County as and shall constitute interest paid on the principal components of the Base Rental Payments payable by the County hereunder calculated at the Original Rate (or the Taxable Rate, as provided herein) on the basis of a 360-day year composed of twelve 30-day months. Each aggregate annual payment of Base Rental shall be for the use of the Demised Premises for the twelve-month period ending on the day immediately preceding the March 1 on which the principal component of such Base Rental is due. If the term of the Sublease shall have been extended pursuant to Section 2.02 hereof, Base Rental Payments shall continue to be due on March 1 and September 1 in each year, and payable as hereinabove described, continuing to and including the date of termination of the Sublease. Upon such extension of the Sublease, the principal and interest components of the Base Rental Payments shall be established so that the principal components will in the aggregate be sufficient to pay all unpaid principal components and interest components will be sufficient to

pay all unpaid interest components plus interest on the extended principal components at a rate equal to the applicable interest rate on the related unpaid Base Rental Payments.

The County hereby agrees that in the event a Determination of Taxability occurs that the interest component of Base Rental Payments will be re-calculated at the Taxable Rate and the Base Rental Payments Schedule set forth in Exhibit B hereto shall be amended to reflect the interest component of Base Rental Payments accruing at the Taxable Rate. Following a Determination of Taxability, the Corporation may require recording of the Sublease as so amended or such other legal requirement to be satisfied in connection with amending the interest component of Base Rental Payments as it may deem necessary in connection therewith.

In the event a Determination of Taxability occurs, the County hereby agrees to pay to the Corporation for the benefit of the Bank or its assignee (including, without limitation, any previous assignee thereof) on demand therefor (1) an amount equal to the difference between (A) the amount of the interest component that would have been paid to the Bank or its assignee (including, without limitation, any previous assignee thereof) with respect to Base Rental Payments during the period for which any portion of the interest component of Base Rental Payments is included in the gross income of the Bank or its assignee (including, without limitation, any previous assignee thereof) if the interest component of Base Rental Payments had been calculated at the Taxable Rate, beginning on the Taxable Date (the "Taxable Period"), and (B) the amount of the interest component actually paid to the Bank or its assignee (including, without limitation, any previous assignee thereof) during the Taxable Period, and (2) an amount equal to any interest, penalties or charges owed by the Bank or its assignee (including, without limitation, any previous assignee thereof) as a result of the interest component of Base Rental Payments becoming included in the gross income of the Bank or its assignee (including, without limitation, any previous assignee thereof), together with any and all attorneys' fees, court costs, or other out of pocket costs incurred by the Bank or its assignee (including, without limitation, any previous assignee thereof) in connection therewith.

**Section 3.02. Additional Rental.** (a) The County shall pay to the Corporation as Additional Rental hereunder such amounts in each year as shall be required by the Corporation for the payment in full of all costs and expenses incurred by the Corporation in connection with the execution, performance or enforcement hereof or the initial assignment hereof, of the sublease of the Demised Premises to the County, including but not limited to payment of all fees, costs and expenses and all administrative costs of the Corporation in connection with the Demised Premises, the Sublease and the Assignment Agreement and all taxes, assessments and governmental charges of any nature whatsoever hereafter levied or imposed by any governmental authority against the Corporation, the Demised Premises or the rentals and the other payments required to be made by the County hereunder. Such additional rental shall be billed to the County by the Corporation from time to time, together with a statement certifying that the amount so billed has been paid by the Corporation for one or more of the items above described, or that such amount is then payable by the Corporation for one or more of such items, and all amounts so billed shall be due and payable by the County within thirty (30) days after receipt of the bill by the County.

(b) To the extent permitted by law, the County shall pay to the Bank, as Additional Rental, within thirty (30) days after written demand:

(i) if an Event of Default shall have occurred, all reasonable costs and expenses of the Bank in connection with the enforcement (whether by means of legal proceedings or otherwise) of any of its rights under this Sublease;

(ii) a fee for each amendment of this Sublease or the Lease, consent by the Bank or waiver by the Bank under this Sublease or the Lease, in each case in a minimum amount of \$2,500;

(iii) the reasonable fees and out of pocket expenses for counsel or other reasonably required consultants to the Bank in connection with advising the Bank as to its rights and responsibilities under this Sublease, the Lease or the Assignment Agreement or in connection with responding to requests from the County for approvals, consents and waivers;

(iv) any amounts advanced by or on behalf of the Bank to the extent required to cure any default, Event of Default or event of nonperformance under this Sublease, the Lease or the Assignment Agreement together with interest at the Default Rate; and

(v) all reasonable fees, costs and expenses of any consultants providing services to the County or the Bank in accordance with this Sublease, the Lease or the Assignment Agreement.

(c) Survival of Obligations. The obligations of the County under this Section 3.02 shall survive the termination of this Sublease, the Lease and the Assignment Agreement.

**Section 3.03. Fair Rental Value.** (a) Each payment of Base Rental and Additional Rental for each rental payment period during the term hereof shall constitute the total rental for such rental payment period, and shall be paid by the County in each rental payment period for and in consideration of the right to the use and occupancy, and the continued quiet enjoyment, of the Demised Premises during the rental payment period for which such rental is paid.

The parties hereto have agreed and determined that such rental does not exceed the Maximum Fair Rental Value of the Demised Premises. In making such determination, consideration has been given to the appraised value or construction cost of the Demised Premises, other obligations of the parties hereunder, the uses and purposes which may be served by the Demised Premises and the benefits therefrom which will accrue to the County, its residents and the general public.

Notwithstanding any other provision herein, the Base Rental Payments and Additional Rental due and payable in each Rental Payment Period shall not exceed the Maximum Fair Rental Value.

(b) In the event the Base Rental Payments and Additional Rental due and payable in a Rental Payment Period exceed the Maximum Fair Rental Value, then the Maximum Fair Rental Value shall be due and payable during such Rental Payment Period, and any Base Rental Payments and Additional Rental that would have been due and payable for such Rental Payment Period but for the operation of the Maximum Fair Rental Value limitation shall accrue (without interest) and be payable as provided in the immediately succeeding sentence and shall

constitute the “Excess Rental Amount.” If there is any accrued and unpaid Excess Rental Amount as of any Rental Payment Period, then the Maximum Fair Rental Value shall be due and payable during such Rental Payment Period until payment to the Corporation or its assignee, as applicable, of the entire Excess Rental Amount.

**Section 3.04. Payment Provisions.** Each installment of Base Rental payable hereunder shall be paid in lawful money of the United States of America to or upon the order of the Corporation or its assignee, and each installment of Additional Rental payable hereunder shall be paid in lawful money of the United States of America to or upon the order of the Corporation. Any such installment of Base Rental or Additional Rental accruing hereunder which shall not be paid when due shall bear interest at the composite rate on the related unpaid Base Rental Payments, or such lesser rate of interest as may be required by law, from the date when the same is due hereunder until the same shall be paid, and all such delinquent installments of Base Rental and the interest thereon, and all such delinquent installments of Additional Rental and interest thereon, shall be paid to the order of the Corporation. Notwithstanding any dispute between the Corporation and the County, the County shall make all Base Rental Payments when due hereunder without deduction or offset of any kind except as otherwise expressly provided herein and shall not withhold any Base Rental Payments pending the final resolution of such dispute. In the event of a determination that the County was not liable for such Base Rental Payments or any portion thereof, such payments or excess of payments, as the case may be, shall be credited against subsequent Base Rental Payments due hereunder. All Base Rental Payments received shall be applied first to the interest components of the Base Rental due hereunder and then to the principal components of the Base Rental due hereunder, but no such application of any payments which are less than the total Base Rental due and owing shall be deemed a waiver of any default hereunder.

**Section 3.05. Appropriations Covenant.** The County agrees and covenants to take such action as may be necessary to include all Base Rental Payments due hereunder in its annual budgets and to make the necessary annual appropriations for all such payments, and the County further agrees and covenants to furnish to the Bank copies of each annual budget of the County within ninety (90) days after the commencement of the Fiscal Year. The agreements and covenants on the part of the County contained herein shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the County to take such actions and do such things as are required by law in the performance of the official duties of such officials to enable the County to carry out and perform the agreements and covenants required to be carried out and performed by it contained herein.

**Section 3.06. Rental Abatement.** Except to the extent the proceeds of insurance maintained pursuant to Article VI hereof are available to pay Base Rental Payments and Additional Rental, during any period in which, by reason of material damage or destruction (other than by condemnation, which is provided for in Section 8.01) there is substantial interference with the use and occupancy by the County of any portion of the Demised Premises, Base Rental Payments and Additional Rental due hereunder shall be abated in the proportion in which the value of that portion of the Demised Premises rendered unusable bears to the value of the whole of the Demised Premises. Such abatement shall continue for the period commencing with the date of such damage or destruction and ending with the substantial completion of the work of repair or replacement of the Demised Premises so damaged or destroyed. In the event of

any such damage or destruction, this Sublease shall continue in full force and effect and the County waives any right to terminate this Sublease by virtue of any such damage or destruction.

## **ARTICLE IV**

### **REPRESENTATIONS AND WARRANTIES**

**Section 4.01. Existence and Power.** The County is a political subdivision duly organized and existing under and by virtue of the laws of the State of California and has the power and authority to own its properties and to carry on its businesses as now being conducted and as currently contemplated to be conducted hereafter.

**Section 4.02. Due Authorization.**

(a) The County has taken all necessary action to authorize this Sublease and the Lease, and to execute, deliver and perform its obligations under this Sublease and the Lease.

(b) All authorizations and approvals necessary for the County to enter into this Sublease and the Lease and to perform the transactions contemplated hereby and to conduct its business activities and own its property have been obtained and remain in full force and effect and are subject to no further administrative or judicial review.

**Section 4.03. Valid and Binding Obligations.** This Sublease and the Lease have each been duly executed and delivered by one or more duly authorized officers of the County and is a legal, valid and binding obligation of the County enforceable in accordance with its terms, except as such enforceability may be limited by (i) the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally, and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

**Section 4.04. Noncontravention; Compliance with Law.**

(a) The execution, delivery and performance of this Sublease and the Lease in accordance with their respective terms does not and will not (i) exceed the authority of the County, (ii) require any consent or approval of any creditor of the County or (iii) conflict with, result in a breach of or constitute a default under any contract to which the County is a party or by which it or any of its property may be bound.

(b) The County is in compliance with all governmental requirements, except for noncompliance that, singly or in the aggregate, has not caused and will not cause a Material Adverse Effect on this Sublease and the Lease or an adverse effect on the County's ability to perform its obligations hereunder.

**Section 4.05. Pending Litigation and Other Proceedings; Pending Legislation and Decisions.**

(a) There are no actions, suits or proceedings pending nor, to the best knowledge of the County, are there any actions, suits or proceedings threatened against the



County, in any court or before any arbitrator of any kind or before or by any governmental or non-governmental body, which, in any case, could reasonably be expected to have a Material Adverse Effect or which seeks to restrain or would otherwise have a Material Adverse Effect on the transactions contemplated hereby.

(b) As of the date of this Sublease, to the knowledge of the County, there is no amendment, or proposed amendment, certified for placement on a Statewide ballot, to the Constitution of the State or any State law or any administrative interpretation of the Constitution of the State or any State law, or any legislation that has passed either house of the legislature of the State, the effect of which will materially adversely affect the execution, delivery or performance of this Sublease or the Lease, or will materially adversely affect the County's ability to pay the Base Rental Payments or Additional Rental when due under this Sublease.

**Section 4.06. Financial Statements.** The financial statements of the County as of June 30, 2014 and the auditors' reports with respect thereto, copies of which have heretofore been furnished to the Bank, are complete and correct and fairly present the financial condition, changes in financial position and results of operations of the County at such dates and for such periods, and were prepared in accordance with Generally Accepted Accounting Principles.

**Section 4.07. Defaults.** No Event of Default and no default has occurred and is continuing or exists.

**Section 4.08. No Material Adverse Change.** Since the most current date of the information, financial or otherwise, supplied by the County to the Bank:

(a) There has been no change in the assets, liabilities, financial position or results of operations of the County which could reasonably be anticipated to cause a Material Adverse Effect.

(b) The County has not incurred any obligations or liabilities which could reasonably be anticipated to cause a Material Adverse Effect.

(c) The County has not incurred material indebtedness, other than the obligations hereunder, indebtedness to the Bank and other than trade accounts payable arising in the ordinary course of business of the County.

**Section 4.09. Representations as of the Closing Date.** The representations and warranties of the County contained in this Article are correct on and as of the Closing Date as though made on and as of such date; no petition by the County has at any time been filed under the United States Bankruptcy Code or under any similar act; no Event of Default has occurred and is continuing or would result from the execution of this Sublease or the Lease; and the County has complied with all agreements and covenants and satisfied all conditions stated in this Sublease on its part to be performed or satisfied at or prior to the Closing Date.

**Section 4.10. Accuracy of Information.** All information, reports and other papers and data with respect to the County furnished to the Bank are complete and correct in all material respects. No fact is known to the County which, in the County's judgment could reasonably be expected to have a Material Adverse Effect which has not been set forth in the

financial statements previously furnished to the Bank or in other such information, reports, papers and data or otherwise disclosed in writing to the Bank prior to the Closing Date.

**Section 4.11. Reliance by the Bank.** All representations and warranties made herein to the Bank are made with the understanding that the Bank is relying upon the accuracy of such representations and warranties.

**Section 4.12. Anti Terrorism Laws.** The County is not in violation of any laws relating to terrorism or money laundering (“Anti Terrorism Laws”), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the “Executive Order”), and the Patriot Act;

(a) The County is not any of the following:

(i) a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(ii) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(iii) a Person with which the Bank is prohibited from dealing or otherwise engaging in any transaction by any Anti Terrorism Law;

(iv) a Person that commits, threatens or conspires to commit or supports “terrorism” as defined in the Executive Order; or

(v) a Person that is named as a “specially designated national and blocked person” on the most current list published by the Office of Foreign Asset Control (“OFAC”) or any list of Persons issued by OFAC pursuant to the Executive Order at its official website or any replacement website or other replacement official publication of such list;

(b) To the best of the County’s knowledge, the County does not (i) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti Terrorism Law and (ii) the Base Rental Payments and Additional Rental and the proceeds of the Lease and Sublease will not be used in violation of OFAC or any Anti-Terrorism Law.

**Section 4.13. Environmental Matters.** The County is not aware of any failure on its part to comply with any Environmental Laws relating to the Demised Premises in a manner which could reasonably be expected to have a Material Adverse Effect on the County.

**Section 4.14. Title to Property; Insurance.** (a) Upon the execution and delivery of the Lease and this Sublease, the County will have a valid leasehold interest to the Demised Premises. The Demised Premises are not subject to any lien, except Permitted Encumbrances.

(b) The County currently maintains the insurance required by Article V of this Sublease, which is of such type and in such amounts or in excess of such amounts as are

customarily carried by, and insures against such risks as are customarily insured against by, municipalities of like type, size and character to the County.

## ARTICLE V

### MAINTENANCE OF THE DEMISED PREMISES

**Section 5.01. Maintenance, Utilities, Taxes and Assessments.** During the term hereof, all maintenance, both ordinary and extraordinary, of the Demised Premises shall be the sole responsibility of the County, which shall at all times maintain or otherwise arrange for the maintenance of the Demised Premises for the purposes intended, and the County shall pay for or otherwise arrange for the payment of all costs of operations and maintenance and all utility services supplied to the Demised Premises. The County shall also pay to the appropriate taxing entity such amounts in each year as are required for the payment of all taxes and assessments of any type or nature charged to the Corporation or the County with respect to the Demised Premises. In exchange for the rentals herein provided, the Corporation agrees only to provide the Demised Premises to the County as herein provided. The County hereby agrees to operate, maintain and preserve, or cause to be operated, maintained and preserved, the Demised Premises in good repair and working order and will operate, or cause the Demised Premises to be operated, in an efficient and economical manner.

**Section 5.02. Changes to the Demised Premises.** The County shall, at its sole cost, have the right during the term hereof to make improvements to the Demised Premises or to attach any fixtures, structures or signs thereto if such improvements, fixtures, structures or signs are necessary or beneficial for the use of the Demised Premises by the County for public purposes; provided, that such actions by the County shall not materially adversely affect the operation of the Demised Premises for the purpose intended or subject the Corporation to any increase in liability or diminish the value of the Demised Premises below that prior to the making of such improvements and provided further that any such fixtures, structures or signs shall become part of the Demised Premises and subject to the provisions of this Sublease and the Lease.

**Section 5.03. Adding Fixtures to Sublease.** The County, in its discretion, may request the Corporation to sell or exchange any fixtures which may at any time constitute a part of the Demised Premises, and to release said fixtures from the Sublease, if (a) in the opinion of the County the property so sold or exchanged is no longer required or useful in connection with the operation of the Demised Premises, (b) the consideration to be received from the property is of a value equal to or greater than the value of the property to be released, (c) the fair rental value of the Demised Premises remaining following such release is at least equal to the Base Rental Payments and Additional Rental following such release, and (d) if the value of any such property shall, in the opinion of the Corporation, exceed the amount of \$50,000, the Corporation shall have been furnished a certificate of an independent engineer or other qualified independent professional consultant (satisfactory to the Corporation) certifying the value thereof and further certifying that such property is no longer required or useful in connection with the operation of the Demised Premises. In the event of any such sale, the full amount of the money or consideration received for the fixtures so sold and released shall be paid to the Corporation. Any money so paid to the Corporation may, so long as the County is not in default under any of the

provisions of the Sublease, be used upon the written request of the County to purchase fixtures which property shall become a part of the Demised Premises leased hereunder. The Corporation may require such opinions, certificates and other documents as it may deem necessary before permitting any sale or exchange of fixtures subject to the Sublease or before releasing for the purchase of new personal property money received by it for fixtures so sold.

**Section 5.04. Physical Form.** The County covenants that this Sublease and the obligations hereunder shall be in physical form so long as the Bank owns this Sublease and only transferred in whole in accordance with Section 10.08 hereof.

## ARTICLE VI

### INSURANCE

**Section 6.01. Liability Insurance.** The County shall procure or cause to be procured, and maintain or cause to be maintained, throughout the term of the Sublease, liability insurance, or alternatively shall establish a program of self-insurance, against risk or loss from public liability and property damage claims for personal injury, death or property damage occasioned by reason of the use and operation of the Demised Premises. Such insurance shall afford protection with policy limits of not less than \$1,000,000 per occurrence for bodily injury, personal injury and property damage. The County's obligation under this Section may be satisfied by self-insurance meeting the requirements of Section 6.05.

**Section 6.02. Casualty Insurance.** The County shall procure or cause to be procured, and maintain or cause to be maintained, throughout the term of the Sublease, insurance against loss or damage to any structure constituting any part of the Demised Premises by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Demised Premises, excluding the cost of excavations, of grading and filling and of the land, but in any event, shall be in an amount and in a form sufficient, in the event of total or partial loss, to enable the County either to make a payment equal to the lesser of (i) the aggregate principal components of the unpaid Base Rental or (ii) an amount necessary to restore the Demised Premises to the condition existing before such loss. The County may, in its discretion, insure the Demised Premises under blanket insurance policies which insure not only the Demised Premises but also other properties as long as such blanket insurance policies comply with the requirements of this Sublease. The County may, at its election, provide for insurance pursuant to this Section partially or wholly by means of a self-insurance program meeting the requirements of Section 6.06. The net proceeds of such insurance shall be applied as set forth in Section 6.05. Such insurance may at any time include a deductible clause providing for a deductible not to exceed \$1,000,000 for all losses in any year.

**Section 6.03. Business Interruption Insurance.** The County shall procure or cause to be procured, and maintain or cause to be maintained, throughout the term of the Sublease, business interruption insurance to cover loss, total or partial, of the use of any

structures constituting any part of the Demised Premises as the result of any of the hazards covered by the insurance required by Section 6.02 hereof, in an amount sufficient to pay the total Base Rental Payments hereunder for a period of at least twenty-four (24) months. The net proceeds of such insurance shall be applied to pay the Base Rental Payments for a period of time during which the payment of rental under this Sublease is abated, and any proceeds of such insurance not so used shall be applied as provided in Section 3.02 to the extent required for the payment of Additional Payments. Business interruption insurance may not be maintained through any self-insurance program without the Bank's prior written consent.

**Section 6.04. Title Insurance.** The County shall obtain title insurance on the Demised Premises, in the form of leasehold title policy, in an amount equal to the sum of the aggregate principal components of the Base Rental payable hereunder, issued by a company of recognized standing duly authorized to issue the same, payable to the Bank, subject only to Permitted Encumbrances.

**Section 6.05. Application of Insurance.** (a) The proceeds of any casualty insurance with respect to the Demised Premises, if received by the Corporation or the County, shall be paid immediately to the Bank. The Bank shall deposit any such proceeds which it receives in a special fund which it shall establish and maintain and hold in trust, to be known as the "Insurance Proceeds Fund." Within ninety (90) days of payment of such proceeds to the Bank, the County shall indicate to the Bank in a Certification whether it elects to repair or replace the Demised Premises. In the event that the County elects to repair or replace the Demised Premises, it shall furnish to the Bank, concurrently with such Certification, plans of the contemplated repair or replacement, accompanied by a certificate of an architect or other qualified expert satisfactory to the Bank estimating the reasonable cost of such repair or replacement and the time required to complete such work and shall deliver to the Bank a Certification of the County stating that (1) amounts in the Insurance Proceeds Fund, together with investment income reasonably expected to be received with respect thereto and any other funds available or reasonably expected to become available therefor (which the County shall use best efforts to make available and shall agree to deposit in said fund when so available) shall be sufficient to repair or replace the property damaged or destroyed in accordance with said plans and to make Base Rental Payments during the period required for repair or replacement and (2) stating that the fair rental value of the Demised Premises as so repaired or replaced is reasonably expected to be at least equal to the Base Rental Payments to become due after such repair or replacement. After deducting therefrom the reasonable charges and expenses of the Bank in connection with the collection and disbursement of such moneys, moneys in the Insurance Proceeds Fund shall be disbursed by the Bank for the purposes of repairing or replacing the Demised Premises, in each case upon receipt of a Request of the County. Any proceeds in excess of the amount expected to be needed for the repair or replacement shall be transferred to the County.

(b) In the event the County shall not elect to repair or replace the property damaged, destroyed or taken, as provided in subsection (a) of this Section, or in the event that the County shall not provide the Certification and other documentation required by said subsection (a), the Bank shall apply all amounts or the excess amounts, as the case may be, in the Insurance Proceeds Fund to the prepayment of the Base Rental Payments.

(c) The County hereby agrees that in the event it receives net proceeds of title insurance, if any, insuring the Demised Premises, it will apply such proceeds either to the replacement of the Demised Premises or the prepayment of Base Rental Payments.

**Section 6.06. Insurance Proceeds; Forms of Policies; Certificates.** All policies of insurance required by Sections 6.02 and 6.03 shall provide that all proceeds thereunder shall be payable to the Bank as a loss payee under the insurance policy. All policies of insurance required by Section 6.01 shall provide that the Bank is an additional insured under the insurance policy. All proceeds of insurance received in respect of destruction of or damage to any portion of the Demised Premises by fire or other casualty or event shall be paid to the Bank for application in accordance with the provisions of Section 6.05. All proceeds of insurance received in respect of a loss of the use and occupancy of the Demised Premises shall be paid to the Bank as a payment of Base Rental Payments.

The Bank shall be given thirty (30) days' prior notice of any intended cancellation or reduction of all applicable insurance policy limits or coverages required hereunder.

The self-insurance program of the County referred to in Sections 6.01 and 6.02 shall afford reasonable protection to the County, the Corporation, its members, directors, officers, agents and employees, and the Bank, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State of California other than the County. Before such other method or plan may be provided by the County, and annually thereafter so long as such method or plan is being provided to satisfy the requirements of this Sublease, there shall be filed with the Bank a certificate of an actuary, independent insurance consultant or other qualified person (who may, but need not be, an employee of the County), stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of this Section and, when effective, would afford reasonable protection to the County, the Corporation, its members, directors, officers, agents and employees and the Bank against loss and damage from the hazards and risks covered thereby.

## ARTICLE VII

### DEFAULTS AND REMEDIES

**Section 7.01. Events of Default and Remedies.** (a) Events of Default. If one or more of the following Events of Default shall happen, that is to say --

(1) (a) if default shall be made in the due and punctual payment of any Base Rental Payment when and as the same shall become due and payable or (b) default shall be made in the payment of Additional Rental and such default shall have continued for a period of thirty (30) days after the County shall have been given notice in writing of such default by the Corporation or the Bank;

(2) if default shall be made by the County in the performance of any of the other agreements or covenants contained herein required to be performed by it, and such default shall

have continued for a period of sixty (60) days after the County shall have been given notice in writing of such default by the Corporation or the Bank;

(3) if the County shall file (i) a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the County seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the County or of the whole or any substantial part of its property, (ii) become insolvent or shall not pay, or be unable to pay, or admit in writing its inability to pay, its debts generally as they become due, (iii) make an assignment for the benefit of creditors, (iv) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its property;

(4) Any material provision of this Sublease or the Lease shall at any time for any reason cease to be the legal, valid and binding obligation of the County or shall cease to be in full force and effect, or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the County, or the County shall renounce the same or deny that it has any further liability hereunder or thereunder;

(5) Any court of competent jurisdiction or other governmental entity with jurisdiction to rule on the validity of any provision of this Sublease or the Lease shall find or rule that this Sublease or the Lease is not valid or not binding on the County;

(6) Any material representation or warranty made by the County under this Sublease or the Lease shall prove to have been incorrect, false or misleading in any material respect when made;

(7) If the County shall fail (i) to make any payment on any of its Debt when the same shall become due and such failure shall continue beyond any applicable notice and grace period specified in any underlying resolution, indenture, contract or instrument providing for the creation of such Debt or (ii) default in the observance or performance of any agreement or condition relating to any Debt or contained in any instrument or agreement evidencing, securing or relating thereto, or any other default, event of default or similar event shall occur or condition exist, the effect of which default, event of default or similar event or condition is to cause (determined without regard to whether any notice is required) any such Debt to become immediately due and payable in full as the result of the acceleration, mandatory redemption or mandatory tender of such Debt;

(8) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for the County or any substantial part of its property; or

(9) a debt moratorium, debt restructuring, debt adjustment or comparable restriction is imposed on the repayment when due and payable of the principal of or interest on

any Debt of the County by the County or any Governmental Authority with appropriate jurisdiction;

then and in each and every such case during the continuance of such Event of Default, the Corporation or its assignee may at any time thereafter (with or without notice and demand and without limiting any other rights or remedies the Corporation may have):

(1) Maintain the Sublease in full force and effect and recover unpaid Base Rental Payments with interest components calculated at the Default Rate and other monetary charges as they become due without acceleration of rent and without terminating the County's right to possession, regardless of whether or not the County has abandoned the Demised Premises. In the event the Corporation or its assignee elects not to terminate the Sublease, it shall have the right and the County hereby irrevocably appoints the Corporation or its assignee as its agent and attorney-in-fact for such purpose to attempt to relet the Demised Premises at such rent, upon such conditions and for such term, and to do all other acts to maintain or preserve the Demised Premises as the Corporation or its assignee deems desirable or necessary, and the County hereby waives any and all claims for any damages that may result to the Demised Premises thereby; provided, that no such actions shall be deemed to terminate the Sublease and the County shall continue to remain liable for any deficiency that may arise out of such reletting, payable at the same time and manner as provided for Base Rental in Section 3.01 and Additional Rental in Section 3.02.

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



Each and all of the remedies given to the Corporation or its assignee hereunder or by any law now existing or hereafter enacted are cumulative and the exercise of any one remedy shall not impair the right of the Corporation to any or all other remedies. Notwithstanding any other provision herein, the remedy of acceleration of the Base Rental Payments shall not be available to the Corporation or its assignee.

(b) The County shall in no event be in default in the performance of any of its obligations hereunder (except for its obligation to make Base Rental Payments pursuant to Section 3.01) unless and until it shall have failed to perform such obligation within thirty (30) days or such additional time as is reasonably required to correct any such default after notice by the Corporation to it properly specifying wherein it has failed to perform such obligation.

(c) In addition to the remedies set forth in this section, upon the occurrence of an Event of Default as defined herein, the Corporation and its assignee shall be entitled to proceed to protect and enforce the rights vested in the Corporation and its assignee by the Sublease by such appropriate judicial proceeding as the Corporation or its assignee shall deem most effectual, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained herein or to enforce any other legal or equitable right vested in the Corporation and its assignee by the Sublease or by law. The provisions of the Sublease and the duties of the County and of its supervisors, officers or employees shall be enforceable by the Corporation or its assignee by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Corporation and its assignee shall have the right to bring the following actions:

(1) **Accounting.** By action or suit in equity to require the County and its supervisors, officers and employees and its assigns to account as the trustee of an express trust.

(2) **Injunction.** By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Corporation or its assignee.

(3) **Mandamus.** By mandamus or other suit, action or proceeding at law or in equity to enforce the Corporation's or its assignee's rights against the County (and its supervisors, officers and employees) and to compel the County to perform and carry out its duties and obligations under the law and its covenants and agreements with the Corporation as provided herein and in the Lease.

**Section 7.02. Waiver.** The waiver by the Corporation of any breach by the County of any agreement, condition, covenant or term hereof shall not operate as a waiver of any subsequent breach of the same or any other agreement, condition, covenant or term hereof.

## ARTICLE VIII

### PREPAYMENT

**Section 8.01. Eminent Domain.** If the Demised Premises (or portions thereof such that the remainder is not usable for public purposes by the County) shall be taken under the power of condemnation or eminent domain, the term hereof shall cease as of the day that possession shall be so taken. If less than the entire Demised Premises shall be taken under the

power of condemnation or eminent domain and the remainder is usable for public purposes by the County at the time of such taking, then this Sublease shall continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the rental due hereunder in an amount equivalent to that proportion of the Base Rental hereunder which the fair market value of the portion taken bears to the fair market value of the Demised Premises as a whole. So long as any of the principal components of the Base Rental remain unpaid any award made in eminent domain proceedings for taking the Demised Premises or any portion thereof shall be applied to the prepayment of the principal components of Base Rental Payments as provided in Section 8.02(a) and any remaining balance of any such award shall be applied to the making of Additional Rental as provided in Section 3.02. Any such award made after all of the Base Rental and Additional Rental have been fully paid, or provision therefor made, shall be paid to the Corporation and to the County as their respective interests may appear.

**Section 8.02. Prepayment.** (a) The County shall prepay, to the extent required by Section 8.01, from proceeds of condemnation awards or eminent domain received pursuant to Section 8.01 hereof, all or any part of Base Rental Payments then unpaid so that the aggregate principal and interest components of the Base Rental Payments which shall be payable after such prepayment date shall be as nearly proportional as practicable to the aggregate annual principal and interest components of the Base Rental Payments unpaid prior to the prepayment date, at a prepayment amount equal to the principal and interest components of the Base Rental Payments to the date of prepayment.

(b) The County shall prepay, to the extent required by Section 6.05, from net insurance proceeds received pursuant to Section 6.02 or 6.04 hereof, all or any part of Base Rental Payments then unpaid so that the aggregate principal and interest components of the Base Rental Payments which shall be payable after such prepayment date shall be as nearly proportional as practicable to the aggregate annual principal and interest components of the Base Rental Payments unpaid prior to the prepayment date, at a prepayment amount equal to the principal and interest components of the Base Rental Payments to the date of prepayment.

(c) The County may prepay for any reason and from any source of available funds (other than a prepayment pursuant to clause (a) or (b) above) as a whole or in part on any date, all or any part of the principal components of the Base Rental Payments, at a prepayment price equal to the sum of the principal amount prepaid, plus accrued interest to the date of prepayment, plus a premium of (i) \$35,000 if the prepayment date is on or before December 1, 2016, and (ii) \$25,000 if the prepayment date is after December 1, 2016.

(d) Before making any prepayment pursuant to this Article, the County shall, give written notice to the Corporation and the Bank describing such event and specifying the date on which the prepayment will be made, which date shall be not less than 15 days nor more than 60 days from the date such notice is given to the Corporation.

(e) If the County shall submit a Request of the County requesting a prepayment in part of the Base Rental Payments in accordance with this Article VIII, the County shall also submit to the Bank therewith a schedule showing the base rental payment schedule to be in effect after the prepayment of part of the Base Rental Payments.

## ARTICLE IX

### COVENANTS

**Section 9.01. Right of Entry and Inspection.** The Corporation shall have the right to enter the Demised Premises during reasonable business hours (and in emergencies at all times) for any purpose connected with the Corporation's rights or obligations hereunder and for all other lawful purposes.

**Section 9.02. Prohibition Against Encumbrance or Sale of Demised Premises; Assignment and Subleasing.** The County shall not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Demised Premises, without the prior written consent of the Corporation; provided, however, the County may sublet the Demised Premises without such consent if such subletting does not adversely affect the tax-exempt status of the interest components of the Base Rental Payments payable by the County hereunder. No such mortgage, pledge, lien, charge, encumbrance or sublease shall in any event affect or reduce the obligation of the County to make the Base Rental Payments and Additional Payments required hereunder.

**Section 9.03. Liens.** In the event the County shall at any time during the term hereof cause any improvements to the Demised Premises to be constructed or materials to be supplied in or upon or attached to the Demised Premises, the County shall pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the County in, upon, about or relating to the Demised Premises and shall keep the Demised Premises free of any and all liens against the Demised Premises or the Corporation's interest therein. In the event any such lien attaches to or is filed against the Demised Premises or the Corporation's interest therein, the County shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the County desires to contest any such lien it may do so in good faith and by appropriate proceedings diligently conducted, if adequate reserves with respect thereto are maintained on the books of the County in accordance with generally accepted accounting principles. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the County shall forthwith pay or cause to be paid and discharged such judgment. The County shall, to the maximum extent permitted by law, indemnify and hold the Corporation and its assignee and its members, officers and employees harmless from, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against the Demised Premises or the Corporation's interest therein.

**Section 9.04. Quiet Enjoyment.** The parties hereto mutually covenant that the County, so long as it observes and performs the agreements, conditions, covenants and terms required to be observed or performed by it contained herein and is not in default hereunder, shall at all times during the term hereof peaceably and quietly have, hold and enjoy the Demised Premises without suit, trouble or hindrance from the Corporation.

**Section 9.05. Net Lease.** It is the purpose and intent of the Corporation and the County that Base Rental Payments and Additional Rental hereunder shall be absolutely net to the Corporation so that the Sublease shall yield to the Corporation the lease payments, free of any charges, assessments, or impositions of any kind charged, assessed or imposed on or against the Demised Premises, and without counterclaim, deduction, defense, deferment or set-off by the County, except as herein specifically otherwise provided. Neither the Corporation nor its assignees shall be expected or required to pay any such charge, assessment or imposition, or be under any obligation or liability hereunder except as herein expressly set forth, and all costs, expenses and obligations of any kind relating to the maintenance and operation of the Demised Premises which may arise or become due during the term of the Sublease shall be paid by the County.

**Section 9.06. Compliance with Sublease.** The County and the Corporation hereby agree to faithfully observe and perform their respective covenants, conditions and requirements herein. The County shall not suffer or permit any default to occur hereunder, nor do or permit to be done in, upon or about the Demised Premises or any part thereof, anything that might in any way weaken, diminish or impair the operation or value of the Demised Premises. The County shall not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of this Sublease or the Lease.

**Section 9.07. Essentiality.** The County hereby represents that the use of the Demised Premises is essential to the operations of the County.

**Section 9.08. Notices.** The County shall provide to the Bank written notice of any Event of Default or any claim, action, suit or proceeding before any court or other governmental entity which could reasonably be expected to have a Material Adverse Effect within 30 days of discovery thereof by the County.

**Section 9.09. Accounting Records and Financial Statements.**

(a) The County will prepare and file with the Bank annually within two hundred forty (240) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2015) the Comprehensive Annual Financial Report of the County, which includes financial statements of the County, for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereon.

(b) Simultaneously with the delivery of the annual financial statements referred to in (a) of this Section, a compliance certificate signed by a principal financial officer of the County in the form attached hereto as Exhibit C.

(c) The County shall furnish to the Bank (or post on the County website) as soon as available and, in any event, within 90 days of the start of each Fiscal Year, the annual budget of the County.

## ARTICLE X

### MISCELLANEOUS

**Section 10.01. Corporation Not Liable.** The Corporation and its assignee and its members, officers and employees shall not be liable to the County or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on, about or relating to the Demised Premises.

**Section 10.02. Disclaimer of Warranties.** NEITHER THE CORPORATION NOR ITS ASSIGNEE MAKE ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE DEMISED PREMISES OR ANY OTHER WARRANTY WITH RESPECT THERETO. In no event shall the Corporation or its assignee be liable for any incidental, indirect, special or consequential damage in connection herewith or arising hereunder, or the existence, furnishing or functioning of the Demised Premises.

**Section 10.03. Indemnification and Expenses.** To the extent permitted by law, the County does hereby assume liability for, and agree to defend, indemnify, protect, save and keep harmless the Corporation, the Bank and each of its respective members, officers and employees and its successors and assigns from and against any and all liabilities, obligations, losses, damages (including consequential damages incurred by others), taxes and impositions, penalties, fines, claims, actions, suits, costs and expenses and disbursements (including legal fees and expenses) of whatsoever kind and nature imposed on, asserted against or incurred or suffered by the Corporation, the Bank or its respective directors, officers or employees or its successors and assigns in any way relating to or arising out of its lease of the Demised Premises or the County's use thereof, the taking possession of, re-entering or re-letting of the Demised Premises or the exercise by the Corporation, the Bank or its assignee of any other remedy provided in Section 7.01 hereof or the execution and delivery or performance hereof or the assignment hereof or any other agreements relating thereto (including without limitation the lease of the Demised Premises), or the enforcement of any of the terms of any thereof.

**Section 10.04. Law Governing.** The Sublease shall be construed and governed in accordance with the laws of the State of California.

**Section 10.05. Notices.** All approvals, authorizations, consents, demands, designations, notices, offers, requests, statements or other communications hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States first class mail, postage prepaid, return receipt requested, to its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the County: County of Santa Barbara  
105 East Anapamu Street  
Santa Barbara, California 93101  
Attention: Treasurer, Room 109  
(with a copy to County Counsel, Room 201)

If to the Corporation: c/o County of Santa Barbara  
105 East Anapamu Street, Room 201  
Santa Barbara, California 93101  
Attention: County Counsel, Room 201  
(with a copy to the Treasurer, Room 109)

If to the Bank: Wells Fargo Municipal Capital Strategies, LLC  
c/o Wells Fargo Bank, National Association  
Los Angeles, California 90071  
Attention: Lynn Love

**Section 10.06. Validity and Severability.** If for any reason the Sublease or any part thereof shall be held by a court of competent jurisdiction to be void, voidable, or unenforceable by the Corporation or by the County, all of the remaining terms hereof shall nonetheless continue in full force and effect. If for any reason it is held by such a court that any of the agreements, conditions, covenants or terms required to be observed or performed by the County hereunder, including the covenant to pay rentals hereunder, is unenforceable for the full term hereof, then and in such event the Sublease is and shall be deemed to be a lease from year to year under which the rentals are to be paid by the County annually in consideration of the right of the County to use and occupancy of the Demised Premises, and all the other agreements, conditions, covenants and terms hereof, except to the extent that such agreements, conditions, covenants and terms are contrary to or inconsistent with such holding, shall remain in full force and effect.

**Section 10.07. Section Headings.** All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision hereof.

**Section 10.08. Assignment by the Corporation.** (a) The County understands and agrees that, upon the execution and delivery of the Assignment Agreement (which is occurring simultaneously with the execution and delivery hereof), all right, title and interest of the Corporation in and to this Sublease will be sold, assigned and transferred to the Bank. The County hereby consents to such sale, assignment and transfer and all further assignments and transfers of the interests thereunder in accordance with the terms thereof. Upon the execution and delivery of the Assignment Agreement, all rights and remedies as are given to the Corporation under this Sublease, shall be exercised solely by the Bank or its assignees.

(b) The County and the Corporation hereby acknowledge and agree that the Bank and any assignee of the Bank may assign its Assigned Rights under the Assignment Agreement as follows:

(i) Successors and Assigns Generally. The Bank may, in its sole discretion and in accordance with applicable Law, from time to time assign, sell or transfer in whole its interest in the Lease, and the Sublease in accordance with the provisions of paragraph (ii) or (iii) of this Section. The Bank may at any time and from time to time enter into participation agreements in accordance with the provisions of paragraph (iv) of this Section. The Bank may at any time pledge or assign a security interest subject to the restrictions of paragraph (v) of this clause (b).

(ii) Sales and Transfers by Bank to a Bank Transferee. Without limitation of the foregoing generality, the Bank may at any time sell or otherwise transfer its interest in the Lease, and the Sublease in whole, and not in part, to a Person that is (i) an Affiliate of the Bank or (ii) a trust or other custodial arrangement established by the Bank or the Affiliate of the Bank, the owners of any beneficial interest in which are limited to “qualified institutional buyers” as defined in Rule 144A promulgated under the 1933 Act (each, a “Bank Transferee”).

For purposes of this clause (b)(ii), “Affiliate” means, with respect to any Person, any Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such first Person. A Person shall be deemed to control another Person for the purposes of this definition if such first Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the second Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise.

(iii) Sales and Transfers by Bank to a Non-Bank Transferee. Without limitation of the foregoing generality, the Bank may at any time sell or otherwise transfer to one or more transferees which are not Bank Transferees but each of which constitutes (i) a “qualified institutional buyer” as defined in Rule 144A promulgated under the 1933 Act and (ii) a commercial bank organized under the laws of the United States, or any state thereof, or any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and, in any such case, having a combined capital and surplus, determined as of the date of any transfer pursuant to this clause (c), of not less than \$5,000,000,000 (each a “Non-Bank Transferee”) its interest in the Lease and the Sublease in whole, and not in part if written notice of such sale or transfer, including that such sale or transfer is to a Non-Bank Transferee, together with addresses and related information with respect to the Non-Bank Transferee, shall have been given to the County, the Corporation and the Bank.

From and after the date the County, the Trustee and the Bank have received written notice the Non-Bank Transferee thereunder shall be a party hereto and shall have the rights and obligations of the Bank hereunder and with respect to its interests in the Lease, and the Sublease, and this Sublease shall be deemed to be amended to the extent, but only to the extent, necessary to effect the addition of the Non-Bank Transferee, and any reference to the Bank

hereunder and with respect to the Sublease shall thereafter refer to such the Non-Bank Transferee.

(iv) Participations. The Bank shall have the right to grant participations in all or a portion of the Bank's interest in the Lease, and this Sublease to one or more other banking institutions; provided, however, that (A) no such participation by any such participant shall in any way affect the obligations of the Bank hereunder and (B) the County and the Corporation shall be required to deal only with the Bank, with respect to any matters under the Lease, and this Sublease and no such participant shall be entitled to enforce any provision hereunder against the Corporation.

(v) Certain Pledges. The Bank may at any time pledge or grant a security interest in all or any portion of its rights under the Lease, and this Sublease to secure obligations of the Bank, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release the Bank from any of its obligations hereunder or substitute any such pledgee or assignee for the Bank as a party hereto.

**Section 10.09. Execution in Counterparts.** The Sublease may be executed and entered into in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.



IN WITNESS WHEREOF, the parties hereto have executed and entered into the Sublease by their officers thereunto duly authorized as of the day and year first above written.

**SANTA BARBARA COUNTY  
FINANCE CORPORATION, INC.**

By \_\_\_\_\_  
President

By \_\_\_\_\_  
Treasurer

**COUNTY OF SANTA BARBARA**

By \_\_\_\_\_  
Chair of the Board of Supervisors

[SEAL]

**ATTEST:**

Mona Miyasato,  
Clerk of the Board of Supervisors

By \_\_\_\_\_

**APPROVED AS TO FORM:**

Michael C. Ghizzoni,  
County Counsel

By \_\_\_\_\_

**APPROVED AS TO ACCOUNTING  
FORM:**

Robert W. Geis, C.P.A.,  
Auditor-Controller

By \_\_\_\_\_

**APPROVED AS TO FORM:**

Ray Aromatorio,  
Risk Manager

By \_\_\_\_\_

**EXHIBIT A**

**DEMISED PREMISES**

[County Psych/Health Building #2]

**EXHIBIT B**

**BASE RENTAL PAYMENT SCHEDULE**

<b>Due Date</b>	<b>Principal Component</b>	<b>Interest Component</b>	<b>Total Base Rental</b>	<b>Total Annual Base Rental</b>
<hr/> <hr/> <hr/>				
<b>Total</b>				

**EXHIBIT C**

**COMPLIANCE CERTIFICATE**

TO: WELLS FARGO BANK, NATIONAL ASSOCIATION, as Assignee

Reference is made to the Sublease (Santa Barbara County), dated as of December 1, 2014 (the "Sublease"), between the SANTA BARBARA COUNTY FINANCE CORPORATION, INC., a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California (the "Corporation"), and the COUNTY OF SANTA BARBARA, a political subdivision duly organized and existing under and by virtue of the laws of the State of California (the "County"). This Certificate is delivered in accordance with Section 9.09(b) of the Sublease by the undersigned.

1. Events of Default. To the best of my knowledge, no Event of Default has occurred [or if an Event of Default has occurred, describe the default and any remedial steps taken or proposed to correct such event or condition].
2. The insurance required by Article VI of the Sublease remains in effect.

Date:

COUNTY OF SANTA BARBARA

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

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