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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 September 1, 2011

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## SUBLEASE

This Sublease (the "Sublease"), executed and entered into as of September 1, 2011, 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 September 1, 2011, 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.

**"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 Bank, N.A.

**“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, 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 Chairman or the Vice Chairman 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 September \_\_, 2011.

**“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 \$10,000,000.

**“Demised Premises”** means the Series A Demised Premises and the Series B Demised Premises.

**“Default Rate”** means \_\_\_% per annum with respect to the Series A Base Rental Payments and \_\_\_% per annum with respect to the Series B Base Rental Payments.

**“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.”

**“Expiry Date”** means \_\_\_\_\_ 1, \_\_\_\_.

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

**“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 interest component of the Base Rental Payments is due and payable.

**“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 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 to \_\_\_\_\_ 1, \_\_\_\_ and \$\_\_\_\_\_ for each Rental Payment Period thereafter.

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

“**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;

(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.

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

“**Series A Base Rental Payments**” means the Base Rental Payments set forth in Exhibit B-1 attached hereto.

“**Series A Demised Premises**” means the Burton Mesa Public Safety Center and the real property on which it is located, all as shown in Exhibit A attached hereto.

“**Series B Base Rental Payments**” means the Base Rental Payments set forth in Exhibit B-2 attached hereto.



“*Series B Demised Premises*” means the Santa Maria Social Services Building “C” and the real property on which it is located, all as shown in Exhibit A attached hereto.

“*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.

## 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.** (a) The term hereof shall commence on \_\_\_\_\_ 1, 2011, 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, or provision therefor made in accordance with Section 8.02 hereof, 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 components of the Base Rental Payments and all Additional Rental attributable to the Demised Premises have been paid, or provision therefor made in accordance with Section 8.02 hereof, 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 components of the Base Rental Payments and all Additional Rental attributable to the Demised Premises have been paid, or provision therefor made, 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.

(b) The Series B Demised Premises shall be released from this Sublease, and title to the Series B Demised Premises shall vest in the County, on \_\_\_\_\_ 1, \_\_\_\_\_, or if the Series B Base Rental Payments are not paid in full, such later date as all Series B Base Rental Payments shall have been paid. Upon such expiration, the Corporation shall execute such documents as may be necessary to effect such vesting of record.

**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 or in any 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 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 Series B 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 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 \_\_\_\_\_ 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 \_\_\_\_\_ 1 and \_\_\_\_\_ 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 composite rate on the related unpaid Base Rental Payments.

**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 any 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, consent by the Bank or waiver by the Bank under this Sublease, 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 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, 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.

In addition, if at any time any government or political subdivision, or any agency, board, commission, department or instrumentality of either, or any court, tribunal, central bank or arbitrator governmental board or authority with jurisdiction over the Bank (each a "Governmental Board") shall require revenue or other documentary stamps or any other tax in connection with the execution or delivery of this Sublease, then, if the County lawfully may pay for such stamps, taxes or fees, the County shall pay, when due and payable, for all such stamps, taxes and fees, including interest and penalties thereon, and the County agrees, to the extent permitted by law, to save the Bank harmless from and against any and all liabilities with respect to or resulting from any delay of County in paying, or omission of County to pay, such stamps, taxes and fees hereunder.

(c) In addition, if the Bank shall determine that any law or governmental guideline or governmental interpretation or application thereof by any Governmental Board charged with the interpretation or administration thereof or compliance with any request or directive of any Governmental Board now existing or hereafter adopted:

(i) subjects the Bank to taxation (except for taxes on the overall net income or share capital of the Bank) with respect to this Sublease or payment by the County of the Base Rental Payments, and fees or other amounts due from the County under this Sublease,

(ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirement against credits or commitments to extend credit extended by, assets (funded or contingent) of, deposits with or for the account of, or other acquisitions of funds by the Bank,

(iii) imposes, modifies or deems applicable any capital adequacy or similar requirement (1) against assets (funded or contingent) of, or credits or commitments to extend credit extended by, the Bank, or (2) otherwise applicable to the obligations of the Bank under this Sublease, or

(iv) imposes upon the Bank any other condition or expense with respect to this Sublease; and the result of any of the foregoing is to increase the cost to, reduce the income receivable by, or impose any expense (including loss of margin) upon the Bank with respect to this Sublease (or in the case of any capital adequacy or similar requirement, to have the effect of reducing the rate of return on the Bank's capital, taking into consideration the Bank policies with respect to capital adequacy) by an amount which the Bank deems to be material to it (except for taxes on the overall net income or share capital of the Bank,

then the Bank shall from time to time notify, or cause to be notified, the County of the amount determined in good faith (using any reasonable averaging and attribution methods) by the Bank (which determination shall be conclusive absent manifest error) to be necessary to compensate the Bank for such increase, reduction or imposition. To the extent permitted by law, the County

shall pay such amount to the Bank as Additional Rental on the thirtieth (30th) day after written demand. A certificate by the Bank as to the amount due and payable under this Section from time to time and the method of calculating such amount shall be conclusive absent manifest error and shall be provided to the County with the notice described above. In determining any such amount, the Bank may use any reasonable averaging and attribution methods.

**Section 3.03. Fair Rental Value.** 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 Series A Base Rental Payments, Series B Base Rental Payments and Additional Rental due and payable in each Rental Payment Period shall not exceed the Maximum Fair Rental Value.

**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 unuseable 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 to execute, deliver and perform its obligations under this Sublease.

(b) All authorizations and approvals necessary for the County to enter into this Sublease 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 has 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 in accordance with its 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 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 will materially adversely affect the County's ability to pay the Base Rental Payments when due under this Sublease.

**Section 4.06. Financial Statements.** The financial statements of the County as of June 30, 2011 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; 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) [The County does not knowingly (i) conduct any business or engage in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in subsection (a)(ii) above, (ii) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order or (iii) 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.]]

**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 such property below that prior to the making of such improvements and provided further that any such fixtures, structures or signs shall become subject to the provisions of this Sublease.

**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.

## 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 aggregate principal components of the unpaid Base Rental or 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 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 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.

Each insurance policy required hereunder shall require that the Bank be given thirty (30) days' notice of any intended cancellation thereof or reduction of the coverage provided thereby.

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) 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;

(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 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;

(4) Any material provision of this Sublease 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;

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

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

(7) If the County shall fail 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,

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 rent 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.

(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.

**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 Series B Base Rental Payments shall not be subject to optional prepayment.

(d) The County may prepay for any reason and from any source of available funds as a whole or in part on any date, all or any part of the principal components of the Series A Base Rental Payments, in inverse order, 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 October 1, 2013, and (ii) \$20,000 if the prepayment date is after October 1, 2013.

(e) The County may prepay from any source of available funds as a whole or in part on any date, following a Loss of Subsidy (as hereinafter defined), all or any part of the principal amount of the Series A Base Rental Payments, in inverse order, 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 \$20,000. "Loss of Subsidy" means the occurrence of any of the following: (A) legislation enacted by the Congress of the United States of America or a ruling, regulation or statement issued by the Treasury Department or the Internal Revenue Service, the effect of which (I) denies, repeals, revokes or reduces the County's applicable cash subsidy payments from the United States Treasury under Section 54A or 6431 of the Code (as currently in effect) with respect to this Sublease (herein referred to as "Direct Subsidy Payments") or (II) imposes one or more new substantive conditions on the receipt by the County of Direct Subsidy Payments and such conditions are unacceptable to the County; and (B) any governmental, administrative, judicial or other official action that is beyond the County's control and results in the significant reduction or loss of Direct Subsidy Payments to the County or imposes one or more new



substantive conditions on the receipt by the County of Direct Subsidy Payments and such conditions are unacceptable to the County; provided, however, that in no event shall a “Loss of Subsidy” occur as the result of the County’s failure or inability for reasons within its control to receive (or delay in receipt of) all or any portion of any Direct Subsidy Payment from the United States Department of Treasury or the County’s failure to comply with applicable law and regulations to obtain payment of any Direct Subsidy Payment from the United States Department of Treasury, including (without limitation) any offset against any Direct Subsidy Payment as a result of other liabilities of the County to the United States Department of Treasury.

(f) 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.

(g) 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.

(h) When there shall have been deposited in trust with a financial institution at or prior to the due dates of the Base Rental Payments or date when the County may exercise its option to prepay the Base Rental Payments, in trust for the benefit of the Bank and irrevocably appropriated and set aside to the payment of the Base Rental Payments, sufficient moneys or direct obligations of the United States of America (the “Federal Securities”), not redeemable prior to maturity, the principal of and interest on which when due will provide money sufficient to pay all principal of and interest to the due date of the Base Rental Payments or dates when the County may exercise its option to prepay the Base Rental Payments, as the case may be, then and in that event the right, title and interest of the Bank in such Base Rental Payments and the obligations of the County hereunder shall thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the Bank and the obligation of the County to have such moneys and such Federal Securities applied to the payment of the Base Rental Payments) and the Bank's interest in the Sublease shall be transferred and conveyed to the County.

## 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 or any part thereof, or upon any real or personal property essential to the operation of the Demised Premises, without

the 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 Series B 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 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. The Corporation shall not 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 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 the Sublease.

**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, 2011) 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.

**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 and its 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 or its 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 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, 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 Bank, N.A.  
707 Wilshire Blvd., 11th Floor  
Los Angeles, California 90017  
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. Third Party Beneficiary.** Pursuant to the provisions of Resolution No. 11-95 of the California Debt Limit Allocation Committee (“CDLAC”), CDLAC shall be a third party beneficiary of this Sublease.

**Section 10.09. Assignment by the Corporation.** 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. Upon the execution and delivery of the Assignment Agreement, references in the operative provisions hereof to the Corporation shall be deemed to be references to the Bank, as assignee of the Corporation.

**Section 10.10. 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:**

Chandra L. Wallar,  
Clerk of the Board of Supervisors

By \_\_\_\_\_

**APPROVED AS TO FORM:**

Dennis Marshall,  
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**

**EXHIBIT B-1**

**SERIES A 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>
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**EXHIBIT B-2**

**SERIES B BASE RENTAL PAYMENT SCHEDULE**

<u>Due Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Base Rental</u>	<u>Total Annual Base Rental</u>
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**EXHIBIT B-3**

**SERIES A AND SERIES B BASE RENTAL PAYMENT SCHEDULE**

<u>Due Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Base Rental</u>	<u>Total Annual Base Rental</u>
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**EXHIBIT C**

**COMPLIANCE CERTIFICATE**

TO: WELLS FARGO BANK, NATIONAL ASSOCIATION, as Assignee

Reference is made to the Sublease (Santa Barbara County), dated as of September 1, 2011 (the "Sublease"), between the SANTA BARBARA COUNTY FINANCING 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: