

BOARD OF SUPERVISORS AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors 105 E. Anapamu Street, Suite 407 Santa Barbara, CA 93101 (805) 568-2240

Department Name:

General Services

Department No.:

063

For Agenda Of: Placement: June 19, 2007 Administrative

Estimated Tme:

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Continued Item:

Nο

If Yes, date from: Vote Required:

majority

TO:

Board of Supervisors

FROM:

General Services

Bob Nisbet, Director (805) 560-1011 Rolet Molt

Contact Info:

Paddy Langlands, Assistant Director (805) 568-3096

SUBJECT:

Isla Vista Foot Patrol Ground Lease with UCSB

County Counsel Concurrence

Auditor-Controller Concurrence

As to form Yes As to form Yes

Other Concurrence: Risk Manager

As to form Yes

Recommended Actions:

That the Board of Supervisors execute the attached original and duplicate original Ground Lease between the County of Santa Barbara and the Regents of the University of California, for the County's use of a portion of University-owned property located at 960 Embarcadero Del Norte, in Isla Vista, also known as Assessor Parcel Numbers 075-172-012, 013, and 015, for a period of forty years, for the purpose of constructing and operating a new Isla Vista Foot Patrol Substation; at an annual rental amount of \$30,000, which shall be waived for so long as the property is used for the afore-mentioned purposes.

Summary Text:

The Sheriff's Department will be utilizing an approximately 15,000 square foot portion of the University-owned property to construct an approximately 5,000 square foot Sheriff's Substation to serve the needs of the Isla Vista community. So long as the Substation is in operation, the annual rental value of \$30,000 for that portion of the property will be waived for the duration of the 40-year term of the Ground Lease. At the end of the term, the University will have the option of continuing the lease, or taking title to the building. The consideration given by the County for the lease is the construction and maintenance of the substation and the provision of law enforcement services to the Isla Vista community. The University is providing the land and a \$42,000 per year operational subsidy to be paid to the County to help fund operations at the Substation.

Background:

The County has been discussing the need for increased law enforcement in the Isla Vista community with the University of California for several years. The Isla Vista Foot Patrol, staffed by members of the Sheriff's Department, UCSB Police, and the California Highway Patrol is currently operating from an approximately 2500 square foot leased building on Pardall Road, in Isla Vista. That lease is paid by the University, and is set to expire in June of 2008.

Isla Vist Foot Patrol Ground Lease with UCSB

Agenda Date: June 19, 2007

Page 2 of 2

It has been determined that the Foot Patrol's 2500 square foot building on Pardall is inadequate to accommodate the 24 people currently staffed there. Additionally, there is a desire to increase current staffing with investigators as well as with more patrol officers. There is also a community parking plan in process that requires the staffing of additional Parking Enforcement Officers. Several new housing projects will significantly increase the service population in Isla Vista, requiring a greater law enforcement presence in the community.

Isla Vista is an unincorporated community with a population of approximately 17,000. During special events and on some weekends the population can increase to over 30,000. Approximately 50% of the Isla Vista's resident population is composed of UC Santa Barbara students. Forty-two percent of the 20,000 campus student body resides in Isla Vista. Currently close to 25% of all serious crime in Santa Barbara County occurs in Isla Vista.

During the 2002/03 academic year the campus and Santa Barbara County entered into discussions with the objective of providing a stable and improved law enforcement facility that meets current and future needs of Isla Vista. Improved community oriented law enforcement was identified as one of the critical components necessary to effect the desired improvements to the quality of life for residents. The existing leased facility is a converted office building that is overcrowded, does not have a secure evidence room or holding cell, restrooms are inadequate, interview rooms are poorly ventilated, there is no separation between visitors and officers work area and a there is a severe lack of parking.

Project planning and lease negotiations began in 2003. The County's Debt Advisory Committee reviewed and approved the project for financing November 8, 2004. On August 1, 2006, the County Board of Supervisors executed a Memorandum of Understanding with the University, establishing the process by which the University would review and approve the plans and specifications of the substation submitted by the County. It also stated that the facility will be on University-owned land, and will therefore be under the jurisdiction of, and subject to review by, the Campus Building Official, Campus Fire Marshall, and Department of State Architect. The University performed the required CEQA evaluation, and has been granted the permits required to begin construction of the Substation. The Sheriff's Department will be requesting the Board's approval of the plans and specifications for construction of the Substation, and authorization to open the bidding process.

Fiscal and Facilities Impacts:

The Ground Lease requires the University to pay to the County an operational subsidy in the amount of \$42,000 per year of the lease term. That money may be spent at the discretion of the County for the first twenty years. Following the twentieth year of the lease term, those funds must be spent on maintenance and repair of the Substation.

Staffing Impacts: None

Special Instructions: After Board action, please distribute as follows:

1. Original and Duplicate Original Ground Lease

Don Grady, Office of Real Estate Services Board's Official File

2. Copy of Ground Lease

Note: The partially executed Ground Lease will be returned to the University by General Services for final execution. Upon execution by the University, one fully executed Duplicate Original will be returned to the Board's Official File.

Attachments: Ground Lease

GROUND LEASE

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, a California Corporation as Landlord

- and -

the COUNTY OF SANTA BARBARA, a Subdivision of the State of California as Tenant

June 19, 2007

GROUND LEASE

THIS GROUND LEASE (this "Lease") is made and entered into as of the day of , 20 ___ (the "Effective Date") by and between THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, a California corporation ("Landlord"), and the COUNTY OF SANTA BARBARA, a subdivision of the State of California ("Tenant").

RECITALS

- A. The UC Santa Barbara campus (UCSB) has been renting space in Isla Vista for the Isla Vista Foot Patrol since its formation in the 1970's. The Isla Vista Foot Patrol was established as a combined policing effort, staffed by members of the County of Santa Barbara Sheriff's Department, UC Santa Barbara Police Department and the California Highway Patrol. Currently the Santa Barbara campus is paying lease costs of approximately \$54,000 per year for approximately 2,500 square feet located in the center of the business district in Isla Vista. The lease expires June 2008 and the current landlord has notified the campus that he plans to convert the building to other uses.
- B. Isla Vista is an unincorporated community with a population of approximately 17,000. During special events and on some weekends the population can increase to over 30,000. Approximately 50% of the Isla Vista's resident population is composed of UC Santa Barbara students. Forty-two percent of the 20,000 campus student body resides in Isla Vista. The Isla Vista community is surrounded on three sides by the UC Santa Barbara campus and on the fourth by the Pacific Ocean. In addition to the rental space for the Isla Vista Foot Patrol, the campus owns four facilities in the community: two residence halls and two facilities that provide lecture halls and tutorial services.
- C. Improving the quality of life for all residents of Isla Vista is a high priority for the campus and the County of Santa Barbara. The community is densely populated and burdened with inadequate parking, older buildings, and urban design problems. Currently close to 25% of all serious crime in Santa Barbara County occurs in Isla Vista. The campus jointly funded the development of an Isla Vista Master Plan with the County of Santa Barbara and is working closely with community leaders to expand alternative nighttime activities for residents.
- D. During the 2002/03 academic year the campus and Santa Barbara County entered into discussions with the objective of providing a stable and improved law enforcement facility that meets current and future needs of Isla Vista. Improved community oriented law enforcement was identified as one of the critical components necessary to effect the desired improvements to the quality of life for residents. The existing leased facility is a converted office building that is overcrowded, does not have a secure evidence room or holding cell, restrooms are inadequate, interview rooms are poorly ventilated, there is no separation between visitors and officers work area and a there is a severe lack of parking.
- E. Landlord is the owner in fee simple of the Leased Land, as defined in <u>Section 1.1</u>. Landlord is willing to lease to Tenant and Tenant is willing to lease from Landlord the Leased Land for the term and upon the conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants herein contained, and for other good and valuable consideration, receipt and sufficiency of which is

hereby acknowledged, and upon and subject to the terms and conditions herein contained, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS, GRANT AND TERM

- 1.1 Definitions. For purposes of this Lease, the following definitions shall apply:
- "Abandonment" shall mean the intentional relinquishment of Tenant's rights in the Leased Land.
 - "Alterations" shall have the meaning ascribed to it in Section 8.1 of this Lease.
- "Architect" shall mean a qualified professional, licensed in the State of California and in good standing who may perform architectural services, including analysis of project requirements, creation and development of the project design, preparation of drawings, specifications and bidding requirements and general administration of the construction contract.
- "Assessments" means any and all special assessments or levies or charges made by any municipal or political subdivision for local improvements.
 - "Award" shall have the meaning ascribed to it in Section 10.8 of this Lease.
 - "Base Rent" shall have the meaning ascribed to it in Section 3.2 of this Lease.
- "Commencement Date" shall mean with respect to the Improvements, the last date upon which construction of the Improvements may commence pursuant to Section 2.1.2.
- "Comparable Improvements" shall mean improvements similar in kind and nature to the Improvements which are maintained in a first class manner.
- "Completion Date" shall mean with respect to the Improvements, the date prior to which the construction of the Improvements shall be complete in accordance with Section 2.1.2 of this Lease.
- "<u>Current Dollars</u>" shall mean a dollar amount calculated by multiplying a dollar amount specified in this Lease by a fraction, the numerator of which is the Index last published prior to the most recent anniversary of the Effective Date, and the denominator of which is the Index last published prior to the Effective Date.
- "Development Documents" shall mean all plans, drawings, specifications and documents evidencing governmental approvals or partial approvals; permits; environmental documents; soil, engineering and planning studies; and working drawings and the like, including architects' agreements and construction agreements, pertaining to the Work, the Improvements or the Premises.
 - "Effective Date" shall have the meaning ascribed to it in the preamble of this Lease.
- "Force Majeure" shall mean a strike, act of God, inability to obtain labor or materials, governmental restriction, enemy action, civil commotion, fire, or similar cause, provided such similar cause is beyond Tenant's reasonable control.

"Hazardous Substance" shall mean any material or substance (a) defined as a "hazardous waste," "extremely hazardous waste" or "restricted hazardous waste" under Sections 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control law); (b) defined as a "hazardous substance" under Section 26316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act); (c) defined as a "hazardous material," "hazardous substance" or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95, "Hazardous Substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances); (d) petroleum; (e) asbestos; (f) polychlorinated byphenyls; (g) listed under Article 9 or defined as "hazardous" or "extremely hazardous" pursuant to Article 11 of Title 22 of the California Administrative Code, Division 4, Chapter 20; (h) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 U.S.C. § 1251 et seg. (33 U.S.C. § 1321) or listed pursuant to Section 307 of the Clean Water Act (33 U.S.C. § 6903); (i) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. § 9601 et seq. (42 U.S.C. § 9602); (j) defined as a "hazardous waste" pursuant to the Resource Conservation and Recovery Act. 42 U.S.C. § 6901 et seq. (42 U.S.C. § 6901); or (k) found to be a pollutant, contaminant, hazardous waste or hazardous substance in any reported decision of a federal or California state court, or which may give rise to liability under any federal or California common law theory based on nuisance or strict liability.

"Improvements" shall mean all improvements on the Leased Land to be constructed under the terms of this Lease, plus all street, parking, utility, site, and landscaping Work as more particularly described in Exhibit A attached hereto, to be constructed on the Leased Land during the Term, and includes any replacements, reconstruction or restorations thereof during the Term.

"Landlord" shall have the meaning ascribed to it in the preamble of this Lease.

"Laws" shall mean the applicable statutes, ordinances, rules, codes, requirements, regulations, or the like, of any governmental authority, whether federal, state, or local, or court.

"Leased Land" shall mean that certain land located on the campus of the University of California, Santa Barbara, County of Santa Barbara, State of California, as more particularly described in Exhibit B attached hereto and incorporated herein by reference, together with all rights and privileges appurtenant thereto, consisting of approximately 15,200 gross square feet.

"Major Change Order" shall mean any change to approved 50% Working Drawings (as set forth in Section 2.1.1.2 of this Lease) which will affect, in any material respect, (i) the exterior dimensions of any Improvements, (ii) the design or the finish treatment of the exterior of any of the Improvements, or (iii) the landscaping on any portion of the Leased Land.

"Official Records" shall mean the Official Records of the County Recorder of Santa Barbara County, California.

"Partial Taking" shall have the meaning ascribed to it in Section 10.4 of this Lease.

"Premises" shall mean the Leased Land and the Improvements.

"Substantial Completion" shall mean the date on which Tenant shall issue a certificate of occupancy for the Improvements.

"Taking" shall have the meaning ascribed to it in Section 10.2 of this Lease.

"Taxes" shall mean property taxes, fees, assessments and charges, water and sewer rates and charges and other similar governmental charges, whether general or special, ordinary or extraordinary, which may be levied, assessed, charged or imposed, or may become lien or charge upon the Premises or any part or parts thereof, or upon Tenant's estate created by this Lease, including, without limitation, taxes on land, any buildings, any parking facilities or any other improvements now or hereafter at any time during the Term located at or on the Premises.

"Tenant" shall have the meaning ascribed to it in the preamble of this Lease.

"Tenant's Interest" shall mean Tenant's entire interest in (i) the Leased Land, (ii) the Improvements, and (iii) this Lease.

"Term" shall mean the term of this Lease as set forth in Section 1.4 of this Lease.

"Total Taking" shall have the meaning ascribed to it in Section 10.3 of this Lease.

"Work" shall mean both Tenant's construction activity with respect to the Improvements, including permitted future changes, alterations and renovations thereto and also including, without limiting the generality of the foregoing, site preparation, landscaping, installation of utilities, street construction or improvement and grading or filling in or on the Premises.

- 1.2 <u>Lease.</u> In consideration of the covenants and agreements to be observed and performed by Tenant, Landlord hereby leases to Tenant, and Tenant hereby hires from Landlord, the Leased Land.
- 1.3 Reservation of Oil, Gas and Mineral Rights. Landlord reserves to itself the sole and exclusive right to prospect for, drill for, produce, and take any oil, gas, or other hydrocarbon or mineral substances and accompanying fluids, including all geothermal resources from the Leased Land, from below the depth of five hundred (500) feet from the surface of the Leased Land, including the rights to slant drill, maintain subsurface pressures, and utilize subsurface storage space for natural substances. This reservation does not include the right of entry from surface access, nor any other right not herein expressly reserved. Landlord covenants that Tenant shall not be disturbed in its quiet enjoyment and peaceful use of the Leased Land by the aforementioned drilling and production activities, and Landlord agrees to indemnify Tenant and hold it harmless for any damages proximately caused by such activities.
- 1.4 <u>Term.</u> The term of this Lease shall commence on the Effective Date and expire, without notice or other action by either party, at 12:00 midnight of the day preceding the fortieth (40th) anniversary of the Effective Date, unless this Lease is sooner terminated pursuant to Section 2.9 or Section 14.4.1.
- 1.5 <u>Holding Over.</u> Any holding over by Tenant after expiration or earlier termination shall not constitute a renewal or extension of this Lease, nor shall it give Tenant any rights in or to the Leased Land, or any part thereof.
- Quiet Enjoyment. So long as Tenant is not in default under this Lease in the payment of amounts herein provided or in the observance and performance of all of the covenants, terms and conditions of Tenant's part to be observed and performed, and except (i) Landlord's actions in the case of an emergency for the purposes of protecting public health or safety, and (ii) as otherwise provided in this Lease, Tenant shall lawfully, peaceably and quietly hold, occupy and enjoy the Leased Land without disturbance, interruption or hindrance by Landlord, or any person or entity claiming by or through Landlord. Landlord shall in no event be liable in damages or otherwise, nor shall Tenant be released from any obligation hereunder, because of the interruption of any service, or a termination, interruption or disturbance

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attributable to an event of Force Majeure, or any cause due to any act or neglect of Tenant or its servants, agents, employees, licensees, business invitees, or any person claiming by or through Tenant.

1.7 Condition of Leased Land.

- 1.7.1 <u>Landlord's Representation</u>. Landlord represents and warrants that it has no knowledge of the presence on, in or under the Leased Land of any Hazardous Substance.
- 1.7.2 Tenant's Investigation. Tenant accepts the Leased Land "as is" without representation or warranty of Landlord except as expressly set forth in this Lease. Tenant acknowledges that it has had the advice of such independent professional consultants and experts as it deems necessary in connection with its investigation and study of the Leased Land, has, to the extent it deemed necessary, independently investigated the condition of the Leased Land, including the soils, hydrology and seismology thereof, and the laws and regulations relating to the construction and operation of the Improvements on the Leased Land, including environmental, zoning and other land use entitlement requirements and procedures, height restrictions, floor area coverage limitations and similar matters, and has not relied upon any statement, representation or warranty of Landlord of any kind or nature in connection with its decision to execute and deliver this Lease and its agreement to perform the obligations of Tenant hereunder, except as expressly set forth in this Lease. Landlord makes no warranty as to the suitability of the Leased Land for the uses permitted by this Lease. Landlord makes no covenants or warranties respecting the condition of the soil, subsoil or any other condition of the Leased Land, nor does Landlord make any covenant, representation or warranty regarding the suitability of the Leased Land for the proposed development, construction or use by Tenant. Tenant acknowledges that the soil on the Leased Land may or may not be suitable for the purposes intended by Tenant or be of such character and condition so as to require special engineering for construction of the Improvements, and agrees that Landlord shall be held harmless and free from any additional costs which Tenant may incur in this regard. Landlord shall not be responsible for any land subsidence, soil instability or damage resulting therefrom. Landlord shall not be required or obligated to make any changes, alterations, additions, improvements or repairs in, on, under or about the Leased Land.

1.8 Ownership and Removal of Improvements.

Ownership of Improvements. Except as hereinafter provided, Tenant shall be the owner of all Improvements constructed upon the Leased Land, as the same may be altered, expanded and/or improved from time to time, and all furnishings, fixtures and personal property of Tenant located thereat. Tenant shall retain all rights to depreciation deductions and tax credits arising from its ownership of said property. Upon expiration of this Lease, all such Improvements and property shall automatically vest in, revert to and become the property of Landlord without compensation to, or requirement of consent or other act of, Tenant, and without the necessity of deed, bill of sale, conveyance or other act or agreement of Tenant, and without any payment of any kind or nature by Landlord to Tenant or to any other person, including any Lender who has a lien against all or any portion of Tenant's Interest. Tenant shall thereafter have no further rights thereto or interest therein. Tenant shall not, however, remove any Improvements from the Leased Land, nor waste, destroy or modify any Improvements, except that, after notice from Landlord to demolish the Improvements in accordance with Section 1.8.3, Tenant shall proceed with due diligence to demolish the Improvements by the date of expiration or earlier termination of this Lease. Upon or at any time after the date of the expiration or earlier termination of this Lease, if requested by Landlord, Tenant shall, without charge to Landlord, promptly execute, acknowledge and deliver to Landlord a Tenant's deed and bill of sale which (i) conveys all of Tenant's right, title, and interest in and to the Premises; (ii)

assigns all contracts designated by Landlord, relating to the operation, management or maintenance of the Premises or any part thereof; and (iii) conveys or assigns, as the case may be, all plans, records, registers, permits, and all other papers and documents which may be necessary or appropriate for the proper operation and management of the Premises and shall deliver all of the foregoing to Landlord.

that this Lease terminates following completion of construction of the Improvements in accordance with Section 2.1.2 and earlier than 12:00 midnight of the day preceding the fortieth (40th) anniversary of the Effective Date, then Landlord shall compensate Tenant for the value of the Improvements as set forth in this Section 1.8.2. Following completion of construction of the Improvements, Tenant shall provide Landlord with written documentation of the cost of construction ("Cost") of the Improvements, exclusive of any personal property or specialized equipment as described in Section 1.8.3. The value of the Improvements shall be the Cost multiplied by a fraction, the numerator of which shall be the number of years remaining in the Term and the denominator of which shall be the total length of the Term (e.g. 40 years). Notwithstanding the foregoing, for the purpose of Landlord's obligation to compensate Tenant, the Cost shall not exceed Two Million Dollars (\$2,000,000).

In the event that this Lease terminates prior to expiration of the Term, as a result of the default of Tenant and Landlord's election to terminate this Lease pursuant to Article 14 hereof, Landlord shall recover all amounts and sums owed to Landlord which Tenant is obligated to pay or reimburse under the provisions of this Lease. In addition, Tenant shall reimburse Landlord for all costs and damages resulting from Tenant's default of any provision of this Lease, including, but not limited to, reasonable attorney fees and administrative fees incurred as a result of such default. Tenant's obligations under this Section shall be a condition precedent to Landlord's obligation to compensate Tenant for the value of the Improvements as set forth in this Section.

- 1.8.3 <u>Demolition of the Improvements.</u> In the event that Landlord elects to cause Tenant to demolish the Improvements on expiration of the Lease, following receipt of Landlord's written notice of such election as described in <u>Section 1.8.1</u> above, Tenant shall proceed with due diligence to demolish the Improvements and restore the Leased Land to its condition on the Effective Date, ordinary wear and tear excepted, by the date of expiration or earlier termination of this Lease. Tenant's demolition of the Improvements and restoration of the Leased Land shall be performed in a good and workmanlike manner, and in compliance with applicable law.
- 1.8.4 Removal of Fixtures Not Permitted. If, by the terms of this Lease, Tenant is not required or permitted to demolish the Improvements, Tenant shall not have the right to remove fixtures, and such fixtures shall automatically become the property of Landlord without payment of any kind to Tenant. Equipment, technology or other personal property specialized for the operational needs of the Santa Barbara County Sheriff's Department shall not be considered fixtures within the meaning of this Section 1.8.4, regardless of the method of installation of such property in the Improvements or on the Leased Land.
- 1.8.5 Tenant's Right to Remove Personal Property. At the expiration or earlier termination of this Lease, Tenant may remove any or all of Tenant's personal property from the Leased Land, so long as (i) such personal property can be removed without material damage to the Improvements, and (ii) such personal property is removed within sixty (60) days following such expiration or earlier termination of this Lease, and (iii) all resultant injuries to the Leased Land and the Improvements are promptly and completely remedied and Tenant takes reasonable steps necessary to preserve the appearance of the Leased Land and the Improvements

6

1.9 Surrender of Premises.

- expiration or earlier termination of this Lease, Tenant shall, subject to Section 1.8.2 hereof, deliver possession of the Premises, and every part thereof (including all fixtures ordinarily affixed to or located at the Premises and used in the operations or maintenance of the Improvements), to Landlord, cure all defaults and shall, subject to the provisions of this Lease regarding demolition of the Improvements and restoration of the Leased Land, grant and convey all right, title, and interest in the Improvements, and every part thereof, in good and broom-clean condition, free and clear of all liens and encumbrances other than (i) those existing at the Effective Date, (ii) those created by Landlord, and (iii) those liens and encumbrances approved in writing by Landlord with the express agreement of Landlord that such may survive the expiration or earlier termination of this Lease. This obligation includes the obligation to discharge all liens and encumbrances which may exist upon early termination of this Lease.
- 1.9.2 <u>Surrender of Fixtures</u>. Tenant's obligations under this <u>Section 1.9</u> include the obligation to deliver lien-free possession and title to all fixtures required for the normal operation of the Improvements.
- 1.9.3 Failure to Surrender. If Tenant fails to surrender the Premises, or any part thereof, as required hereunder, at the expiration or sooner termination of this Lease, Tenant shall indemnify, defend and hold Landlord harmless from all liability and expense resulting from the delay or failure to surrender, including, without limitation, claims made by any succeeding Tenant, founded on or resulting from Tenant's failure to surrender, and any direct or indirect or consequential damages which Landlord may incur.

ARTICLE 2

CONSTRUCTION AND IMPROVEMENT OF LEASED PREMISES

2.1 <u>Improvements.</u> Tenant shall at its sole cost and expense, design and construct, or cause to be designed and constructed, the Improvements upon the Leased Land in accordance with the Plans (as defined in <u>Section 2.1.1.4</u>, below) and within the time periods provided herein. The following provisions shall govern the design, permitting and construction process:

2.1.1 Approval of Plans.

2.1.1.1 100% Schematic Plans. Within six (6) months of the Effective Date, Tenant shall submit to Landlord, and Landlord shall approve in accordance with the approval process set forth below, five (5) full sets of one hundred percent (100%) schematic design plans (the "100% Schematic Plans") for the construction of the Improvements.

Within thirty (30) days after Landlord has received any 100% Schematic Plans from Tenant, Landlord shall respond to Tenant initially with respect thereto. Landlord's right of approval with respect to the 100% Schematic Plans shall be for the purpose of determining whether the design and quality of materials proposed for the Improvements are consistent with Landlord's campus standards. If Landlord fails to respond to the 100% Schematic Plans within the thirty (30) day period described above, Landlord shall be deemed to have approved them as submitted. Landlord's response shall be in writing and shall either approve such 100% Schematic Plans or specify the questions or objections Landlord has with respect to such plans.

- 2.1.1.2 50% Working Drawings. Within six (6) months of Landlord's approval of the 100% Schematic Plans, Tenant shall submit to Landlord, and Landlord shall approve or reject, in accordance with the approval process set forth in Section 2.1.1.1, fifty percent (50%) working drawings (the "50%Working Drawings") for the construction of the Improvements. If during the completion of working drawings, Tenant makes any substantial changes to the working drawings that would constitute a change in project scope such as: change in usuable or gross square footage, change in footprint; change in number of parking spaces; change in location of utilities, change in approved exterior design and materials, Tenant must seek Landlord approval for said changes. Landlord will have fourteen (14) days following receipt of revised documents to approve or reject requested changes to working drawings.
- 2.1.1.3 Construction Bid Documents. Within six (6) months of Landlord's approval of the 50% Working Drawings, Tenant shall submit to Landlord, and Landlord shall approve or reject, in accordance with the approval process set forth in <u>Section 2.1.1.1</u>, one (1) full set of construction bid documents (the "Construction Bid Documents") for the construction of the Improvements.
- 2.1.1.4 Plans. The 100% Schematic Plans, the 50% Working Drawings and the Construction Bid Documents shall collectively be referred to as the "Plans".
- award the construction contract and commence construction of the Improvements within ninety (90) days following Landlord's approval of the Construction Bid Documents ("Commencement Date"). Thereafter, Tenant shall diligently proceed, subject to delays caused by Force Majeure, to complete construction of the Improvements in accordance with the Construction Bid Documents on or before the Completion Date. The Completion Date shall be no more than two (2) years from the award of the construction contract. Construction of the Improvements shall be deemed to be complete upon the issuance of a Temporary or Final Certificate of Occupancy.
- 2.1.3 Change Orders. Tenant shall submit to Landlord and Landlord shall approve in accordance with the approval process set forth below, any and all Major Change Orders to the approved 50% Working Drawings. Tenant shall be permitted to proceed, at Tenant's own risk, to do the work called for under a Major Change Order prior to Landlord's approval or disapproval thereof. Landlord's right of approval with respect to any Major Change Order shall be for the purpose of determining whether the final Plans, as so changed, remain consistent with and a logical extension of the Schematic Plans and the Working Drawings. If Landlord believes that the final Plans as so changed do not so conform, Landlord shall advise Tenant in writing of any questions or objections which Landlord has with respect thereto. In such event, Tenant shall make subsequent submissions of the proposed change in order to comply with such questions or objections Landlord may have. If Landlord fails either to give its written approval or state in writing its questions or objections to any such proposed Major Change Order within fifteen (15) days after the date of such submission, Landlord shall be deemed to have approved the proposed Change Order.
- 2.1.4 <u>Building Permits</u>. Landlord shall be solely responsible to take all actions reasonably necessary for the application, issuance and procurement of all necessary building permits from any applicable governmental entity for the construction of the Improvements in accordance with the 50% Working Drawings approved by Landlord. In that regard, should any portion of the approved 50% Working Drawings require any modification which is inconsistent, in any material respect, with any of the plans approved by Landlord, Landlord and Tenant shall consult on any such required modification. If compliance with governmental requirements may be achieved in more than one manner or fashion. Tenant shall obtain Landlord's prior written

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approval of the manner or fashion of Tenant's proposed compliance. Tenant shall reimburse Landlord for all staff time and direct costs which have been approved by Tenant and are incurred in connection with the requirements of this Section 2.1.4 in accordance with the following fee schedule:

Building Official - \$120/hr Deputy Building Official \$100/hr Inspector- \$71/hr Fire Marshal - 106/hr Deputy fire marshal - \$75 External plan review - at cost.

- responsible to take all actions reasonably necessary for the application, issuance and procurement of all necessary permits from the California Coastal Commission ("Commission"). Should Tenant be required by the Commission to modify any portion of its plans and specifications for the Improvements, Landlord and Tenant shall consult on any such required modification. Tenant shall reimburse Landlord for all staff time and direct costs which have been approved by Tenant and are incurred in connection with the requirements of this Section 2.1.5 in accordance with fee schedule set forth above.
- 2.2 Tenant's Contractor. The Improvements shall be originally constructed by, and any subsequent material repairs, alterations, additions or improvements thereto shall be made, by a duly licensed general contractor or contractor and subcontractors designated by Tenant. Tenant shall promptly pay all contractors and materialmen in accordance with its contracts for construction of the Improvements with respect to work performed by or for Tenant or materials purchased by or for Tenant so as to reduce the possibility of a lien attaching to the Leased Land.
- with the applicable laws, rules and regulations and orders of all governmental authorities having jurisdiction over the Leased Land, construction of improvements thereon, or the conduct of Tenant's business thereat, including but not limited to the California Environmental Quality Act and the California Coastal Act. Tenant shall furnish Landlord with copies of all certificates and approvals relating to any work or installation done by Tenant that may be required by any governmental authority or by all applicable underwriters and insurers in connection with the construction of the Improvements, which copies Tenant shall certify as true, correct and complete. Tenant shall furnish Landlord with a set of "as built" drawings and specifications for all construction and subsequent improvements, which accurately reflect the nature and extent of all work done on or to the Leased Land.
 - 2.4 <u>Tenant's Architects.</u> All improvements and landscaping constructed or planted, as applicable, on the Leased Land and any subsequent repairs, alterations, additions or improvements to any of the foregoing which require the written consent of Landlord hereunder shall be designed by qualified professionals designated by Tenant.
 - 2.5 <u>Financing.</u> Landlord is not required to subordinate or subject its fee interest in the Leased Land to the lien of any person or entity providing financing to Tenant in connection with the design or construction of the Improvements, or other improvements, or the maintenance and operation of the Improvements. All such financing shall be the sole responsibility of Tenant.
 - 2.6 <u>Costs of Construction</u>. Tenant shall bear all costs and expenses associated with construction of the Improvements, which costs and expenses include without limitation: (i) utility hook-up and connection fees and all distribution facilities, conduits, pipelines and cables, (ii) all design, engineering, financing and construction costs. (iii) all necessary environmental

approvals required to be obtained, and (iv) all school district taxes, development fees or assessments, each of which may charge on the basis of the size and type of the Improvements.

- 2.7 <u>Landlord's Cooperation.</u> Landlord will cooperate with Tenant in Tenant's efforts to obtain any approvals required for construction of the Improvements on the Leased Land.
- 2.8 Easements and Other Interests. In order to facilitate the development and operation of the Improvements, Tenant may request Landlord to enter into agreements establishing covenants, conditions and restrictions with other parties, which agreements may be recorded against the Premises or any part thereof, for a period not extending beyond the Term; provided that such agreements are consistent with the requirements of the contemplated development of the Improvements and are in accordance with the requirements of Laws. Landlord will grant to Tenant or to such third parties as Tenant may reasonably require such non-exclusive easements, on under or over Landlord's adjacent real property as are necessary and appropriate for access to the Premises and for utility service thereto, provided such easement shall be on terms reasonably acceptable to Landlord.

2.9 Rights of Termination.

- 2.9.1 <u>Termination by Landlord</u>. Landlord may, subject to the occurrence of Force Majeure, terminate this lease in its entirety upon the failure of Tenant to perform any of the terms and conditions of this Lease to be performed by Tenant, in accordance with the provisions of <u>Article 14</u>.
- 2.9.2 Termination by Tenant. Prior to the commencement of construction of the Improvements, Tenant shall have the right to terminate this Lease upon written notice of its election to Landlord. In the event of such termination, Tenant shall reimburse Landlord for any and all costs incurred by Landlord in connection with this Lease and the Improvements contemplated herein, including, but not limited to the preparation of plans, site studies and compliance with the California Environmental Quality Act. Tenant shall not be entitled to the return of any payments made by Tenant to Landlord or on Landlord's behalf prior to the termination of this Lease by Tenant.
- 2.9.3 Restoration of Leased Land. In the event of a termination of this Lease by Landlord or Tenant under this Section 2.9, Tenant shall, if and as requested by Landlord, promptly restore the Leased Land for which such termination relates to a good and orderly condition and an even grade. Tenant's obligations under this Section 2.9.3 shall survive the termination of this Lease.

10

ARTICLE 3

LEASE CONSIDERATION

- 3.1 <u>Construction of Improvements.</u> Tenant agrees to construct the Improvements strictly in accordance with the terms and conditions set forth in <u>Article 2</u>.
- 3.2 <u>Base Rent.</u> The Base Rent for the Leased Land shall be the sum of \$30,000 per year in 2007, increased annually by the CPI thereafter. In consideration of the services provided by Tenant, Base Rent is waived so long as Tenant's Sheriff's Department occupies the Premises and the Premises are used only for the purposes set forth in <u>Section 4.1</u>, below.
- established on the assumption that Landlord will not have to pay any expense or incur any liabilities of any kind in any way relating to, or in connection with, the Leased Land or the Improvements during or attributable to the Term except as otherwise set forth in Section 3.4 below. Accordingly, Tenant will promptly pay all costs of every kind and description relating to or arising out of the Leased Land or the Improvements during the Term.

3.4 Operational Subsidy.

- the Improvements, Landlord shall pay Tenant an "Operational Subsidy" in the amount of \$42,000, per year, payable in advance in annual installments of \$42,000, commencing on the completion of construction of the Improvements and continuing on the anniversary thereof throughout the Lease Term so long as Tenant is not in default hereunder and the Lease is in full force and effect.
- 3.4.2 <u>Application by Tenant</u>. During the first twenty (20) years of the Lease term, Tenant may use the Operational Subsidy funds in its sole discretion. Following the twentieth (20th) year of the Lease Term, Tenant shall use the Operational Subsidy funds only for the maintenance, repair restoration and refurbishment of the Improvements as otherwise provided herein.
- 3.5 Other Payments. Tenant agrees to pay, as additional rental for the Leased Land, within ten (10) days after Landlord's demand therefor all amounts and sums which Tenant is obligated to pay or reimburse to Landlord under the provisions of this Lease.

ARTICLE 4

USE

- 4.1 <u>Use of Premises.</u> The Leased Land shall be used solely for the construction, maintenance and operation of the Improvements. The Improvements shall at all times be constructed, maintained and operated only as a Class A building in a manner consistent with the uses contemplated herein. The Improvements shall be used exclusively and continuously for and by the Santa Barbara Sheriff's Department and associated public safety agencies, as a training and dispatch facility for the Isla Vista Foot Patrol or for similar, successor public safety purposes.
- 4.2 <u>Changed Use.</u> Should the use of all or any portion of the Leased Land or the Improvements materially change or cease at any time during the term of this Lease, and should this change not be approved in writing by Landlord, such change in use shall constitute a

material breach of this Lease and, subject to <u>Section 14.2(c)</u> regarding notice and opportunity to cure such default, Landlord may immediately terminate this Lease upon delivery of notice to Tenant.

- 4.3 Waste; Nuisance. Tenant shall not use or permit any other person to use the Premises, or any part thereof, nor allow any person access for any use, which constitutes a waste, nuisance or unreasonable annoyance to Landlord. Tenant further agrees at all times during the term of this Lease, at its sole cost and expense, to do all things necessary to maintain the Premises in a good, clean and sanitary condition and repair. Tenant shall not use, nor shall Tenant permit any other person to use, the Premises, or any part thereof, for or in a manner which results in any release, emission, disposal, use or storage of any Hazardous Substance, or toxic or noxious waste, material or product, unless specifically approved in advance in writing by Landlord.
- Hazardous Substance in the construction or renovation of the Improvements in violation of any applicable law, regulation, code or ordinance, including, without limitation, any storage, handling, release, emission, discharge, generation, abatement, disposition or transportation of any Hazardous Substance from, on or otherwise relating to the Premises. Tenant shall, at its own cost and expense, comply, and cause each of its licensees and/or concessionaires to comply, with all applicable laws, rules, regulations, codes and ordinances relating to any Hazardous Substance, including, without limitation, obtaining and filing all applicable notices, permits, licenses and similar authorizations. Tenant shall establish and maintain a policy to assure and monitor continued compliance by Tenant and all others occupying space in the Improvements with all such laws, rules, regulations, codes and ordinances. Tenant shall not use or store or permit to be used or stored in the Premises any Hazardous Substances other than materials or substances normally associated with an office environment and in not greater than necessary quantities to allow for reasonable office use without the prior written approval of Landlord.

4.5 Environmental Remediation and Indemnification.

- Premises, it shall immediately report the discovery in writing to Landlord, and the parties will meet and confer in an attempt to resolve the problem. If Hazardous Substances were present in the soil of the Leased Land as of the Effective Date, Landlord may terminate this Lease, at its sole option. If Landlord does not terminate this Lease, then Landlord will undertake, at Landlord's expense, to remediate the presence of Hazardous Substances in compliance with applicable Laws to the extent necessary to permit construction of the Improvements and use of the Premises for the uses permitted hereunder to proceed. If Hazardous Substances are released onto the Premises during the term of this Lease as the result of Landlord's negligent or willful acts, Landlord will remediate the presence of such Hazardous Substances in accordance with the standards in the preceding sentence. If the Landlord fails to take reasonable measures to remediate such Hazardous Substances, such failure shall constitute a default.
- 4.5.2 <u>Indemnification</u>. Tenant shall indemnify, defend, protect and hold Landlord, its.Board of Regents, faculty and employees, harmless from and against any and all liability, claims, damage, penalties, actions, cost or expense of any kind or nature, including, without limitation, damage to property and injury (including death) to any person, arising directly or indirectly from any breach of <u>Section 4.4</u>. The foregoing indemnity includes, without limitation, remediation of any kind and disposal of any Hazardous Substance, and any indemnified party's reasonable consultants' fees and charges, attorneys' fees and charges, investigation costs and expenses and other similar costs and expenses incurred by any

indemnified party. The obligation of Tenant under this <u>Section 4.5</u> shall survive the expiration or earlier termination of this Lease.

- 4.6 Compliance with Government Regulations. Subject to Tenant's right to contest in accordance with Section 4.8, Tenant shall, at its sole cost and expense, at all times during the Term, conform to, and cause all persons using or occupying any part of the Premises to comply with, all Laws from time to time applicable thereto, including, without limitation, all Laws relating or applicable to the Premises, or their use and ownership. Tenant covenants and agrees to indemnify, defend and hold Landlord harmless from any penalties, damages or charges imposed as a result of any violation of Laws applicable to the construction of the Improvements and to the use and occupancy of the Premises, whether occasioned by neglect, omission or willful act of Tenant or by any person upon the Premises by license or invitation of Tenant or holding or occupying the same or any part thereof under or by right of Tenant.
- 4.7 Evidence of Compliance With Laws. Tenant shall deliver to Landlord, upon Landlord's request, and at Tenant's expense, copies of documents and such other evidences as are normally and customarily issued by governmental authorities with jurisdiction over the Premises to demonstrate proof of compliance with all Laws pertaining to permits and authorizations relating to the Premises generally and to the Improvements specifically.

4.8 Right to Contest.

- 4.8.1 At Tenant's sole cost and expense, Tenant, by appropriate legal proceedings brought in good faith and diligently prosecuted in its name, may contest the validity or applicability to the Premises, or any part thereof, of any Laws; provided, however, that if any such contest or proceeding is, with Landlord's prior written consent, maintained in the names of both Tenant and Landlord, it shall be maintained without cost to Landlord, and Tenant shall indemnify, defend and hold harmless Landlord and protect the Premises from Tenant's failure to observe or comply with the contested Laws during the contest.
- 4.8.2 Landlord reserves the right to contest the applicability to the Premises or validity of any Laws. Within five (5) days of receipt of notice of action or proceeding claiming the applicability of, or seeking to impose, any legal requirement on the Premises or the development of the Premises, Tenant shall give Landlord written notice of such claims.
- 4.9 <u>Landlord's Rules and Regulations</u>. Tenant agrees to be bound by and comply with all policies, procedures and regulations promulgated by Landlord and reasonably applied, pertaining to the use of Landlord's property generally and to activities taking place on Landlord's property, including, but not limited to, those relating to health, safety and traffic enforcement.

ARTICLE 5

MAINTENANCE AND OPERATION

5.1 <u>Maintenance</u>. At all times during the Term, Tenant shall keep and maintain all parts of the Premises in a condition which shall be comparable to other Comparable Improvements. Such obligation shall include, without limitation, the obligation to maintain all improvements or facilities on or in the Premises in a clean, sanitary, neat, tidy, orderly and attractive condition. Provided that Tenant complies with the other conditions for performing work specified in <u>Article 8</u>, Tenant is not required to obtain Landlord's prior approval to effect

any items of maintenance or repair of the Improvements which (i) are non-structural and (ii) do not alter the external appearance or view of the Improvements.

- 5.2 <u>Management and Operation of the Premises</u>. Tenant shall be responsible for overall management and control of the Premises. Tenant shall perform its obligations under this <u>Section 5.2</u>, or cause them to be performed, in a manner which demonstrates managerial skill, knowledge, judgment and practice which is standard for the management of Comparable Improvements located in the Santa Barbara area. Tenant acknowledges Landlord's concern that, because the Improvements are located on the Landlord's Santa Barbara campus, they must be operated, maintained and managed in first-class condition, and that Landlord, in agreeing to the terms of this Lease, is relying on the expertise, experience and reputation of Tenant to cause the Improvements to be operated, maintained, and managed in said first-class condition.
- 5.3 Landlord Consent to Major Decisions. Tenant recognizes that Landlord's consideration for the execution of this Lease is, in significant part, Landlord's expectancy of future ownership of the Improvements. Such expected consideration is in large measure dependent on the proper management of the Premises. In order to protect its interest in the consideration it expects to receive under this Lease, and not intending to be a joint venturer or partner of Tenant in the undertakings contemplated by Tenant under this Lease, Landlord and Tenant agree that Tenant shall not take any action with respect to a matter within the scope of any of the following areas which Landlord and Tenant hereby agree may affect Landlord's expectancy under the Lease (any such act is referred to herein as a "Major Decision") unless such Major Decision shall first have been approved by Landlord, such approval not to be unreasonably withheld or delayed:
 - (a) all financing or refinancing of the Improvements;
- **(b)** leases or other business arrangements for a term involving use of the Improvements;
- (c) adjustments, settlements or compromises of any claims, obligations, debts, demands, suits or judgments against the Premises, Tenant or Landlord with respect to the undertakings contemplated by this Lease where such adjustments, settlements or compromises exceed Fifty Thousand Dollars (\$50,000) in any instance;
- (d) any and all Work for which Landlord's prior approval is required by the terms of this Lease.

Each submission of a proposed Major Decision for Landlord's consent shall be deemed approved if Landlord shall fail to respond to such submission within forty-five (45) days. If Landlord should disapprove a proposed Major Decision, Landlord shall provide to Tenant a written explanation describing the reasons for the disapproval.

5.4 Specific Tenant Obligations. Tenant shall:

- (a) operate, maintain, repair and otherwise manage the Premises, or cause the same to be done;
- (b) keep the Improvements in a condition comparable to other Comparable Buildings in the Santa Barbara area (excepting reasonable wear and tear);
- (c) assure that any contractor performing Work on the Premises maintains insurance as provided in this Lease, including, without limitation, workers' compensation insurance, employees' liability insurance and insurance against liability for injury to persons and property

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arising out of such contractor's operations, any subcontractors' operations and the use of owned, non-owned or hired automotive equipment in the pursuit of all such operations;

- (d) supervise all matters coming within terms of this <u>Article 5</u>, including, without limitation, direct observation, inspection and supervision of all repairs, decorations, alterations and Work during the progress thereof, and
- (e) obtain the necessary receipts, releases, waivers, discharges and assurances to keep the Premises free from mechanics' and materialmen's liens and other claims.
- (f) supervise, hire and discharge all personnel employed at the Premises as employees of or under the exclusive control of Tenant, including use of reasonable care in the selection of such employees;
- (g) procure and maintain adequate workers' compensation insurance covering all of the aforesaid employees; prepare, maintain, and file all legally required statements and reports pertaining to labor employed in or about the Premises, and provide all bookkeeping and clerical services with respect to all personnel employed at the Premises;
- (h) arrange all contracts for electricity, gas, water, steam, telephone, cleaning, window cleaning, vermin extermination, elevator, escalator and boiler maintenance, air conditioning maintenance, master television antennae, electronic security and any other services as are customarily provided in similar projects located in the Santa Barbara area and as Tenant deems advisable, and arrange for purchase of all materials and supplies necessary to maintain and operate the Premises; and
- (i) arrange for the provision of services and facilities, and for any maintenance engineering department that Tenant or its affiliates may have in connection with the operation of all mechanical installations.
- 5.5 Requirements of Governmental Agencies. At all times during the Term, Tenant, at Tenant's own cost and expense, shall:
- (a) make all alterations, additions or repairs to the Premises and every part thereof, required by Laws now or hereafter in effect; and
- (b) indemnify, defend and hold Landlord and the Premises, and every part of the Premises, free and harmless from any and all liability, loss, damages, fines, penalties, claims and actions resulting from Tenant's failure to comply with and perform the requirements of this Article 5.

ARTICLE 6

TAXES

6.1 Obligation to Pav/Tenant's Right to Contest. The parties acknowledge that the County of Santa Barbara is exempt from property taxation as a subdivision of the State of California. To the extent that Tenant is lawfully assessed for Taxes, Tenant shall be solely responsible for payment thereof, and shall hold Landlord harmless therefrom. Landlord shall have no responsibility for any Tax levied on Tenant's Interest. Tenant shall have the right, at its own expense, to contest the amount or validity of any Tax affecting Tenant's Interest by appropriate proceedings diligently conducted in good faith.

15

6.2 Landlord's Cooperation in Tenant's Contest. Provided Landlord incurs no cost or liability in doing so, Landlord shall cooperate with Tenant in any proceedings brought by Tenant to contest the validity or the amount of any Taxes or to recover any Taxes paid by Tenant, to the extent such cooperation is reasonably required for Tenant to conduct such proceedings. If the provisions of any Law at the time in effect shall require that such proceedings be brought by or in the name of Landlord, then, provided Landlord incurs no cost or liability in doing so, Landlord shall join in any such proceedings or permit the same to be brought in its name.

ARTICLE 7

UTILITIES

- Construction of Utilities. Tenant shall construct or shall arrange for the construction of such utilities as are necessary to serve the Improvements, and shall notify Landlord before commencement of construction of such utility services and facilities as are so required. Tenant shall submit to Landlord for Landlord's review and approval, which approval shall not be unreasonably withheld, the plans and drawings for the routing, design, points-of-connection, capacity and size of proposed utilities for the Improvements no later than the date on which the 50% Working Drawings are submitted to Landlord. Tenant acknowledges and agrees that all utilities and facilities to be located on the Leased Land (other than temporary items used during construction) shall be placed below the grade of the surface of the ground. Prior to approval of the 50% Working Drawings, Landlord may require increases in the capacity or size of all or any part of the utility systems proposed by Tenant in order to accommodate existing or future demand in the general location of the Improvements. In such event, Landlord shall pay the incremental increase, but only such incremental increase, in the cost of the construction occasioned by Landlord's increasing the capacity or size of a utility system.
- 7.2 Cost of Utilities. All costs associated with bringing required utilities from the point of origin to the point of connection at the Improvements, including, without limitation, related professional, engineering and consultant fees, service charges, meters, and the costs of connections, including, without limitation, any hook-up fees assessed by any utility company, water district and/or government agency, shall be paid by Tenant.
- 7.3 <u>Temporary Utilities.</u> To the extent that Tenant at any time prior to connection of permanent utilities desires to utilize utility services financed and/or maintained in whole or in part by Landlord, Tenant shall request Landlord's consent thereto, which consent shall not be unreasonably withheld, and Tenant shall pay Landlord a reasonable charge for such utility services.
- 7.4 Contracts with Public Utility. Tenant shall provide copies of any contract or agreement with any government agency, special district or public utility with reference to sewer, water, gas, telephone, storm drain and other utility lines, street improvements (including landscaping), street lighting, utility facilities, improvements and/or connections, lines, pipes, distribution systems or easements and the like serving the Leased Land to Landlord promptly upon execution.
- 7.5 <u>Utility Easements.</u> Landlord reserves to itself the right to grant to others in the future nonexclusive utility easements over, under, through, across or on the Premises in locations that will not unreasonably interfere with Tenant's use of the Premises. Any interference arising as a result of construction of improvements related to such utility systems and facilities shall be temporary, and all work on the Premises shall proceed expeditiously. Tenant shall be given reasonable notice before commencement of any work on the Premises. In the event the

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installation or maintenance of such future utility lines in such easements causes any damage to the Premises, or any portion thereof, including but not limited to pavement, curbs and sidewalks, Landlord shall repair the same, or cause the same to be repaired, at no cost or expense to Tenant.

ARTICLE 8

ALTERATION, DAMAGE OR DESTRUCTION

8.1 Alteration of Improvements.

- 8.1.1 <u>Permitted Alterations</u>. Tenant shall make no alterations and additions to the Improvements ("Alterations") other than as specifically approved in this <u>Section 8.1</u> or as to which Landlord shall have given prior written approval. Tenant may make any Alteration which affects only the interior, non-structural elements of the Improvements without Landlord's prior consent, provided that no essential operating system of the Improvements shall be materially adversely affected thereby. An "essential operating system" is defined as any of the following: (a) electrical distribution systems; (b) heating, ventilating and air-conditioning systems; or (c) plumbing and sanitation systems.
- 8.1.2 <u>Submittals.</u> Before Tenant shall commence any Alterations other than those permitted in <u>Section 8.1.1</u>, Tenant shall submit to Landlord two (2) sets of schematic plans and preliminary specifications showing in reasonable detail, as appropriate, the location, extent, materials, colors, size, system design and elevation of the proposed Alteration, including any affected landscaping, exterior lighting effects or parking. Tenant shall also provide to Landlord, prior to commencement of any Alterations, and at Tenant's sole cost, any and all permits and authorizations of all municipal departments and governmental agencies, other than Landlord, as may have jurisdiction over the Alteration.
- with applicable governmental requirements and shall not materially, adversely affect the value of the Improvements, Landlord will not unreasonably withhold its approval of the proposed Alterations. However, without limiting the generality of the foregoing, Landlord may disapprove any proposed Alteration which is not in harmony with: (i) the design of existing or proposed structures in the vicinity, (ii) any provision of the Landlord's long range development plan for the University of California Santa Barbara, (iii) any regulation or ordinance of the State of California (iv) then current good engineering practice, or (v) any general aesthetic standards or architectural plans for the University of California, Santa Barbara.

8.2 <u>Damage or Destruction of Improvements.</u>

8.2.1 Risk Covered by Insurance or Required to be Covered by Insurance. If, during the Term, the Improvements are wholly or partially damaged or destroyed by a risk covered by insurance, or required to be covered by insurance under any term of this Lease, Tenant shall promptly give written notice of such damage or destruction to Landlord. Such damage or destruction shall not terminate this Lease, and Tenant shall, at its sole cost and expense, promptly repair and restore the Improvements to substantially the same floor area, size, type, quality and nature as existed immediately prior to such damage or destruction unless Landlord gives its prior written approval to do otherwise. Such repair and restoration shall be commenced promptly and prosecuted with due diligence. If the Improvements are not repaired

and restored and if this Lease is terminated, each with the consent of Landlord, then the insurance proceeds shall be applied as follows and in the following order of priorities:

- (a) first, insurance proceeds shall be applied towards demolition and removal expenses which may be incurred by Tenant, or, upon Tenant's failure, Landlord. Tenant hereby acknowledges its obligation to demolish and remove Improvements upon Landlord's demand in the event of a termination of the Lease described in this Section 8.2.1(a), and that such demolition and removal shall be accomplished at Tenant's sole cost and expense regardless of the amount of insurance proceeds available to Tenant hereunder for such purpose;
- (b) second, all remaining insurance proceeds shall be the property of Landlord. Landlord shall have no obligation to compensate Tenant for the value of the damaged Improvements.
- 8.2.2 Then Applicable Laws. If Laws existing at the time of required repair and restoration do not permit repair and restoration of the Improvements to substantially the same size, type and floor area as existed immediately prior to such damage or destruction, then, at Landlord's option, either (i) this Lease shall terminate upon the exercise of such option in accordance with the provisions hereof, or (ii) Tenant shall, at Tenant's sole cost and expense, restore the Improvements to the maximum size and type permitted by Laws in accordance with the provisions hereof. Landlord's options as contained herein and Tenant's repair and restoration shall be prosecuted with due diligence. If Landlord exercises option (i) above, the insurance proceeds shall first be applied to the cost of demolition and restoration of the Leased Land requested by Landlord; and, the remainder shall be paid to Landlord. If the insurance proceeds are insufficient to pay the full cost of demolition and restoration of the Leased Land in the manner requested by Landlord, Tenant shall pay the amount not covered by such insurance proceeds. In the event Landlord exercises option (ii) above, Landlord shall be entitled to such portion of insurance proceeds, if any, remaining after repair and restoration.
- 8.2.3 Risk Not Covered by Insurance. If during the Term the Improvements are wholly or partially damaged or destroyed by a risk not insured and not required to be insured under this Lease, Tenant shall promptly give written notice of such damage or destruction to Landlord detailing facts that qualify the casualty under this provision. Provided the cost of restoration is less than twenty percent (20%) of the then current replacement cost of the Improvements, Tenant shall, at its sole cost and expense, promptly restore the Improvements unless Landlord gives its prior written approval to do otherwise. Such restoration shall be commenced promptly and prosecuted to completion with due diligence. If the cost of restoration is equal to or exceeds twenty percent (20%) of the replacement cost of the Improvements, then Tenant shall promptly give written notice of such fact to Landlord. Within thirty (30) days of its receipt of such notice. Landlord at its option, may deliver to Tenant its written agreement to pay the balance of such deficiency to restore the Improvements. Unless such agreement is delivered to Tenant within said thirty (30) day period, Tenant may terminate this Lease by serving written notice of such termination upon Landlord at any time following the expiration of such thirty (30) day period. Thereafter, within thirty (30) days of the termination of the Lease, if Landlord requests Tenant to demolish and remove the Improvements. Tenant shall do so, at its sole cost and expense.
 - 8.3 Renovation and Refurbishment. Tenant understands and agrees that, in order to maintain the Improvements in a condition equivalent to Comparable Improvements, and to provide up-to-date facilities, major periodic renovation and refurbishing of the Improvements and all operations therein will be necessary. Therefore, Tenant shall, at Landlord's election during the twentieth (20th) year of the Term (or such other time approved in writing by Landlord), submit to Landlord for Landlord's approval a detailed plan for Tenant's major renovation and refurbishing of the Improvements and appurtenances, and providing for the

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commencement of work (to be diligently completed) before expiration of the twenty-first (21st) year of the Term, or such other date or dates as may be authorized in writing by Landlord. Landlord shall, within ninety (90) days after receipt of such detailed plan of major renovation and refurbishing, approve, disapprove, or request amendments to such plan, and Tenant shall within thirty (30) days thereafter, as appropriate, submit to Landlord a new or amended plan within sixty (60) days after Tenant's submittal of the same. Landlord's approval shall not be unreasonably withheld or delayed. After approval of the plan and necessary building permits by Landlord, Tenant shall promptly secure all necessary building permits and approvals for the renovation work and commence construction, and thereafter diligently complete the same as provided in the approved plan.

8.4 <u>Conduct of Demolition.</u> Tenant's demolition of the Improvements and restoration of the Leased Land shall be performed in a good and workmanlike manner, and in compliance with all Laws.

ARTICLE 9

INSURANCE

- 9.1 <u>Insurance.</u> From the time of commencement of Work until the termination or earlier expiration of this Lease, Tenant shall, at its sole cost and expense, obtain and maintain the following types of insurance under conditions, in not less than the amounts, and in the forms specified below:
 - (a) Commercial General Liability Insurance.
 - (1) General aggregate (bodily injury, property damage).....\$3,000,000
 - (2) Products/ completed operations aggregate.....\$ 1,000,000
 - (3) Personal and advertising injury.....\$ 1,000,000
 - (4) Each occurrence......\$ 2,000,000
 - (b) Business Automobile Liability Insurance for owned, scheduled, non-owned or hired automobiles with a combined single limit of no less than Three Million Dollars (\$3,000,000) per occurrence.

The limits of liability of the insurance coverage specified in this Section 9.1(a) & (b) shall be subject to increase from time to time at the direction of Landlord; provided, however, that such increases shall not exceed the amount of coverage generally carried in connection with projects and business operations of a similar nature in the Santa Barbara area.

(c) Builders Risk Property Insurance. Tenant will insure all Work for its full replacement cost while in the course of construction, reconstruction, remodeling or alteration, including materials incorporated in the Work, against physical loss or damage resulting from the

perils normally insured under a standard All Risk Course of Construction policy. The policy shall include, by endorsement, coverage for flood and earthquake perils.

- (d) All-Risk Property Insurance. Upon completion of construction of the Improvements, Tenant shall obtain and maintain all risk property insurance in an amount not less than one hundred percent (100%) of the full replacement cost of the Building to conform with then current codes and the costs of demolition and debris removal. The policy shall include, by endorsement, coverage for flood and earthquake perils. Such insurance policy shall provide for reappraisal of the replacement cost not less often than each two (2) years during the Term.
- (e) Worker's Compensation Insurance and employers' liability insurance as required under applicable federal and state law.
- 9.2 <u>Tenant Not Relieved</u>. It is expressly understood that the coverages required herein shall not in any way limit the liability of Tenant.
- 2.3 Evidence of Insurance. Tenant, upon the execution of this Lease, shall furnish Landlord with certificates of insurance that demonstrate Tenant's compliance with the requirements of this Article 9. The coverages referred to in this Article 9 shall include an endorsement naming Landlord as an additional insured with respect to the negligent acts or omissions of Tenant, its officers, agents, employees, or any person or persons under its direction and control. Certificates shall provide for thirty (30) days' advance written notice to Landlord of any modification, change or cancellation of any of the above insurance coverages. Should any policy of insurance expire or be canceled and Tenant fails immediately to procure replacement insurance as required by this Article 9, Landlord shall have the right, but not the obligation, to procure such insurance and to receive payment from Tenant for the full cost thereof.
- 9.4 <u>Basis of Insurance</u>. If the insurance required to be carried by this <u>Article 9</u> is written on a "claims made" form, coverages shall survive for no less than five (5) years following termination of this Agreement. Coverages shall also provide for a retroactive date of placement prior to or coinciding with the Effective Date of this Lease.
- 9.5 <u>Proceeds.</u> The proceeds from any insurance covering damage to property shall be applied as set forth in <u>Article 8</u> above. Landlord and Tenant shall jointly name an independent corporate trustee to hold insurance proceeds for such purposes in trust and to make disbursements as provided in this Lease.
- 9.6 <u>Compliance with Requirements of Carriers.</u> Tenant shall at all times observe and comply with the requirements of all policies of insurance in force with respect to the Premises, or any part thereof, and Tenant shall so perform and satisfy the requirements of the companies writing such policies so that, at all times, companies of good standing reasonably satisfactory to Landlord shall be willing to write or to continue such insurance. Tenant shall, in the event of any violation or attempted violation, of the provisions of this <u>Section 9.6</u> by any subtenant, licensee or other user of any portion of the Premises take steps immediately upon knowledge of such violation or attempted violation to remedy or prevent the same.
- 9.7 <u>Non-Contributing.</u> All insurance required to be carried by this <u>Article 9</u> shall be primary as respects the Landlord and any insurance or self-insurance maintained by Landlord shall be excess and non-contributory with this insurance.
- 9.8 Form of Policies. All insurance required to be carried by this Article 9, with the exception of Tenant's general and automobile liability self-insured retention (SIR) of \$500,000, shall be maintained by Tenant with insurance carriers licensed and approved to do business in the State of California, having a general policyholders rating of not less than "B+" and financial

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rating of not less than VII" in the most current Best's Key Rating Guide. In no event will such insurance be terminated or otherwise allowed to lapse prior to termination of this Lease, or such longer period as may be specified herein. Tenant may provide the insurance required by this Article 9 in whole or in part through a policy or policies covering other liabilities and properties of tenant, provided that any such policy or policies shall allocate to the Premises the full amount of insurance required hereunder.

- 9.9 <u>Settlement of Claims.</u> Provided Tenant is not in default under this Lease, nor has there occurred any event which, with the giving of notice or the passage of time or both, could result in Tenant being in default under this Lease, if any portion of the Improvements shall be damaged or destroyed by an insured peril or otherwise, Tenant shall have the right to settle, adjust or compromise any claim involving less than Fifty Thousand Dollars (\$50,000). Otherwise, the consent and approval of Landlord shall be required to any proposed settlement, adjustment or compromise of any insurance claim.
- 9.10 <u>Self-Insurance</u>. Tenant may satisfy any insurance requirement imposed under this <u>Article 9</u> through a program of self-insurance, so long as Tenant's self-insurance program provides Landlord with an equivalent level of protection as would be afforded by the required insurance. The right to self-insure is personal to the County of Santa Barbara and, in the event this lease or any interest therein is transferred or assigned, this <u>Section 9.10</u> shall be null and void.

ARTICLE 10

CONDEMNATION .

- 10.1 <u>Lease Governs.</u> In the event of any Taking during the Term, the rights and obligations of the parties with respect to such appropriation and any Award in connection therewith shall be as provided in this <u>Article 10</u>.
- 10.2 <u>Taking Defined</u>. "Taking" shall mean any acquisition of or damage to all or any portion of the Premises, or any interest therein or right accruing thereto, pursuant to or in anticipation of the exercise of the power of condemnation or eminent domain, or by reason of the temporary requisition of the use or occupancy of the Premises, or any part thereof, by any governmental or quasi-governmental authority, civil or military, or any other agency empowered by law to take property in the State of California under the power of eminent domain.
 - 10.3 <u>Total Taking Defined.</u> A "Total Taking" shall mean:
 - (a) a Taking of all of the Premises other than for a temporary purpose; or
- (b) a Taking of so much of the Premises as to render, in Landlord's reasonable judgment, the balance of the Premises unsuitable for the operation of the type of development contemplated by this Lease.
- 10.4 Partial Taking Defined. A "Partial Taking" shall mean a Taking which does not constitute a Total Taking, as defined in <u>Section 10.3</u>.
- 10.5 <u>Termination of Lease</u>. In the event of a Total Taking, this Lease shall terminate effective on the date of surrender of possession of the Premises, or so much thereof or interest therein as has been taken, to the condemning authority. Tenant shall continue to pay all rent due

hereunder and, in all respects, keep, observe and perform all of the terms, covenants, agreements and conditions of this Lease to be kept, observed and performed by Tenant until the date of such termination. Landlord shall have no obligation to compensate Tenant for the Improvements or any portion thereof in connection with a termination of the Lease in accordance with this Section 10.5.

- 10.6 <u>Partial Taking</u>; <u>Reduction of Operational Subsidy</u>. In the event of a Partial Taking, this Lease shall remain in full force and effect with respect to that portion of the Premises not so taken. The Operational Subsidy payable in accordance with Section 3.4 shall be reduced in proportion to any reduction in the operations of Tenant conducted from the Premises.
- 10.7 Partial Taking; Restoration. In the event of a Partial Taking, Tenant will, at its sole cost and expense, whether or not the condemnation award on account of such taking shall be sufficient for the purpose, promptly commence and proceed with due diligence (subject to Force Majeure) to effect restoration of the Improvements on the remaining portion of the Premises as nearly as possible to their value, condition and character immediately prior to such Taking, in accordance with the provisions of Article 8 which shall apply to such restoration.
- Taking, whether partial or total (including all amounts in respect to the Premises, improvements constructed thereon, and personal property located thereon or thereat), including interest received, if any, whether such award or damages are paid in respect to the Taking of the fee or leasehold interest in the Premises (hereinafter collectively referred to as the "Award"), shall be paid promptly by the person(s) receiving the same to an escrow agent mutually acceptable to Landlord and Tenant, to be released as hereinafter provided upon appropriate instruction from the parties hereto.
- 10.9 <u>Allocation of Award; Partial Taking.</u> Any award in a Partial Taking shall be distributed by the aforementioned escrow agent in the following order of priority:
- (a) first, to Landlord and Tenant as reimbursement for all costs and expenses incurred by each of them in the collection of the Award, including fees and expenses incurred in the condemnation proceeding;
- (b) second, to Landlord, as reimbursement for the value of the Leased Land so taken, as unimproved and encumbered;
- (c) third, to Tenant, as reimbursement for the cost and expense of restoration of the Improvements, to the degree such costs and expenses are incurred by Tenant.
- (d) The balance of the Award, if any, shall be deposited by the escrow agent into a court of competent jurisdiction to be equitably allocated between Landlord and Tenant based on the respective interests of Landlord and Tenant in the balance of said Award as determined by said court after taking into account the interests of Landlord and Tenant previously compensated in the distributions provided for in (a), and (b) of this <u>Section 10.9</u>.
- 10.10 Allocation of Award; Temporary Taking. In the event of a Taking for temporary use or occupancy, this Lease shall continue in full force and effect without reduction or abatement of any rent payable hereunder, and Tenant shall be entitled to claim, recover and retain any Award made on account of such temporary Taking remaining after paying the reasonable costs and expenses of Landlord and Tenant incurred in collecting such Award; provided, however, that if the period of such temporary Taking extends beyond the Term, such Award shall be apportioned between Landlord and Tenant as of the date of expiration of the Term. During any Temporary Taking there shall be no abatement of Base Rent.

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10.11 <u>Allocation of Award; Total Taking.</u> Any Award in a Total Taking shall be distributed by the aforementioned escrow agent to Landlord and Tenant as set forth in <u>Sections</u> 10.9(a) and (b).

The balance of the Award, if any, shall be deposited by said escrow agent into a court of competent jurisdiction to be equitably allocated between Landlord and Tenant based on the respective interests of Landlord and Tenant in the balance of such Award as determined by the court after taking into account the interests of Landlord and Tenant previously compensated in the distribution provided for in this Section 10.11.

- in and prosecute any action or proceeding involving a Taking of the Premises, or any part thereof or interest therein, by condemnation or under the power of eminent domain, or otherwise and shall jointly make any compromise or settlement in connection therewith. If the parties disagree concerning such action or proceeding and there shall exist an Event of Default by Tenant under this Lease, Landlord shall be entitled at its option to commence, appear in and prosecute on its own and in its own name any such action or proceeding and Landlord shall also be entitled to make on its own any compromise or settlement in connection therewith.
- 10.13 <u>Notice</u>. Upon any party receiving notice of or becoming aware of any condemnation proceedings, or threat thereof, such party shall promptly give written notice to the other party in the manner specified in <u>Section 18.1</u>.

ARTICLE 11

ASSIGNMENT AND SUBLETTING

- Assignment. Except as expressly provided in this Article 11, in no event shall Tenant be permitted to assign less than all of Tenant's Interest as defined herein. No purported assignment shall be permitted nor shall be valid without the prior written consent of Landlord, which consent Landlord may grant or withhold in its sole and absolute discretion. Tenant shall not be relieved of its obligations hereunder without Landlord's express prior written consent, which consent Landlord may grant or withhold in its sole and absolute discretion. Any attempt to assign without Landlord's consent shall be voidable by Landlord, and, at Landlord's election, shall constitute a default under this Lease. In the event of any assignment permitted under this Lease, the assignee shall take its assigned interest subject to the terms of the Lease and, as a condition to the validity of such assignment, shall covenant that the Lease shall be faithfully performed. Any assignment permitted under the terms of this Lease shall in no event relieve Tenant from the full and faithful performance of Tenant's obligations hereunder without the express written agreement of Landlord. Tenant shall pay for Landlord's reasonable expenses in reviewing any proposed assignment of Tenant's Interest, including the allocated costs of legal counsel and auditors, in an amount not to exceed Twenty-five Thousand Dollars (\$25,000) in Current Dollars. The consent by Landlord to any transfer, hypothecation, assignment or subleasing shall not constitute a waiver of the necessity for such consent to any subsequent assignment, transfer, hypothecation or subleasing. The prohibition against assigning or subleasing shall be construed to include any sale, hypothecation, transfer of possession, or any assignment or subleasing by operation of law or otherwise.
 - 11.2 <u>Time Within Which to Act.</u> Landlord shall grant or deny its approval of, or request additional information and/or documentation with respect to, any proposed transfer. assignment, hypothecation or sublease within thirty (30) days following Landlord's receipt of

notification from Tenant regarding the proposed transfer. Following a request from Landlord for additional information and/or documentation as provided herein, Landlord shall have thirty (30) days from Landlord's receipt of such additional information and/or documentation in which to grant or deny its approval with respect to the proposed transfer and/or the proposed transferee.

- 11.3 <u>Confirmation of Certain Landlord's Rights.</u> Landlord's prior written consent shall be required prior to any proposed sale of the Improvements, or any part thereof or interest therein, by Tenant. The foregoing notwithstanding, in no event shall Landlord have any obligation to consent to a sale of the Improvements, or part thereof or interest therein, unless the proposed purchaser shall have first delivered to Landlord, in form and substance satisfactory to Landlord, the purchaser's acknowledgment of its obligations to perform Tenant's obligations hereunder.
- 11.4 <u>Subleasing.</u> Tenant shall not have the right to sublease all or any part of Tenant's Interest without Landlord's prior written consent.

ARTICLE 12 ·

LIENS AND ENCUMBRANCES

- 12.1 <u>Covenant Against Encumbrances.</u> Tenant shall not, and shall have no right to, encumber Landlord's interest in the Premises, and Tenant covenants to keep the Premises and each and every part thereof at all times free and clear of any and all liens and encumbrances of any kind whatsoever arising out of the performance of this Lease, including, without limitation, those liens and encumbrances created by Tenant's acts or omissions, and those created by the performance of any Work, or labor or furnishing of any material, supplies or equipment. Should Tenant fail to discharge or cause to be discharged any claim of lien within thirty (30) days after service on Tenant, then, on written notice from Landlord, Landlord may pay, adjust, compromise and discharge any such lien or claim of lien on such terms and manner as Landlord may deem appropriate. In such event, Tenant shall immediately reimburse Landlord for the full amount paid by Landlord in connection with such lien or claim of lien, including any attorneys' fees or costs, or other costs expended by Landlord, together with interest at the rate provided in <u>Section 18.13</u> from the date of payment by Landlord to date of repayment by Tenant.
- Landlord and the Premises, and all parts thereof, free and harmless from any liens, claims, demands, costs, damages or liability arising out of the conduct of Tenant's activities on the Leased Land. Tenant agrees to pay reasonable attorneys' fees, costs, charges and other expenses which Landlord may incur in negotiating, settling, defending, and otherwise protecting Landlord and the Premises, and every part thereof, from and against such liens or claims.
- Landlord's interest in this Lease shall be superior and prior in interest to any loans, mortgages, deeds of trust, other leases, liens and encumbrances that may hereafter be placed on the Premises, or any part thereof, by, against or as a result of the acts of Tenant or anyone deriving any interest in the Premises, or any part thereof or interest therein, through Tenant. Any loan, mortgage, deed of trust, lease, lien or encumbrance placed by Tenant on the Premises or the Improvements, or any part thereof or interest therein, shall not adversely affect Landlord's interest under this Lease. Tenant agrees, without any cost or expense to Landlord, to execute any instrument which is necessary or is reasonably requested by Landlord to further confirm the non-subordination of Landlord's reversionary interest in the Premises and Landlord's interest in this Lease.

Mechanics' and Similar Liens. Tenant shall pay or cause to be paid the total 12.4 cost and expense of all "work of improvement" (as defined in California Civil Code Section 3106) on the Improvements. No such payment shall be construed as rent under this Lease. Tenant shall not permit any mechanic's, materialman's, contractor's, subcontractor's or other lien, arising out of Tenant's use or occupancy of the Premises, or any part thereof, to stand against the Premises, or any part thereof. If any such lien shall be filed against the Premises, or any part thereof, Tenant shall cause the same to be discharged within ten (10) days after actual notice of such filing, by payment, deposit or bond. Notwithstanding the prior sentence, if Tenant seeks to extend the pendancy of such lien in order to negotiate with the holder thereof, then Tenant is authorized to conduct such negotiations for a period not to exceed one hundred twenty (120) days from the date of the filing of such lien, if Tenant shall have given Landlord prior written notice of its intention to negotiate. Within the ten (10) day period referred to above, and provided that Tenant shall furnish the release bond required by California Civil Code Section 3143, or any comparable statute hereafter enacted providing a bond freeing the Premises and every part thereof, or take such other action as shall be reasonably acceptable to Landlord to protect the Premises from the effect of such lien. The satisfaction and discharge of any such lien shall not, in any case, be delayed to the date execution is had upon any judgment rendered thereon, and such delay shall be a default of Tenant hereunder. Tenant shall indemnify, defend and hold Landlord harmless against all loss, cost, expense and damage, including attorney's fees and charges, resulting from any such contest.

ARTICLE 13

HYPOTHECATION

- 13.1 <u>Lease as Security</u>. This Lease shall be a prior lien against the Improvements and any encumbrance on the Leased Land with respect to any loans, mortgages, deeds of trust, other leases, liens and encumbrances that may hereafter be permitted to be placed on the Improvements and the Leased Land under the terms of this Lease.
- 13.2 <u>Landlord's Consent Required</u>. enant shall not, except with the prior written consent of Landlord, pledge or otherwise encumber the Improvements or any part thereof or Tenant's interest in this Lease as security for any loan or other financial commitment.

ARTICLE 14

DEFAULT

shall not constitute a subsequent waiver of the same or any performance thereof by Tenant. Landlord's delay, failure or omission to reenter the Premises, or to exercise any right, power, privilege, option or remedy arising from any default, shall not impair such right, power, privilege, option or remedy which Landlord has, nor be construed as Landlord's waiver or relinquishment of any such right, power, privilege or option, or its acquiescence to a default. Landlord shall not be required to give notice in order to restore or revive either (i) time is of the essence hereof, nor (ii) any other covenant or condition, after Landlord has waived a default in one or more instances. No right, power, privilege, option, or remedy of Landlord shall be construed as being exhausted or discharged by the exercise thereof in one or more instances. Each and all of the rights, powers, privileges, options or remedies given Landlord by this Lease are cumulative and no one of them is exclusive of the other or exclusive of any remedies provided by law, and the exercise of one right, power, privilege, option or remedy by Landlord shall not impair Landlord's right of any other.

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- 14.2 <u>Default by Tenant.</u> Without intending to limit Landlord's right to declare a default of this Lease for any other reason, the occurrence of any of the following shall, at Landlord's election, constitute a material default and breach of this Lease:
- (a) The Abandonment of any portion of the Leased Land or the Improvements by Tenant for a period of sixty (60) consecutive days.
- (b) Tenant's failure to pay to Landlord any amount due and payable hereunder within five (5) business days after the original due date, and thirty (30) days after written notice thereof by Landlord to Tenant; provided, however, that if Tenant shall fail to pay to Landlord any amount payable hereunder after the original due date, Tenant shall pay to Landlord the amount due plus interest in accordance with Section 18.13 hereof.
- (c) A failure by Tenant to observe and perform any other provision of this Lease to be observed or performed by Tenant, when such failure continues for thirty (30) days after written notice thereof by Landlord to Tenant; provided, however, that if the nature of such default is such that the same cannot reasonably be cured within such 30-day period, Tenant shall not be deemed to be in default if Tenant shall within such period commence such cure and thereafter diligently prosecute the same to completion.
- (d) The making by Tenant of any general assignment for the benefit of creditors, or the filing of a petition to have Tenant adjudicated a bankrupt, or the filing of a petition for reorganization or arrangement under any law relating to bankruptcy unless in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days; or the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located on the Leased Land or of tenant's interest in this Lease, when possession is not restored to Tenant within thirty (30) days; or the attachment, execution or other judicial seizure of substantially all of Tenant's assets located on the Leased Land or of Tenant's interest in this Lease, when such seizure is not discharged within sixty (60) days.
- 14.3 <u>Default by Landlord</u>. Landlord shall be in default hereunder only if Landlord shall fail to perform an obligation under this Lease within a reasonable time, but in no event less than thirty (30) days after written notice by Tenant to Landlord specifying how Landlord has failed to perform such obligation. If more time is reasonably required for Landlord's performance, then Landlord shall not be in default if it commences performance within such thirty (30) day period and thereafter diligently proceeds to completion.
- 14.4 <u>Remedies of Landlord.</u> If any default by Tenant shall continue uncured, following notice of default where required by this Lease, for the period applicable to the default under the applicable provision of this Lease, Landlord may, subject to and in conjunction with the provisions of <u>Section 1.8.2</u> hereof, resort, cumulatively or in the alternative to the following remedies as well as to any one or more other remedies provided by law or equity.

14.4.1 Nonmonetary Remedies.

14.4.1.1 Termination. Landlord may at Landlord's election terminate this Lease by giving Tenant notice of termination. On the giving of the notice, all Tenant's rights in the Premises, and every part thereof, shall terminate. Landlord shall not be deemed to have terminated this Lease unless Landlord shall have so declared in writing to Tenant, nor shall Landlord be deemed to have accepted or consented to an abandonment by Tenant by performing acts intended to maintain or preserve the Leased Land or the Improvements, making efforts to relet the Leased Land or appointing a receiver to protect Landlord's interest under this Lease. Immediately after notice of termination, Tenant shall surrender and vacate the Leased Land all Improvements in a broom-clean condition, and Landlord may reenter and take possession of

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the Leased Land and all Improvements and eject all parties in possession or eject some and not others or eject none; provided that no tenants in possession of space within the Improvements pursuant to leases entered into in compliance with this Lease, who are not in default and who agree to attorn to Landlord shall be ejected. In the event of any termination of this Lease, Tenant's right, title and interest in Development Documents related to the Improvements shall automatically and without additional compensation to Tenant become the property and vest in Landlord. Upon any termination of this Lease, Tenant shall execute such documents as Landlord may request to memorialize the termination and to release Landlord and the Leased Land from the terms and conditions of this Lease

- 14.4.1.2 Reentry Without Termination. Landlord may at Landlord's election reenter the Leased Land, and, without terminating this Lease at any time and from time to time relet the Leased Land and Improvements, or any part or parts of them, for the account and in the name of Tenant or otherwise. Landlord may, at Landlord's election, eject all persons or eject some and not others or eject none; provided that no tenants in possession of space within the Improvements pursuant to leases entered into in compliance with this Lease, who are not then in default and who agree to attorn to Landlord, shall be ejected. Any reletting may be for the remainder of the Lease Term or for a longer or shorter period. Landlord may execute any leases made under this provision either in Landlord's name or in Tenant's name and shall be entitled to all rents from the use, operation, or occupancy of the Leased Land or the Improvements or both. No act by or on behalf of Landlord under this provision shall constitute a termination of this Lease unless Landlord gives Tenant written notice of termination.
- 14.4.1.3 Tenant's Personal Property. Landlord may, at Landlord's election, use Tenant's personal property and fixtures or any such property and fixtures (except such specialized property as described in <u>Section 1.8.3</u>) without compensation and without liability for use or damage, or Landlord may store them for the account and at the cost of Tenant. The election of one remedy for any one item shall not foreclose an election of any other remedy for another item or for the same item at a later time. Tenant's specialized property may be removed by Tenant as provided in <u>Section 1.8.5</u>.

14.4.2 Monetary Remedies for Tenant's Default.

- 14.4.2.1 Termination. Termination under <u>Section 14.4.1.1</u> shall not relieve Tenant from the payment of any sum then due to Landlord.
- 14.4.2.2 Re-entry Without Termination. Landlord's re-entry without termination under this <u>Section 14.4.2</u> shall not relieve Tenant from payment to Landlord on the due dates specified in this Lease the equivalent of all sums required of Tenant under this Lease, plus Landlord's expenses, less the proceeds of any reletting or assignment.
- 14.4.2.3 Recovery of Damages. In addition to any other remedies Landlord may have, it may recover from Tenant all damages it may reasonably incur by reason of Tenant's default, including without limitation, the cost of recovering the Premises and reasonable attorneys' fees and expenses and all other amounts recoverable pursuant to Section 1951.2 of the California Civil Code. Landlord shall be obligated to take all reasonable steps to mitigate its damages. Notwithstanding the waiver of rent as provided in Section 3.2, for the purposes of determining damages pursuant to this paragraph and Section 1951.2 of the California Civil Code, the rent for the Leased Land shall be deemed to be \$30,000 per year in 2007, increased annually by the CPI thereafter.
- 14.4.3 <u>Landlord May Require Strict Performance</u>. Landlord may require strict performance of all covenants and obligations herein as the same shall accrue or become due.

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including, but not limited to, the right to recover rent and charges equivalent to rent without terminating this Lease and have the right of action therefor without awaiting the end of the Term.

- 14.4.4 <u>Landlord May Obtain Possession</u>. Nothing contained herein shall affect, change or waive any rights of Landlord to obtain equitable relief when such relief is otherwise appropriate, or to obtain the relief provided by California Code of Civil Procedure Sections 1159 et seq., relating to actions for unlawful detainer, forcible entry and forcible detainer. If Landlord obtains possession of the Leased Land under a judgment pursuant to Section 1174 of the Code of Civil Procedure, or if Landlord by written notice declares this Lease to be terminated because of a breach of this Lease, then Landlord may, subject to the provisions of <u>Section 1.8.2</u> hereof, repossess and enjoy the Leased Land, together with all additions alterations and improvements thereto, including the Improvements thereon. Any lawful reentry as provided for herein shall be allowed by Tenant without hindrance, and Landlord shall not be liable in damages or guilty of trespass because of any such lawful reentry.
- 14.4.5 No Waiver. Landlord's election to perform any obligation of Tenant on Tenant's failure or refusal to do so shall not constitute a waiver of any right or remedy for Tenant's default, and Tenant shall promptly reimburse, defend and indemnify Landlord against all liability, loss, cost and expense arising therefrom.
- 14.5 <u>Remedies of Tenant.</u> Tenant shall have such remedies as are provided by law with respect to a breach or alleged default by Landlord.
- 14.6 Entry of Premises by Landlord. A representative of Landlord may enter the Premises, including the Improvements, during normal business hours for the purpose of inspection, subject to Tenant's reasonable requirements as to security on the Premises and as to the rights of tenants of Tenant. Landlord shall give Tenant prior notice of such entry, and, except in the case of an emergency, Landlord shall be accompanied by a representative of Tenant.
- 14.7 Failure of Tenant to Perform Required Acts. Subject to Tenant's right to contest as provided elsewhere in this Lease, if Tenant fails, refuses, or neglects during the Term to do any of the things required to be done by Tenant, Landlord shall have the right, but not the obligation, to do the same, but at the cost of and for the account of Tenant. Unless Landlord reasonably believes that its interests may be adversely affected by such delay, Landlord shall in no case take such action sooner than thirty (30) days after giving Tenant written notice of such failure, refusal or neglect. Tenant shall pay to Landlord on demand any sum expended by Landlord under this Section 14.7 together with interest thereon at the rate provided in Section 18.13. Nothing contained in this Section 14.7 shall impair the rights or Landlord with regard to defaults or remedies under the remaining portion of this Article 14.

ARTICLE 15

EQUAL OPPORTUNITY

15.1 Tenant's Obligations.

- 15.1.1 <u>Discrimination</u>. Tenant shall not discriminate against any person employed or seeking employment on the Premises because of race, color, marital status, age, religion, sex, sexual orientation, handicap or national origin.
- 15.1.2 <u>Affirmative Action.</u> Tenant shall take affirmative action to ensure that all persons employed by Tenant or seeking employment by Tenant on the Premises are treated

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without regard to race, color, marital status, age, religion, sex, sexual orientation, handicap or national origin. Such action shall include, but shall not be limited to, the following: hiring, upgrading, transfer or demotion, testing or placement, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, overtime or shift assignments, as well as selection for training, including apprenticeship.

- 15.2 No Segregated Facilities. In executing this Lease, Tenant certifies that it does not and will not maintain or provide for its employees any segregated facilities on the Premises. The term "segregated facilities" means any waiting rooms, work areas, restrooms, washrooms, restaurant and any other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains and recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, marital status, religion or national origin.
- 15.3 <u>Landlord's Right and Remedies.</u> In the event of Tenant's noncompliance with this <u>Article 15</u>, and its failure to cure such noncompliance within thirty (30) days following written notification by Landlord or such noncompliance, Landlord may bring judicial action against Tenant to compel compliance or to recover any actual damages proximately caused by Tenant's noncompliance.

ARTICLE 16

ARRITRATION

Intentionally Omitted

ARTICLE 17

SALE OF TENANT'S INTEREST

Tenant shall have no right to sell Tenant's Interest without Landlord's prior written consent, which consent may be withheld in Landlord's sole discretion.

ARTICLE 18

MISCELLANEOUS

18.1 <u>Notices.</u> Any notice provided for herein shall be in writing and may be personally delivered or sent by, and deemed given when deposited in, the United States mail, registered and postage prepaid, in an envelope addressed as follows:

If to Landlord:

Office of Budget and Planning

University of California, Santa Barbara

1325 Cheadle Hall

Santa Barbara, CA 93106 Attn: Assistant Chancellor

with a copy to:

Real Estate Services Group

The Regents of the University of California

1111 Franklin Street, 6th Floor Oakland, California 94607

Attn: Director, Real Estate Services Group

If to Tenant:

Santa Barbara County Sheriff Support Services Operations

4434 Calle Real

Santa Barbara, CA 93110

Attn: Chief Deputy

with a copy to:

County of Santa Barbara General Services Department 1105 Santa Barbara Street Santa Barbara, CA 93101

Attn: Real Estate Services Manager

Landlord or Tenant shall provide notification of change of address by registered or certified mail, return receipts requested.

No notice of any kind, including a Notice of Default, given by Landlord to Tenant shall constitute a termination of this Lease unless expressly so stated in the notice.

- 18.2 <u>Brokerage Commissions.</u> Tenant agrees to indemnify Landlord from and against any real estate brokerage commissions or other such obligations incurred by the Landlord as the result of the negotiation or execution of this Lease.
- 18.3 Estoppel Certificates. Tenant or Landlord, as the case may be, will execute, acknowledge, and deliver to the other, promptly upon request, its certificate certifying (i) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that this Lease is in full force and effect as modified, and stating the modifications), (ii) the dates, if any, to which the rent has been paid, (iii) that there are no existing offsets or defenses against the enforcement of any term hereof on the part of Tenant to be performed or complied with (or, if so, specifying the same), and (iv) that no notice has been given to either party of any default which has not been cured. Any such certificate may be relied upon by any prospective purchaser, mortgagee, or beneficiary under a deed of trust of the Premises or of any interest therein.

18.4 Indemnification.

- 18.4.1 <u>Tenant's Obligation</u>. Tenant shall indemnify, protect, defend and hold Landlord, its employees, students, officers and agents, the Premises and any adjacent property harmless from any liens, claims, costs, damages, liability or loss, including reasonable costs and expenses of attorneys, arising from this Lease, but only in proportion to and to the extent such liens, claims, costs, damages, liability or loss are covered by or result from the willful or negligent acts, errors or omissions of Tenant, its agents, employees, officers, contractors, or its sub-contractors.
- 18.4.2 <u>Landlord's Obligation</u>. Landlord shall indemnify, protect, defend and hold Tenant, its employees, officers and agents, the Improvements and any adjacent property harmless from any liens, claims, costs, damages, liability or loss, including reasonable costs and expenses of attorneys, arising from this Lease, but only in proportion to and to the extent such liens, claims, costs, damages, liability or loss are covered by or result from the willful or negligent acts, errors or omissions of Landlord, its agents, employees or officers.

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- 18.5 Nonmerger of Fee and Leasehold Estates. If under any circumstances both Landlord's and Tenant's estates in the Premises, or any portions thereof, become vested in the same owner, this Lease nevertheless shall not be extinguished by application of the doctrine of merger except at the express election of the owner and with the express written consent of the beneficiary or beneficiaries under any trust deeds affecting the Leased Land and Tenant's leasehold estate.
- 18.6 <u>Time of the Essence</u>. Time limits in this Lease are to be strictly observed. Time is of the essence in the performance of each and every obligation and covenant of the parties thereon.
- 18.7 <u>Joint and Several Obligations.</u> If either Landlord or Tenant consists of more than one person, the obligations of the persons constituting such party is joint and several. For purposes of this paragraph, "person" includes natural persons, entities, or any combination of natural persons and entities.
- 18.8 <u>Captions</u>. The captions and section headings used herein are for convenience only and are not a part of this Lease and do not in any way limit or amplify the terms and provisions hereof.
- 18.9 Governing Law. This Lease shall be interpreted in accordance with and governed by the laws of the State of California. The language in all parts of this Lease shall be, in all cases, construed according to its fair meaning and not strictly for or against Landlord or Tenant.
- 18.10 Entire Agreement. This Lease contains all covenants, terms, provisions and agreements between Landlord and Tenant relating in any manner to the construction, rental, use, and occupancy of the Premises and other matters set forth in this Lease. No prior agreement or understanding with respect to the same shall be valid or of any force or effect, and no covenant, term, provision or agreement of this Lease can be altered, changed, modified or added to, except in writing, signed by Landlord and Tenant. No representation, inducement, understanding, or anything of any nature whatsoever made, stated, or represented on behalf of either party hereto, either orally or in writing, has induced any other party to enter into this Lease except as set forth in this Lease.
- 18.11 <u>Right to Request Injunction</u>. In the event of any violation or threatened violation by either party of any of the terms, covenants, and conditions herein contained, in addition to the other remedies herein provided, each party shall have the right to petition for injunctive relief against such violation or threatened violation in a court of competent jurisdiction.
- 18.12 <u>Severability</u>. If any clause, sentence or other portions of this Lease shall become illegal, null or void for any reason, or shall be held by any court of competent jurisdiction or be so, the remaining portions thereof shall remain in full force and effect.
- 18.13 Interest Rate to be Paid. Whenever in this Lease interest is to be paid by Tenant to Landlord on unpaid amounts owing to Landlord, unless otherwise provided in this Lease, the interest rate shall be the higher of (i) ten percent (10%) per year, or (ii) five percent (5%) per year plus the rate the Federal Reserve Bank of San Francisco charges on advances from time to time until such sum is paid, not to exceed the maximum rate permitted by law.
- 18.14 <u>Cooperation in Execution, Delivery and Recordation of Documents.</u> Landlord and Tenant agree to cooperate in the execution, delivery, and recordation of such documents and agreements requested by either party as are reasonably necessary in order to carry out the

purposes of this Lease and to execute and deliver all documents and instruments reasonably necessary to terminate all interests granted herein upon their termination or expiration as provided herein.

- 18.15 <u>Representations and Warranties.</u> As a material inducement to Landlord to enter into this Lease, Tenant represents and warrants the following:
- State of California, and, is duly qualified to do business and is in good standing in the State of California; that it has all necessary power and authority to enter into this Lease and to carry out the transactions contemplated herein; and that the execution and delivery hereof and the performance by Tenant of Tenant's obligations hereunder will not violate or constitute an event of default under the terms and provisions of any agreement, law or court order to which Tenant is a party or by which Tenant is bound the remedy for which default would have a material adverse effect on Tenant's ability to perform its obligations hereunder.
- 18.15.2 <u>Authorization, Valid Obligations.</u> That all actions required to be taken by or on behalf of Tenant to authorize it to execute, deliver and perform its obligations under this Lease have been taken, and that this Lease is a valid and binding obligation of Tenant enforceable in accordance with its terms, except as the same may be affected by bankruptcy, insolvency, moratorium or similar laws, or by legal or equitable principles relating to or limiting the rights of contracting parties generally.
- 18.15.3 Executing Parties. That the persons executing this Lease on behalf of Tenant have full power and authority to bind Tenant to the terms hereof.
- 18.16 Relationship of Parties. Nothing contained in this Lease shall be deemed or construed by the parties or by any third person to create the relationship of principal and agent, or of partnership or of joint venture, or of any association between Landlord and Tenant, and none of the provisions contained in this Lease or any acts of the parties shall be deemed to create any relationship other than lessor and lessee between Landlord and Tenant, nor shall this Lease be construed, except as expressly provided, to authorize either to act as agent for the other.
- 18.17 Attorneys' Fees and Costs. In the event Landlord or Tenant commences any action at law against the other to enforce rights under this Lease, the prevailing party shall recover from the other party reasonable attorneys' fees, charges and costs (including the allocated cost of staff counsel of Landlord and/or Tenant).
- 18.18 <u>Survival of Covenants</u>. All covenants which, by their terms, are not to be performed before the expiration or earlier termination of this Lease shall survive the expiration or earlier termination hereof.
- 18.19 <u>Binding Effect.</u> The provisions of this Lease shall bind or benefit the heirs, executors, administrators, successors and assigns of the original parties to this Lease.
- 18.20 Execution in Counterparts. This Lease may be executed in counterparts, each of which shall constitute an original of such Lease, but all of which shall constitute one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the day and year first above written.

LANDLORD:	TENANT:
THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, a California corporation	COUNTY OF SANTA BARBARA, a governmental subdivision of the State of California
By:	(See attached County Signature Page)
Its:	

Post Colonia

Project:

Isla Vista Foot Patrol Ground Lease

APN:

075-172-012, 013, & 015(Portion)

Folio:

0033449

Agent:

DG

COUNTY SIGNATURE PAGE

IN WITNESS WHEREOF, LANDLORD and TENANT have executed this LEASE by the respective authorized officers as set forth below.

	"COUNTY" COUNTY OF SANTA BARBARA
ATTEST: MICHAEL F. BROWN CLERK OF THE BOARD	Chair, Board of Supervisors
By: Deputy	Date:
APPROVED: Sheriff William F. Brown, Jr.	
APPROVED AS TO FORM: STEPHEN SHANE STARK COUNTY COUNSEL	APPROVED AS TO ACCOUNTING FORM: ROBERT W. GEIS, CPA AUDITOR-CONTROLLER
By: Deputy	By: Meputy
APPROVED:	APPROVED AS TO INSURANCE FORM:

Ronn Carlentine, SR/WA

Real Property Manager

APPROVED AS TO INSURANCE FORM:

Ray Aromatorio, ARM, AIC Risk Program Administrator

TABLE OF CONTENTS

ARTICLE 1: I	DEFINITIONS, GRANT AND TERM	1
1.1	Definitions.	
1.2	Lease.	4
1.3	Reservation of Oil, Gas and Mineral Rights.	
1.4	Term.	
1.5	Holding Over.	
1.6	Quiet Enjoyment	4
1.7	Condition of Leased Land.	
1.8	Ownership and Removal of Improvements	
1.9	Surrender of Premises.	7
	CONSTRUCTION AND IMPROVEMENT OF LEASED PREMISES	
2.1	Improvements.	
2.2	Tenant's Contractor.	
2.3	Compliance with Laws	
2.4	Tenant's Architects	
2.5	Financing.	10
2.6	Costs of Construction.	
2.7	Landlord's Cooperation.	
2.8	Easements and Other Interests	
2.9	Rights of Termination	10
	LEASE CONSIDERATION	
3.1	Construction of Improvements.	
3.2	Base Rent	11
3.3	No Cost Payable by Landlord	
3.4	Operational Subsidy	
3.5	Other Payments	
ARTICLE 4		
4.1	Use of Premises.	
4.2	Changed Use	۱۱
4.3	Waste; Nuisance	
4.4		12
4.5		
4.6		د ا
4.7		
4.8		د ا
4.9	Landlord's Rules and Regulations	
	5: MAINTENANCE AND OPERATION	
5.1		
5.3		
5.3		
5	4 Specific Tenant Obligations	

5.5	Requirements of Governmental Agencies.	15
ARTICLE 6.	TAXES	15
6.1	Obligation to Pay/Tenant's Right to Contest.	
6.2	Landlord's Cooperation in Tenant's Contest.	
3.2		
ARTICLE 7:	UTILITIES	16
7.1	Construction of Utilities.	16
7.2	Cost of Utilities	16
7.3	Temporary Utilities	16
7.4	Contracts with Public Utility	
7.5	Utility Easements	16
ARTICLE 8:	ALTERATION, DAMAGE OR DESTRUCTION	17
8.1	Alteration of Improvements.	17
8.2	Damage or Destruction of Improvements.	17
8.3	Renovation and Refurbishment.	
8.4	Conduct of Demolition	19
ARTICLE 9:	: Insurance	19
9.1	Insurance.	19
9.2	Tenant Not Relieved.	20
9.3	Evidence of Insurance	20
9.4	Basis of Insurance	
9.5	Proceeds	
9.6		
9.7	U Company of the Comp	
9.8		
9.9		
9.1	0 Self-Insurance	21
	10: CONDEMNATION	
10.		
10.	8	
10	8	
10	5	
1()		
10	٠٠٠ بــ ب	
).7 Partial Taking; Restoration	
	0.8 Distribution of Award.	
).9 Allocation of Award; Partial Taking	
	0.10 Allocation of Award; Temporary Taking.	
).11 Allocation of Award; Total Taking.	∠
	0.12 Conduct of Proceedings.	2- 2
! (D 1 1 2 NOTE C	

ARTICLE 11:	ASSIGNMENT AND SUBLETTING	23
11.1	Assignment	23
11.2	Time Within to Act	23
11.3	Confirmation of Certain Landlord's Rights	24
11.4	Subleasing.	24
ARTICLE 12:	Liens and Encumbrances	24
12.1	Covenant Against Encumbrances	24
12.2	Hold Harmless	24
12.3	Non-Subordination	24
12.4	Mechanics' and Similar Liens.	25
ARTICLE 13:	HYPOTHECATION	25
13.1	Lease as Security.	25
13.2	Landlord's Consent Required	25
ARTICLE 14:	: DEFAULT	25
14.1	Waiver	26
14.2	Default by Tenant.	26
14.3	Default by Landlord.	26
14.4	Remedies of Landlord.	26
14.5	Remedies of Tenant.	
14.6	Entry of Premises by Landlord	
14.7	Failure of Tenant to Perform Required Acts	28
ARTICLE 15	EQUAL OPPORTUNITY	28
15.1	Tenant's Obligations	28
15.2	No Segregated Facilities.	29
15.3	Landlord's Right and Remedies.	29
ARTICLE 10	6: Arbitration (Intentionally Omitted)	29
ARTICLE 1	7: Sale of Tenant's Interest	29
Aprici e 13	8: Miscellaneous	
18.1		
18.2		
18.1		
18.4	1 1	
18.5		
18.0		
18.		
18.	3	
18.	,	
	10 Entire Agreement.	
18.	-	
	.12 Severability	

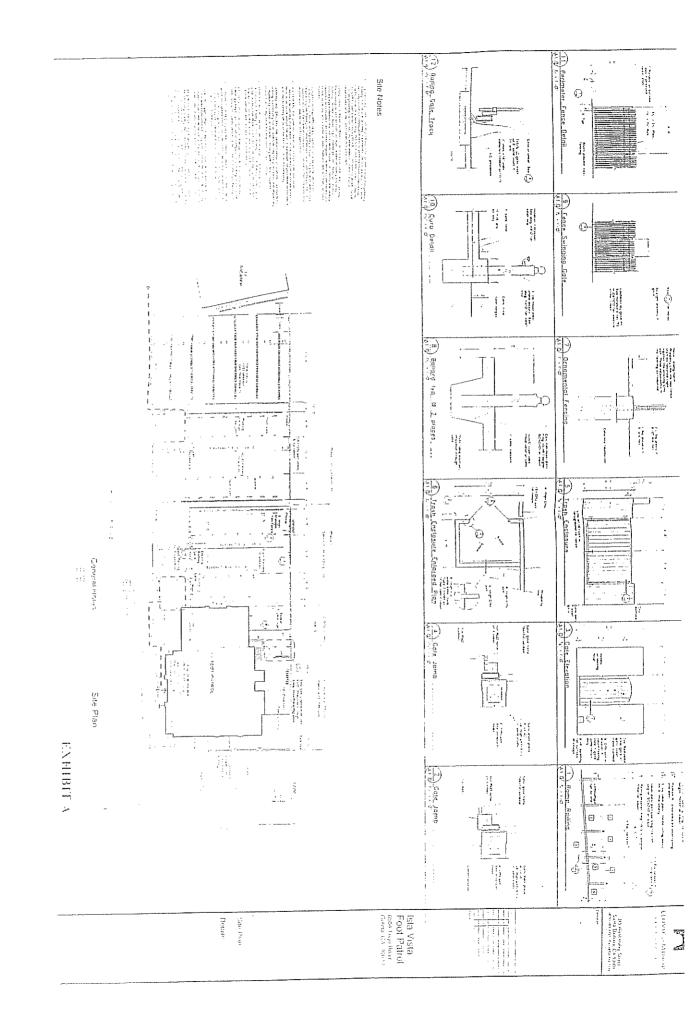
18.13	Interest Rate to be Paid.	31
18.14	Cooperation in Execution, Delivery and Recordation of Documents.	32
18.15	Representations and Warranties.	32
18.16	Relationship of Parties.	32
	Attorneys' Fees and Costs	
18.18	Survival of Covenants	32
	Binding Effect.	
	Execution in Counterparts.	

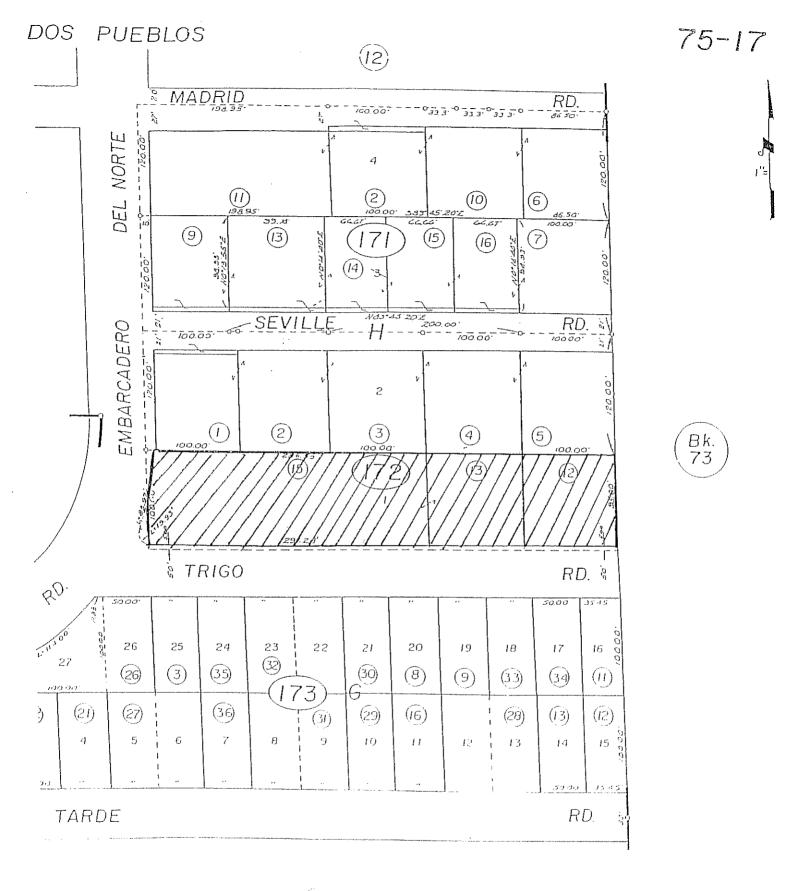
List of Exhibits

EXHIBIT A Site Plans

EXHIBIT B Leased Land







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