

UNIVERSITY OF CALIFORNIA, SANTA CRUZ
CARDIFF TERRACE
TOWNHOME LOT LEASE

IMPORTANT NOTICE TO OWNER: The price for the resale of the home on the land leased hereunder is restricted by this Residential Lot Lease, and will probably be substantially less than the price which would be paid for a similar home in the Santa Cruz area without the restrictions imposed by this Residential Lot Lease. If your objective in purchasing a Residence in Cardiff Terrace is capital gain, the University strongly recommends that you consider acquiring a home without price restrictions instead.

**CARDIFF TERRACE
TOWNHOME LOT LEASE**

THIS TOWNHOME LOT LEASE is made and entered into as of this day of _____ 20____, (“Effective Date”) by and between THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, a California public corporation (the “University”), and _____ (the “Home Owner”).

PREAMBLE

- A. The University is the owner of certain real property which is located at _____, City of Santa Cruz, County of Santa Cruz, State of California, described in Exhibit A hereof, of which the Residential Lot (as described in Exhibit B hereof) is a part.
- B. The University had authorized construction of eighty units of for-sale housing (“Residences”) on the Property for the principal benefit and convenience of the employees of the University of California, Santa Cruz.
- C. The principal objective of the Housing Program is to strengthen the educational program at the University of California, Santa Cruz, by fostering an academic community near the campus, creating and maintaining affordable for-sale housing for employees of the University, and assisting in the recruitment and retention of employees.
- D. Home Owner seeks to lease a Residential Lot from the University and to purchase a Residence located on the Townhome Lot.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties to this Residential Lot Lease agree as follows:

ARTICLE 1 – DEFINITIONS AND EXHIBITS

1.1 Definitions As used in this Lot Lease:

- (a) “*Academic Senate*” means the Academic Senate of the University of California, Santa Cruz.
- (b) “*ARB*” means the Architectural Review Board established pursuant to Article IX, Section 2 of the CC&R’s.
- (c) “*Association*” means the Cardiff Terrace Homeowners Association, a California mutual benefit corporation, its successors and assigns.
- (d) “*Approved Purchasers*” means the list of Qualified Persons established pursuant to Section 3.8.6 hereof.

- (e) “*Common Area*” means the real property within the Property leased pursuant to the Common Area Lease by the Declarant to the Association for the common use and enjoyment of the Home Owners.
- (f) “*Common Area Lease*” means that certain ground lease (or any amendment thereof or addition or successor agreement thereto) by and between The Regents as lessor and the Association as lessee for all land within the Property other than that leased or to be leased to members of the Association.
- (g) “*Covenants, Conditions and Restrictions*” or “*CC&R’s*” means the Declaration of Covenants, Conditions and Restrictions for Cardiff Terrace Homes which was recorded on July 10, 1986, as Instrument No. 037319, Official Records of the County of Santa Cruz, State of California. And Amendments thereto recorded July 25, 1986, under Serial No. 041042, February 4, 1987 under Serial no. 007562; August 27, 1991 under Serial No. 054531, November 23, 2004, under Serial no. 0083272, and _____, 2019 under Serial No. _____. Official Records of Santa Cruz County as amended from time to time.
- (h) “*Conditionally Qualified Person*” shall be considered to be Qualified Persons only upon the conditions and for the periods of time specified in Section 3.7.3 hereof.
- (i) “*Consumer Price Index*” means the index which is defined in Section 3.8.2 hereof.
- (j) “*Current Dollars*” means any dollar amount stated herein multiplied by the quotient obtained by dividing (i) the level of the “National Consumer Price Index for All Urban Consumers, All Items” (1982-84=100) (commonly known as the “CPIU”) prepared and published by the United States Department of Labor, Bureau of Labor Statistics, as of the date of computation by (ii), the level of the CPIU as of the date of this Residential Lease; provided, however, that should the CPIU cease to be published, the above-described computation shall be made using such other successor or reasonably comparable index as shall be authorized by the President of the University.
- (k) “*Declarant*” means The Regents of the University of California, its successors and assigns.
- (l) “*Faculty Salary Index*” means the index of the change of salaries for members of the University of California Academic Senate which is defined in Section 3.8.2 hereof.
- (m) “*Fair Market Value*” means the value of the Residence which is defined in Section 3.8.2 hereof.
- (n) “*Home Owner*” means the lessee identified in the first paragraph of this Lot Lease, and any successor thereto.
- (o) “*Housing Program*” means the program approved by The Regents for the development and construction of for-sale houses in a community to be known as Cardiff Terrace, for the benefit of the faculty and staff of the University, and includes any amendments or modifications to such Program which, after approval by The Regents, may from time to time be made.
- (p) “*Lease Term*” shall be defined by Section 2.2 herein.
- (q) “*Lender*” means the University, any savings bank, savings and loan association, commercial bank, trust company, credit union, insurance company, real estate investment trust, pension fund, or other lending institution of substance (including secondary market mortgage purchasers) which performs functions similar to any of the foregoing, which

makes or is the assignee of a loan to the Home Owner secured by a deed of trust on the Residence located on the Lot.

- (r) “*Lot*” means that particular subdivided parcel of the Property described in Exhibit B to this Lot Lease.
- (s) “*Lot Lease*” means this Townhome Lot Lease by and between The Regents and Home Owner.
- (t) “*Lot Lease Interest Rate*” means five percent (5%) per annum plus the rate the Federal Reserve Bank of San Francisco charges on advances as of the date of imposition, provided that if, at the time of its imposition pursuant to the terms of this Residential Lot Lease, such rate shall be deemed to be usurious, the term “Residential Lot Lease Interest Rate” shall mean the highest rate then permitted by law.
- (u) “*Lot Lease Rent*” means the amount specified in Section 2.3.1, as adjusted from time to time.
- (v) “*Lot Lease Additional Rent*” has the meaning ascribed to it in Section 2.3.2.
- (w) “*Maximum Resale Price*” means the maximum permitted resale price of the Property and the improvements located thereon as determined pursuant to the provisions of Section 3.8.2 of this Lot Lease.
- (x) “*Person*” means a natural person, corporation, business trust, estate, trust, partnership, association, joint venture, government, governmental subdivision or agency, or other legal or commercial entity as the context may require.
- (y) “*Principal Residence*” means that the Home Owner resides in the Residence as the Home Owner’s principal place of residence during each calendar year during the Term of this Residential Lot Lease. In determining whether the Residence is the Home Owner’s Principal Residence, the University may examine the relevant factors for determining residency under Sections 121 and 143(c)(1)(A) of the Internal Revenue Code of 1986, as amended, the Treasury Regulations promulgated thereunder, or successor statutes and regulations.
- (z) “*Property*” means that certain real property located adjacent to Coolidge Drive, Santa Cruz County, State of California, described in Exhibit A to this Lot Lease plus such real property as may be annexed to the Property pursuant to Article XX of the CC&R’s.
- (a) “*Qualified Appraiser*” means an appraiser certified by the State of California as either a State Licensed or State Certified Real Estate Appraiser, who shall also be a member of, and currently certified by, the American Society of Real Estate Appraisers, or a successor or a new designation of equal or superior stature, and who shall have at least five (5) years of experience in residential property valuation in the Santa Cruz, California area and shall not be related by blood or marriage to, nor be an employee or agent of, either the University or Home Owner.
- (z) “*Qualified Person*” means that the Home Owner meets certain eligibility criteria as defined by Section 3.7.2 hereof.
- (aa) “*Regents*” means The Regents of the University of California or any designee or authorized agent thereof.

- (bb) “*Regulations*” means the Cardiff Terrace Property Use and Maintenance Regulations (which include the Cardiff Terrace Architectural Guidelines and Standards), as set forth in Exhibit D to this Lot Lease and as hereafter amended.
- (cc) “*Rent*” has the meaning ascribed to it in Section 2.3.5.
- (dd) “*Residence*” means the residential structure or structures including patio areas and garages now, or hereafter during the term hereof, located on the Lot.
- (ee) “*Successor Home Owner*” means any purchaser/assignee who is a successor in interest to the Home Owner with respect to any Lot pursuant to the provisions of Section 3.4.2 of this Lot Lease or any person who succeeds to an interest under this Lot Lease in the Property as a result of circumstances described herein.
- (ff) “*Townhome*” means any Residence located on the Property, which shares at least one common wall or any common roof area with any other Residence.
- (gg) “*University*” means The Regents of the University of California.

1.2 **Exhibits**

All of the Exhibits to this Lot Lease are incorporated by reference in this Lot Lease and shall, together with this Lot Lease, be deemed one and the same instrument.

ARTICLE 2– TRANSFER OF LEASEHOLD INTEREST AND BASIC TERMS OF LOT LEASE

2.1 **Transfer of Leasehold Interest in Property.**

In consideration of the faithful performance by Home Owner of this Lot Lease, including compliance by Home Owner with the CC&R’s and Regulations, The Regents leases the Lot to Home Owner and Home Owner leases the Lot from The Regents, together with all rights and privileges pertaining to the Lot, subject, however, to the CC&R’s, and any amendments thereto, and any other covenants, conditions, restrictions, limitations, licenses, rights of way and other matters of record affecting the Townhome Lot or the Property as of the date hereof

2.2 **Term**

This Residential Lot Lease shall commence on the date first above written and shall renew annually on the Effective Date for a maximum of sixty years or the remaining lease term of the Common Area Lease, whichever is less. The term shall be subject, however, to earlier termination as provided in this Residential Lot Lease.

2.3 **Lot Lease Rental**

2.3.1 In consideration of the leasing of the Townhome Lot, Owner shall pay to the University Townhome Lot Lease Rent of One Thousand, Ninety Two Dollars (\$1,092) per year. One twelfth of such Townhome Lot Lease Rent shall be payable on the first day of each month. Such Townhome Lot Lease Rent may be increased annually, at the discretion of the

University, in an amount not to exceed eight percent (8%) of the previous year's rent, provided the rent for all other residential lots on the Property are similarly increased. Any such increase shall take effect sixty (60) days after written notice to Home Owner (which notice shall comply with applicable statutory requirements, if any). If Home Owner is an employee of the University, such payment shall, unless the University determines otherwise, be deducted from Home Owner's salary by the University pursuant to the terms of the Consent to Payroll Deduction (attached hereto as Exhibit C) which shall be executed by Home Owner as of the date of this Residential Lot Lease. Payments for partial years and partial months shall be prorated.

- 2.3.2 In addition, under certain circumstances described below, Home Owner shall pay to the University Lot Lease Additional Rent. Lot Lease Additional Rent shall equal one twelfth of the amount equal to 10% of the value of the Townhome Lot at the time that the Lot Lease Additional Rent is imposed. Such value shall be equal to the fee simple fair market value of the Townhome Lot, treated as if it were a lot improved with all utilities and all other infrastructure improvements (including streets, sidewalks, curbs, gutters and storm drains), entitled for residential use, but with no Residence or other residential structures located thereon, and not encumbered by the terms and conditions of this Townhome Lot Lease. Such value shall be determined by an appraisal by a Qualified Appraiser designated and paid for by the University. The Lot Lease Additional Rent shall be paid monthly and adjusted annually to Current Dollars.
- 2.3.3 All payments due University pursuant to this Townhome Lot Lease shall be made without offset of any kind.
- 2.3.4 Home Owner shall also pay to University as Rent any costs of collection related to any past due Lot Lease Rent or Lot Lease Additional Rent. Such Rent shall be due and paid within fifteen (15) days of notice thereof to the Home Owner.
- 2.3.5 The Lot Lease Rent, the Lot Lease Additional Rent and any other rent hereunder are, collectively, referred to herein as the Rent, and all constitute "rent" payable pursuant to this Townhome Lot Lease for the purposes of California Code of Civil Procedure Section 1161.
- 2.3.6 Home Owners who are Conditionally Qualified Home Owners pursuant to Section 3.7.3 (f) and (g) shall pay to the University annual Lot Lease Rent computed and payable as set forth in Section 2.3.1 and Lot Lease Additional Rent computed and set forth in Section 2.3.2, except that the rent shall equal one twelfth of the amount equal to 4% of the value of the Townhome Lot at the time that the Lot Lease Additional Rent is imposed.

2.4 State of Title

- 2.4.1 The University represents and warrants that The Regents' title to the Lot is now free and clear of any lien, charge, encumbrance, or claim except as may be referred to and described in Exhibit B to this Townhome Lot Lease.
- 2.4.2 The University covenants to Home Owner that, at all times during the term of this Lot Lease and so long as Home Owner is not in default under the terms hereof, Home Owner shall hold, occupy, and enjoy the Lot without disturbance or hindrance by The Regents or by any other person claiming under or by right of The Regents.

2.5 Uses and Purposes

- 2.5.1** Home Owner shall not use or permit any other person to use the Lot or the Residence in any way that constitutes a nuisance. Home Owner shall conform to, and cause any person using or occupying the Residence and any person present in the Common Area by license or invitation of Home Owner, to comply with the CC&R's and any amendments thereto, the Regulations and with all other applicable public laws, ordinances, and regulations (including all University regulations). Home Owner will defend and hold harmless the University from any penalty, damages, or charge imposed for any violation of the CC&Rs, the Regulations or of any law, ordinance, or other regulation applicable to the use and occupancy of the Lot, or Residence occasioned by the negligent or willful act or omission of Home Owner or by any person present therein or thereon by license or invitation of Home Owner.
- 2.5.2** Notwithstanding Section 2.5.1, above, Home Owner shall have the right to contest, by appropriate judicial or administrative proceedings, without cost or expense to the University, the validity or application of any present or future law, ordinance or regulation which restricts use of the Lot, Residence or Common Area or which requires Home Owner to repair, maintain, alter, or replace the Residence, provided that Home Owner shall not have the right to contest the validity or application of the Regulations. Home Owner shall not be in default under this Lot Lease for failing to commence repairs, maintenance, alterations, or replacements until a reasonable time following the final judgment and conclusion of appeals in any such administrative or judicial proceedings, provided that Home Owner shall protect the University, the Residence and the Lot from any lien by adequate surety bond or other appropriate security. Home Owner's right to contest shall be exercised in such a manner as to avoid any exposure of the Lot or Residence to foreclosure or execution sale.

2.6 Taxes and Assessments

- 2.6.1** Home Owner's interest in the Townhome Lot and the Residence thereon are subject to property taxes and assessments imposed by the County of Santa Cruz and other governmental entities. Owner shall have sole responsibility for, and shall pay prior to delinquency, all such taxes and assessments. Any such tax or assessment may be paid in installments when so allowed by the taxing or assessing governmental entity
- 2.6.2** Home Owner agrees to hold harmless the University from the payment of any tax or assessment required to be paid pursuant to 2.6.1, above. Subject to the provisions of subsection 2.6.4, below, Home Owner will prevent any such tax or assessment from becoming a delinquency lien upon the Lot or Residence. If the payment of any such tax or assessment shall be more than ninety (90) days delinquent, the University shall have the right, but not the obligation, to pay such tax or assessment. If the University makes any such payment, the amount of the payment shall be immediately due and payable to the University by Home Owner and shall bear interest pending payment by Home Owner at the Lot Lease Interest Rate.
- 2.6.3** Home Owner shall pay when due each and every fee, charge or assessment duly levied against the Residence by the Association pursuant to Article V of the CC&R's.
- 2.6.4** Home Owner shall have the right, at his or her own cost, to refuse to pay and to contest the amount or validity of any tax or assessment by an appropriate proceeding diligently

conducted in good faith. However, Home Owner's right to contest shall be exercised in such a manner as to avoid any exposure of the Lot or Residence to foreclosure or execution sale. Pending final judgment in and appeal from any such proceeding, the University shall not have the right to pay, remove, or discharge any tax or assessment so contested, provided that Home Owner shall protect the University, the Lot and the Residence from any lien by adequate surety bond or other security.

2.6.5 Home Owner's obligation to pay taxes and assessments levied and assessed against the Lot shall exclude, without limitation, the following taxes and charges, however denominated: business, income, or profits taxes levied or assessed against the University or the Association by a federal, state or other governmental entity.

2.6.6 Home Owner acknowledges that University has no control over the valuation of the Residence, the Residential Lot or Owner's leasehold interest for tax assessment purposes, or the collection of taxes or assessments or the amount of any taxes.

2.7 Insurance

2.7.1 Home Owner shall, at Home Owner's sole cost and expense, maintain insurance on the Residence and on the Townhome Lot throughout the Lease Term (including any period of time during which any building is in the process of construction, remodeling or demolition), against loss or damage by fire or such other hazards as are encompassed within the standard extended coverage endorsement approved for use in the State of California in an amount not less than one hundred percent (100%) of the then current replacement value of the Residence to then current building standards, provided that such insurance is ordinarily and customarily available.

Home Owner shall, at Home Owner's expense, obtain and keep in force during the Lease Term, either (a) a separate general liability policy covering Bodily Injury and Property Damage insurance, or (b) a Homeowner policy which includes liability provisions, either of which insures against liability arising out of or in connection with activities on, in or around the Residence and the Townhome Lot and all areas appurtenant thereto. Such insurance shall have a combined single policy limit in an amount not less than Two Hundred Fifty Thousand Current Dollars (\$250,000) per occurrence.

2.7.2 All insurance provided for in this Section 2.7 shall be effected under valid and enforceable policies issued by insurers licensed to do business in the State of California and shall name the University and its successors and assigns as an additional insured. A certificate of each insurance policy required under this Section 2.7 shall be provided to the University upon commencement of the term of this Residential Lot Lease and upon the renewal of each such policy, and all such policies issued by the respective insurers shall contain an agreement by the insurers that such policies shall not be cancelled or modified to reduce or eliminate coverage or insured risks without at least thirty (30) days prior written notice to the University and the first mortgagee of the Residence. In addition, all such insurance required under this Section 2.7 shall also contain a waiver of subrogation rights by the carrier as to other Owners, the University and the first mortgagee of the Residence.

2.8 Ownership of Improvements

The Residence and all other improvements made or constructed on the Lot following the effective date of this Lot Lease shall be the property of Home Owner or of Successor Home Owners during the term of this Lot Lease. Upon expiration or termination of this Lot Lease, the Residence and all other improvements located on the Lot shall become the property of The Regents, subject to the provisions of Section 6. 6 of this Lot Lease.

2.9 Condition of Townhome Lot

Home Owner hereby accepts the Townhome Lot “as is, where is, with all faults.” Home Owner acknowledges that the Townhome Lot is in satisfactory condition. The University shall not be responsible for any land subsidence, slippage, soil instability, or damage resulting from such conditions. University makes no representation or warranty as to the condition of the Residence.

Neither the University nor any of its officers, agents, representatives or employees have made or been authorized to make any representations, warranties or promises concerning any view, present or future, that may be enjoyed from any particular Residence located in the Cardiff Terrace project.

2.10 Nonliability of the University

This Lot Lease is made on the express condition that the University shall be free from all liability or loss by reason of injury or death to any person, or damage to or loss of property from whatever cause, whether on the Lot, or in any way connected with the Lot or with the improvements or personal property on the Lot, including any liability for injury or death to the person or damage to or loss of property of Home Owner, his or her agents, officers, servants, or employees except to the extent that said injury or damage is caused by the willful or negligent act or omission of The Regents. Accordingly, in addition to the assurances set forth in sections 2. 5, 2. 6, 2.11 and 4. 5 of this Lot Lease, Home Owner agrees to hold harmless The Regents, its officers, employees, and agents from any and all liability, loss, cost, or obligation on account of, or arising out of, any such injury or loss. Home Owner assumes all risks of injury or death of any person or damage to or loss of any property of Home Owner and any property under the control or custody of Home Owner while upon the Lot.

2.11 Liens and Encumbrances

Subject to sections 2.6 and 5. 2 of this Lot Lease, Home Owner will keep the Lot free and clear of any liens or encumbrances created by Home Owner’s acts or omissions or created by the performance of any labor for or the furnishing of any material, supplies, or equipment to Home Owner. Home Owner will hold harmless The Regents from any such liens, claims, or demands and from any related costs, damages, or liability.

2.12 Destruction and Restoration

If, during the term of this Residential Lot Lease, the Residence is wholly or partially destroyed by a risk covered by insurance carried by Home Owner or otherwise required to be carried by Home Owner pursuant to the provisions of Section 2.7, Home Owner shall promptly commence (within one hundred eighty (180) calendar days after the date of such casualty) restoration of the Residence to substantially the original specifications, except as to variations required by law or

as approved pursuant to Section 3.1.1, below, as it was immediately prior to such destruction, and such destruction shall not terminate this Residential Lot Lease. In such an event and notwithstanding the provisions of Section 3.2, Home Owner shall have the right to demolish any portion of the Residence necessary to permit such restoration. Failure to complete the restoration within three hundred sixty (360) calendar days after commencement of restoration shall, at the option of the University, constitute a default hereunder.

If, during the term of this Residential Lot Lease, the Residence is wholly or partially destroyed by a risk not covered by the insurance that Home Owner is required to carry pursuant to the provisions of Section 2.7 above, or other insurance Home Owner may carry, then Home Owner shall have the right to terminate this Residential Lot Lease, by notice thereof delivered to the University within sixty (60) days after the date of such casualty. If Home Owner so elects to terminate this Residential Lot Lease, then this Residential Lot Lease shall terminate effective as of the date of such casualty, provided, however, that Home Owner shall promptly remove such destroyed or damaged buildings or improvements from the Residential Lot and thereafter redeliver the Residential Lot to the University in a neat and clean condition. If Home Owner does not elect to terminate this Lease within the aforesaid sixty (60) day period, then Home Owner shall promptly commence (within one hundred eighty (180) calendar days of such casualty) restoration of the Residence to substantially the original specifications, except as to variations required by law or as approved pursuant to Section 3.1.1, below, as it was immediately prior to such destruction. Failure to complete the restoration within three hundred sixty (360) calendar days after commencement of restoration, shall, at the option of the University, constitute a default hereunder.

ARTICLE 3 – IMPROVEMENTS ON PROPERTY AND ASSIGNMENT/SUBLEASE OF INTERESTS UNDER LOT LEASE

3.1 Plans and Specifications

- 3.1.1** Before any construction or renovation on the Lot by Home Owner (i) affecting the outward appearance of the Lot or the Residence or (ii) affecting the structural or operational integrity of the Residence, Home Owner shall submit to the ARB plans and specifications for such construction or renovation. Such plans and specifications shall be in such detail and prepared in such manner as prescribed in the Regulations and as may reasonably be required to permit the ARB to make an informed judgment as to the overall design and manner of construction of the proposed construction or renovation. No such construction or renovation shall be undertaken by Home Owner without ARB's written approval of the plans and specifications.
- 3.1.2** Approval by the ARB of plans and specifications as required by this Section 3. 1 shall not make the Association or the University responsible or liable to Home Owner or to third persons for the design, construction, or quality of any improvement or renovation with respect to which its approval is given.
- 3.1.3** The University acknowledges that it is common practice in the construction industry to make changes in designs contained in plans and specifications during the course of construction. Accordingly, the University agrees that changes that do not materially alter plans and specifications previously approved by the ARB do not have to be submitted for separate approval. Notwithstanding the foregoing, any change that affects the exterior

design or appearance of the Townhome Lot or the Residence shall be deemed to be material for the purposes of this Section 3.1.3.

- 3.1.4** Home Owner agrees to provide University written notice of any work of improvement (as defined in Section 3106 of the California Civil Code) on Home Owner's Residence at least twenty (20) days before beginning the work of improvement and to permit University to post on the Townhome Lot, Residence or building in which Home Owner's Residence is located, a Notice of Nonresponsibility pursuant to Sections 3094 and 3129 of the California Civil Code while the work of improvement is in progress. Should any lien be recorded against the Townhome Lot, Project Site or the Residence that purports to be a lien against the interests of University, Home Owner agrees to purchase and record, at Home Owner's sole cost and expense, a bond adequate to remove the purported lien against the interests of University. If Home Owner fails to do so, University may record such bond and assess the cost to Home Owner as Rent.

3.2 Demolition of Improvements

During the term of this Lot Lease, Home Owner shall not demolish any structure on the Lot without the express written consent of the University. Such consent shall be entirely within the University's discretion to grant or to withhold. Any consent by the University to such a request may be conditioned upon a requirement that Home Owner immediately commence and diligently complete construction of a replacement structure, which construction shall be undertaken in compliance with Section 3.1 of this Lot Lease.

3.3 Utility Services

Home Owner agrees to pay standard charges for each connection of Home Owner's Residence to utility lines (other than those utility lines to which the Residence is connected at the time of Home Owner's purchase) and for all utility services used by Home Owner.

3.4 Assignments

- 3.4.1** Except as may be expressly provided in this Article 3 or in Section 5.2 of this Townhome Lot Lease or as may be expressly approved in writing by the University, Owner shall not grant, assign, sublease, exchange, or otherwise transfer any rights under this Residential Lot Lease other than in conformity with the provisions of this Article 3, nor attempt to sell, grant, transfer, lease or otherwise convey any interest in the Residence other than in conformity with Section 3.8 hereof. Any such attempted sale, grant, assignment, lease, sublease, exchange, or other transfer shall constitute a default of this Townhome Lot Lease, and shall be void and of no force or effect.
- 3.4.2** Home Owner may, subject to the provisions of this Article 3 of this Townhome Lot Lease, sell and convey his or her Residence and assign his or her interest under this Townhome Lot Lease in the Townhome Lot pursuant solely to the procedures and priorities set forth in Section 3.8 hereof. Upon such a sale and assignment, and if the remaining term of this Townhome Lot Lease shall be less than forty (40) years, either Home Owner or the Successor Owner purchasing the Residence may elect that, by notice to the University, (i) this Townhome Lot Lease be terminated and (ii) a new lease from the University be granted on the same general terms as this Townhome Lot Lease., except that the term of such new lease shall not exceed sixty (60) years or the remaining lease

term of the Common Area Lease at the time this Lot Lease is executed, provided that the Successor Home Owner is a Qualified Person as defined in Article XI of the CC&Rs. Each subsequent qualifying purchaser under Section 3.8 hereof shall have a similar right to request that this Townhome Lot Lease or the then applicable lease be terminated and that the University enter into a new lease embodying substantially the same terms and conditions as this Townhome Lot Lease for a term which shall be the lesser of sixty (60) years or the remaining term of the Common Area Lease. The University will consider such requests in good faith and act favorably thereon if the proposed sale is to an Approved Purchaser (as defined in Section 3.8 hereof), and if, in the University's judgment, the goals of the Housing Program will be furthered thereby.

- 3.4.3 An assignment by Home Owner described in Section 3.4.2 of this Section will be effective only if, at the time of such assignment, Home Owner shall repay to the University (with interest, if any) the full amount owing and payable as a result of any cash assistance, equity, second mortgage, or other loans made by the University to Home Owner in connection with Home Owner's occupancy of the Residence.
- 3.4.4 Home Owner's offer to sell his or her interest in the Residence shall not be conditioned in any manner on the purchase, lease, or rental of any other real or personal property in which Home Owner has an interest.

3.5 **Non-Conforming Transfers of Residence and Lot Lease**

Except for the provisions of Section 5.2 of this Townhome Lot Lease with respect to the rights of Lenders, if an ownership interest of greater than fifty percent (50%) in the Residence shall pass, whether by conveyance, bequest, operation of law, or otherwise, to any person who is not a Qualified Person or a Conditionally Qualified Person, or if Home Owner shall, at any time, cease to be a Qualified Person or Conditionally Qualified Person, Home Owner shall be deemed to be in default hereunder.

3.6 **Use of Property for Residential Purposes**

- 3.6.1 Except as provided in Sections 3.6.2, 3.6.3, and 3.6.6, Home Owner shall reside on the Lot, and the Residence shall be used only as the principal place of residence of Home Owner and for no other purpose.
- 3.6.2 If Home Owner, with the consent of the University and the Association, in accordance with the requirements of the CC&Rs and this Lot Lease, demolishes the Residence, the requirement of Section 3.6.1 shall not be applicable until such time as a new housing unit is constructed on the Lot, provided that construction of such housing unit shall begin within six (6) months of the date on which demolition of the prior housing unit commenced.
- 3.6.3 Home Owner may lease or rent Home Owner's Residence only on the following terms and conditions:
 - (a) No Residence shall be leased or rented for a period of less than thirty (30) days.
 - (b) Any lease or rental agreement with respect to any Residence shall be in writing, and Home Owner shall provide a copy thereof to University within two (2) business days

after demand therefore, and any tenant thereunder shall abide by and be subject to all of the terms of the provisions of this Residential Lot Lease, and such lease or rental agreement shall specify that failure to abide by such provisions shall be a default under the lease or rental agreement.

(c) Home Owner shall not enter into any lease or rental agreement which shall have a term longer than twelve (12) months or which, when added to the term of any prior lease or rental agreement, would result in occupancy by tenants of more than thirteen (13) months within the preceding thirty-six (36) months without prior written consent of the University; provided however, that if such lease or rental agreement shall be entered into in conjunction with a work assignment, an academic leave, or other leave of absence of Home Owner approved by the Chancellor of the University of California Santa Cruz, the occupancy of the residence by tenants may extend for the duration of such leave.

(d) Execution by Home Owner of any lease or rental agreement for the Residence in violation of this Section 3.6.3 without the prior written consent of the University, shall be deemed to be an irrevocable offer to sell the Residence to the University at the price and on the terms set forth in Sections 3.8.2 and 3.8.3.

3.6.4 The University may require Home Owner to provide such information as may be reasonably necessary to determine compliance with the provisions of this Section 3.6.

3.6.5 If the University determines that Home Owner is in violation of the requirements of this Section 3.6, and if Home Owner shall fail, within thirty (30) days of receipt of written notice of such determination to comply herewith, such failure shall constitute an event of default of this Townhome Lot Lease and a Repurchase Option Event as set forth in Section 3.7.5 hereof

3.6.6 Nothing contained in this Section 3.6 shall prohibit a Lender or a third-party purchaser at a foreclosure sale from holding an interest in the Residential Lot following a foreclosure, or prohibit a Lender from holding an interest in the Residential Lot following a transfer by a deed-in-lieu of foreclosure of the Residence.

3.7 Restrictions on Possession, Occupancy and Sale of Residence

3.7.1 Restriction of Home Ownership of Residence. A principal purpose of the Housing Program is to create a residential community supportive of and consistent with the educational and cultural goals of the University; consequently no person shall be allowed to be a Home Owner of the Residence unless such person is a “Qualified Person” or a “Conditionally Qualified Person” as defined in this Section 3.7. Except as provided otherwise herein, such Home Owner shall possess, occupy or use the Residence as his or her Principal Residence.

3.7.2 Qualified Person. A “Qualified Person” is a person determined to be eligible by the Chancellor of the University of California at Santa Cruz (“UCSC”) in accordance with the employee housing policy and criteria of UCSC. That policy and those criteria are intended and dedicated to further the educational purposes of UCSC by enhancing the quality of education through retention and recruitment of employees; therefore, the Chancellor of UCSC may, in his or her sole discretion, from time to time designate as Qualified Persons,

those employees of University who are an integral part of the UCSC community, and with respect to whom the Chancellor of UCSC shall have determined that providing adequate housing is a priority. Following designation as a Qualified Person, a person shall continue to be a Qualified Person until his or her employment by University terminates, at which time he or she will no longer be a Qualified Person; provided, however, that no Home Owner who is a Qualified Person (a “Qualified Person/Home Owner”) shall lose his or her status as a Qualified Person because of a termination of employment as result of disability or retirement. “Retirement” shall mean termination of employment at a time when a person shall be eligible to receive retirement benefits from the University of California Retirement System, or any other retirement system used by University.

3.7.3 Conditionally Qualified Persons The following persons (“Conditionally Qualified Persons”) shall be considered to be Conditionally Qualified Persons only upon the conditions and for the periods of time specified in this Section:

- (a) Any Qualified Person/Home Owner shall continue to be qualified until the expiration of six (6) months following the date on which such person shall cease to have been a Qualified Person as defined in Section 3.7.2 above, except as other time periods are specifically provided herein;
- (b) The spouse or Domestic Partner of a Qualified Person/Home Owner (but not of a Conditionally Qualified Person) who shall possess, occupy and use the Residence as of the date of death of such Qualified Person/Home Owner shall be a Conditionally Qualified Person for as long as he or she maintains the Residence as his or her principal place of residence or until remarriage (or entry into a Domestic Partnership), if earlier;
- (c) The dependent child of a Qualified Person/Home Owner (but not of a Conditionally Qualified Person) who shall possess, occupy and use the Residence as of the date of death of such Qualified Person/Home Owner shall be a Conditionally Qualified Person for three (3) years from such date or, if earlier, until the then current Home Owner sells or disposes of the Residence or, in the case of a minor dependent child, until such child attains the age of twenty-one (21) years;
- (d) An heir or legatee (other than a spouse, Domestic Partner, or dependent child) of a Qualified Person/Home Owner (but not of a Conditionally Qualified Person) who shall acquire Home Ownership of the Residence from the estate of such Qualified Person/Home Owner shall be a Conditionally Qualified Person for one (1) year from the date such heir or legatee shall acquire record ownership of such Residence;
- (e) A Qualified Person/Home Owner’s spouse (but not a Conditionally Qualified Person’s spouse) who acquires the sole rights of occupancy of the Residence pursuant to any marital or Domestic Partnership settlement, proceeding or decree shall be a Conditionally Qualified Person for a period of one (1) year from the date of such settlement, proceeding or decree;
- (f) Any initial purchaser of the Residence other than a Qualified Person; and
- (g) Any person who acquires the Residence pursuant to a sale made to a person under Section 3.8.1(e) below.

Any spouse, domestic partner, heir, legatee, or dependent child of a Conditionally Qualified Person is not a Conditionally Qualified Person or a Qualified Person, for purposes hereof. A Conditionally Qualified Person, as defined in this Section, may continue to possess, occupy and use the Residence until the expiration of his or her Conditionally Qualified status pursuant to this Section, but must sell the Residence in accordance with the requirements of Section 3.8 prior to the end of such period.

3.7.4 Offer or Sale by Conditionally Qualified Person Any sale of a Residence by a Conditionally Qualified Person during the period of conditional qualification is subject to the requirements of Section 3.8 hereof.

3.7.5 Repurchase Option Upon Occurrence Of Repurchase Option Event In order to preserve the Housing Program for its intended purpose, the University reserves the right and option to repurchase the Residence and to require Home Owner to terminate his or her leasehold interest under this Residential Lot Lease (“Repurchase Option”) if (i) Home Owner is not in compliance with Section 3.4 or 3.5 hereof, (ii) Home Owner is no longer using the Residence as Home Owner’s Principal Residence in accordance with Section 3.6 hereof, (iii) Home Owner has exceeded the maximum encumbrance permitted pursuant to Section 3.8.8(c) hereof, (iv) Home Owner sells the Residence for consideration in excess of the Maximum Resale Value, or (v) Home Owner is otherwise in material default of this Residential Lease (each of the foregoing shall constitute a “Repurchase Option Event”). If the Repurchase Option is exercised, Home Owner will be required to sell the Residence to University. Home Owner (or his or her personal representative) shall be responsible to give written notice to University as soon as possible after the occurrence of a Repurchase Option Event. The first date that University may exercise the Repurchase Option shall be the date of University’s receipt of such notice of the occurrence of a Repurchase Option Event. In the event that Home Owner fails to give written notice to the University of such event, the first date that the University may exercise the Repurchase Option shall be the date on which the University actually discovered the existence of such event, and not the date on which such event actually occurred.

(a) **Exercise** University’s Repurchase Option shall be exercisable by the delivery to Home Owner of written notice at any time during the period commencing on the date University may first exercise the Repurchase Option as set forth above, and ending on the sixtieth (60th) day thereafter (“Repurchase Option Event Exercise Period”). University may assign the Repurchase Option to any Qualified Person or Conditionally Qualified Person.

(b) **Purchase Price and Closing** If University or its assignee exercises University’s Repurchase Option during the Repurchase Option Event Exercise Period, the Purchase Price for the assignment and sale to University or its assignee shall be at the price and on the terms set forth in Sections 3.8.2 and 3.8.3 hereof. The conveyance of the Residence shall occur within sixty (60) days after the date that University or its assignee delivers notice of its exercise of the Repurchase Option.

(c) **No Waiver.** The non-exercise by University or its assignee of University’s Repurchase Option with respect to a particular event, under this Residential Lot Lease or otherwise, shall not constitute or be deemed to be a waiver of University’s Repurchase Option upon the occurrence of any other or subsequent event. University’s Repurchase Option shall apply upon the occurrence of each such event, notwithstanding the prior occurrence of any such event or occurrence of any other event.

(d) **Authorization and Release.** Home Owner agrees to cooperate with University in providing and obtaining information necessary to make a determination whether a Repurchase Option Event may have occurred. Home Owner hereby authorizes University to obtain whatever information may be required from third parties for University to make such determination, including, without limitation, the University and any other employer of Home Owner. University agrees to utilize any such information so obtained only for such purpose and, if applicable, for implementing University's rights under this Section 3.7.5.

3.7.6 Possession, Use and Occupancy In addition to Qualified Persons and Conditionally Qualified Persons, use of the Residence is limited to persons who are (a) related by marriage, blood, Domestic Partnership, guardianship or foster care to a Qualified Person or a Conditionally Qualified Person, (b) co-Home Owner of a fifty percent (50%) or less undivided interest in the Residence, (c) an invitee or guest of a Qualified Person or a Conditionally Qualified Person, or (d) a domestic or nurse employed by a Qualified Person or a Conditionally Qualified Person, during any period during which such Qualified Person or a Conditionally Qualified Person uses the Residence as his or her principal place of abode, collectively, "Qualified Users". Use of the Residence by a person pursuant to a lease approved by University pursuant to Section 3.6.3, between such person and a Qualified Person as well as persons associated with such lessee as described in this Section 3.7.6 (a), (c), and (d) above, shall be deemed to be Qualified Users.

3.7.7 Enforcement of Qualified Use Restriction. University may enforce the provisions of this Section 3.7 by appropriate action, including, but not limited to, any remedy or remedies provided in this Residential Lot Lease.

3.8 Limitations on Transfer.

3.8.1 Right of First Refusal The University shall have a right of first refusal with respect to the sale or other transfer of the Residence, as follows:

(a) If at any time the Home Owner shall intend to sell, assign or otherwise transfer the Residence or any interest therein, Home Owner shall first offer to sell the Residence to the University at the price and on the terms set forth in Sections 3.8.2 and 3.8.3 hereof.

(b) Each offer to sell the Residence pursuant to this Section shall be made initially in a written notice delivered to the University.

(c) University shall have the right, but not the obligation, to assign its right of acceptance of any offer made pursuant to this Section to an Approved Purchaser, as hereinafter defined.

(d) If University rejects said offer or does not respond within twenty (20) calendar days, a Home Owner wishing to sell or transfer an interest in the Residence may, by appropriate notices or advertisement, documentation of which shall be promptly delivered to University, offer the Residence for sale for a period of twenty (20) calendar days, at the price and on the terms and conditions set forth in this Section 3.8, to all persons who are members of the Academic Senate of the University of California, Santa Cruz. Thereafter, a Home Owner wishing to sell shall extend such offer, for an additional twenty (20) day period to all of University's other salaried faculty members, salaried non-faculty academic staff and management employees, and salaried non-academic staff. An offer made

pursuant to this subsection shall remain open until accepted or, in the absence of an acceptance, for forty (40) days from the date of publication of the original notice or advertisement.

(e) If a Home Owner's offer pursuant to subsection (d), above, is not accepted within forty (40) days after it is made, and if the Home Owner still wishes to sell or transfer Home Owner's interest in the Residence, the Home Owner shall give notice to University of his or her intention and provide University with the opportunity to agree to purchase the Residence for a period of fifteen (15) days at a price and on terms which are not more favorable to the Home Owner than Home Owner's original offer made pursuant to subparagraph (a) above. If University has not agreed within such fifteen (15) day period to purchase the Residence, then the Home Owner may offer the Residence for sale on the open market to any person. Such an offer by an Home Owner, following expiration of not fewer than seventy-five (75) days from the receipt of the initial notice to University from Home Owner pursuant to this Section, may be made to any person, without respect to their "qualification" under Section 3.7, provided, however, that any Residence acquired pursuant to such sale on the open market and any subsequent sale thereof shall continue to be bound by and subject to all of the other provisions of this Lease, including, without limitation, the provisions of this Section 3.8.

(f) Any written notice of acceptance given by University or an assignee of University to an Home Owner who shall have made an offer under this Section shall constitute a binding acceptance of such offer at the price and on the terms set forth in Section 3.8 hereof.

(g) Any purported offer, sale or other transfer of the Residence other than in conformance with this Section 3.8 shall be void and of no effect, and any purported encumbrance of the Residence pursuant to a Mortgage or Deed of Trust that secures payment of a principal amount in excess of the Maximum Resale Price of the Residence as determined pursuant to Section 3.8.2 shall be void and of no effect, except that such purported encumbrance, offer, sale or other transfer shall constitute an irrevocable offer to the University to sell Home Owner's Residence at the price and on the terms set forth in Sections 3.8.2 and 3.8.3 below, which offer shall be deemed to be delivered to University thirty (30) days following actual notice thereof by the University of such purported offer, sale or transfer, and which offer shall be accepted or rejected by University within thirty (30) days from the date of deemed delivery to University.

(h) University may, at any time and from time to time, conduct such investigations and require Home Owner or any successor in interest to Home Owner to provide such information as University reasonably may request to determine compliance with the resale limitations described in this Section 3.8. In the event that University determines that Home Owner or any successor in interest to Home Owner is in violation of the assignment and resale limitations described in this Section 3.8, Home Owner shall pay all of University's investigative and legal costs relating to such discovery and the enforcement of the provisions of this Section 3.8.

3.8.2 Maximum Resale Price and Terms

(a) The Maximum Resale Price of any Residence offered or sold pursuant to this Section 3.8 shall be the lesser of:

(i) the fair market value of the Residence and the leasehold interest in the Residential Lot, either as mutually determined by the Home Owner and University or, in the absence of such agreement, by appraisal pursuant to the provisions set forth in this Section 3.8; or

(ii) the sum of: (A) the purchase price of the Residence paid by the Home Owner, plus (B) the product of the purchase price of the Residence paid by Home Owner and the fractional change in whichever of the following indices results in the larger product: (x) the Consumer Price Index (as defined below), or (y) the Faculty Salary Index (as defined below), the fractional change to be for the time between the purchase date and the date of the offer made pursuant to Section 3.8.1(a), using the applicable index most recently published prior to the date of such offer, plus (C) the cost of all capital improvements to the Residence made by the Home Owner, but only to the extent that each such capital improvement exceeded \$1,000 in cost and was approved and certified by the University at the time such improvement was completed following submission by the Home Owner of cost documentation in such form as the ARB may prescribe, which documentation shall be subject to audit and proof, less (D) reasonable costs to cure any failure to properly maintain the Residence. All sales by University shall be exempt from this Section 3.8.

Payment of broker's commissions or other costs of sale, if any, shall not affect the Maximum Resale Price.

As used in this Section:

1. "Consumer Price Index" means the National Consumer Price Index (all items) for all Urban Consumers ("CPIU") as published by the United States Department of Labor, Bureau of Labor Statistics, or, if such index ceases to be published, then any comparable successor index which measures changes in the prices of consumer items.

2. "Faculty Salary Index" means the index of the change of salaries for members of the University of California Academic Senate as published by University's Office of Loan Programs, or, if such index ceases to be published, then any comparable successor index which measures changes in the salaries of members of University's Academic Senate.

(b) The "fair market value" of the Residence and the Residential Lot shall be determined by a "Qualified Appraiser" as selected by University, unless within five (5) business days after a Home Owner receives such appraisal he or she gives notice to University that the resulting appraised value is unsatisfactory. In such case, an Home Owner may choose another Qualified Appraiser. If the second Qualified Appraiser's appraisal of fair market value differs from the first Qualified Appraiser's appraisal of fair market value by less than twenty-five percent (25%), whether higher or lower, the fair market value of the Residence and related leasehold interest shall be the average of the two appraised values. If the second Qualified Appraiser's appraised value is higher, the University shall pay the cost of the second appraisal; if the second Qualified Appraiser's appraised value is lower, the Home Owner shall pay the cost of the second appraisal. If the second Qualified Appraiser's appraised value differs from the first Qualified

Appraiser's appraised value by twenty-five percent (25%) or more, whether higher or lower, University shall pay for a third appraisal by a Qualified Appraiser and the fair market value of the Residence and related leasehold interest shall be the average of the three appraised values. The cost of the initial appraisal shall be paid by the Home Owner. For all appraisals, the University shall be the party requesting and contracting the appraisal.

(c) A "Qualified Appraiser" shall be certified by the State of California as either a State Licensed or State Certified Real Estate Appraiser, and shall also be a member of, and currently certified by, the American Society of Real Estate Appraisers, or a successor or a new designation of equal or superior stature, who shall have at least five (5) years of experience in residential property valuation in the Santa Cruz, California area and shall not be related by blood or marriage to, nor be an employee or agent of, either University or Home Owner.

(d) No offer subject to this Section shall require an earnest money deposit of more than three percent (3%) of the purchase price nor require the closing of escrow for the sale of the Residence or final payment therefore in fewer than forty-five (45) days from the date of acceptance by the purchaser.

3.8.3 Closing and Payment of Purchase Price If any offer made pursuant to Section 3.8.1 is accepted by University or an Approved Purchaser, the closing thereon shall occur within ninety (90) days of acceptance of Home Owner's offer, and the purchase price shall be paid in cash as follows:

(a) to Home Owners' Lender or Lenders as their respective interests may appear or by assumption of the Mortgage or Mortgages as arranged by the purchaser;

(b) in payment of necessary closing costs customarily charged to buyers and sellers, including by way of example, but not limitation, title insurance premiums, documentary transfer tax and escrow fees; and

(c) the remainder to Home Owner.

Real property taxes and assessments shall be prorated to the date of closing. The purchase, possession, occupancy and use of the Residence shall be subject at all times before and after the sale to all the terms and conditions of this Declaration.

3.8.4 Fees A transfer by Home Owner pursuant to Section 3.8 shall be effective only if, at the time of such transfer, Home Owner shall

(a) pay to University any and all University Residential Lot Lease Rent, University Residential Lot Lease Additional Rent and any other Rent or other assessments due and owing which may have been imposed pursuant to this Residential Lot Lease or, if any such Rent or assessment has been imposed but is not yet due and owing, pay the prorated portion that is attributable to the portion of the year during which Home Owner held an interest in the Residential Lot.

(b) pay to University a Residential Lot Lease document and preparation fee in such amount as University may determine is reasonable, not to exceed one percent (1%) of the gross sales proceeds.

3.8.5 Secured Parties Section 3.8.1 shall not apply to a transfer to, or a purchase by, a Lender which is a bank, insurance company, savings and loan association, or other bona fide institutional lender which acquires its title as a result of holding a Mortgage upon the Residence concerned, and this exception shall be effective whether the title is acquired (i) by deed from the Mortgagor or his or her successor in title or (ii) through foreclosure proceedings; provided, however, the provisions of Section 3.8 shall thereafter apply to a purchaser (and purchaser's successors) who acquires title to the Residence from such bank, insurance company, savings and loan association or other bona fide institutional lender. A Lender taking title pursuant to this Section 3.8.5 shall deliver to University a notice of such transfer of title. For purposes of calculating Maximum Resale Price pursuant to Section 3.8.2 hereof for the University's exercise of its right of first refusal with respect to such a purchaser or purchaser's successors, the "purchase price of the Residence paid by the Home Owner" shall mean the purchase price paid by the previous Home Owner of the Residence prior to the foreclosure or deed in lieu of foreclosure.

3.8.6 Approved Purchasers The Chancellor of UCSC may compile a list of Qualified Persons who shall be determined by the Chancellor of UCSC to be eligible, in descending order of priority, as listed, to purchase a Residence from an Home Owner at a price not to exceed the price for such Residence as determined pursuant to Section 3.8.2, above (such persons to be "Approved Purchasers"). No person shall be deemed to be an Approved Purchaser with respect to any specific offer, sale or transfer of a Residence unless an offer to sell such Residence has, in good faith, been made to each Approved Purchaser having a higher priority as determined by the Chancellor of UCSC.

3.8.7 Certification of Status Upon written request of any respective transferee or purchaser, tenant or an existing or prospective Lender, transferee or beneficiary of the Residence, University shall, within fifteen (15) days thereof, issue a written and acknowledged certificate in recordable form, evidencing, if such be the case:

- (a) With respect to a proposed sale under this Section 3.8, that the proper offers were made by the selling Home Owner and that the University did not elect to exercise its right to purchase;
- (b) With respect to a sale to an Approved Purchaser, that proper notice was given by the Home Owner and that such sale was permissible hereunder;
- (c) With respect to a proposed Mortgage or Deed of Trust, the principal amount to be secured is less than the Maximum Resale Price pursuant to Section 3.8.2 above; or
- (d) That a deed in lieu of foreclosure was, in fact, given in lieu of foreclosure and is not subject to this Article, except as provided in Section 3.8.5.

3.8.8 Unauthorized Sales, Transfers or Encumbrances

- (a) If Home Owner shall attempt to sell, assign or otherwise transfer the Residence to any person other than an eligible Qualified Person, without making the offers described in Section 3.8.1 hereof and otherwise following the procedures set forth in this Section 3.8, such attempted or purported sale, assignment or transfer shall constitute a default of this Residential Lot Lease, shall be wholly null and void, and shall confer no title, interest or right of possession or occupancy whatsoever upon the intended purchaser or transferee.

(b) If the Home Owner shall attempt to transfer an interest in the Residence to a person other than a Qualified Person and such transfer shall (a) reduce the undivided Home Ownership interest in the Residence of the Home Owner to less than fifty percent (50%) or (b) deprive the Home Owner of the right of immediate occupancy at any time in the future, such transfer of estate and right to possession shall be wholly null and void, shall constitute a default of this Residential Lot Lease, and shall confer no title, interest or right of possession or Occupancy whatsoever upon the intended transferee in the absence of consent thereto by University.

(c) If any Home Owner shall attempt to encumber a Residence with a Mortgage or Deed of Trust that by itself secures payment of a principal amount in excess of the Maximum Resale Price of the Residence as determined pursuant to Section 3.8.2 or together with any other encumbrances secures payments in excess of the Maximum Resale Price, such encumbrance shall constitute a default of this Residential Lot Lease and shall be wholly null and void and of no effect.

3.8.9 Transfers to Trusts Notwithstanding anything to the contrary in this Residential Lot Lease, Home Owner shall be permitted to assign his or her interest under this Residential Lot Lease and to transfer the Residence to: (i) a trust created in connection with Home Owner's estate planning, provided that the beneficial Home Ownership of the Residence does not change, (ii) Home Owner's spouse, Domestic Partner, and/or lineal descendants, so long as Home Owner retains a life estate and exclusive rights to occupancy of the Residence for life, (iii) joint tenancy with Home Owner's spouse and/or lineal descendants, so long as Home Owner has exclusive rights to occupancy of the Residence for life, or (iv) co-tenancy with Home Owner's spouse so long as Home Owner retains at least a 50% interest and the exclusive right of occupancy for life.

Any assignment and sale to an estate-planning trust pursuant to this Section 3.8.9 shall not be subject to University's right of first refusal described in Section 3.8.1. Conditionally Qualified Persons acquiring an interest in the Residential Lot Lease and the Residence are subject to the requirements of Section 3.7.3 to resell the Residence within a specified period. The preceding exemption shall not extend to any distributions from or transfers of rights or interests in such trust upon the death of the original Home Owner, at which time Section 3.7.5 shall apply.

3.8.10 Enforcement of Section 3.8 University may enforce the provisions of this Section 3.8 by appropriate action, including, without limitation, an action for unlawful detainer or to enjoin trespass.

3.8.11 Effect of Section 3.8 Nothing in this Section 3.8, and no act or failure to act of any person under the provisions of this Section 3.8, shall affect or work to limit, suspend or abridge the provisions of Section 3.7.

3.9 Effect of Assignment to a Successor Home Owner

3.9.1 The transfer of the possession of the Residential Lot under Section 3.4.2 of this Residential Lot Lease shall be a full and complete assignment to the Successor Home Owner of all rights hereunder. Following the effective date of the assignment, Home Owner shall have no further interest in the Residential Lot by virtue of this Residential Lot Lease.

- 3.9.2** Following each assignment under Section 3.4.2, the Successor Home Owner shall assume all of the obligations and responsibilities imposed on Home Owner under this Residential Lot Lease, and all references in this Residential Lot Lease to Home Owner shall be deemed to refer to such Successor Home Owner.

ARTICLE 4– OTHER RIGHTS AND OBLIGATIONS OF THE REGENTS AND THE HOME OWNER

4.1 **Entry by the University**

Except as described below, no representative of the University may enter any improvement of Home Owner on the Residential Lot without Home Owner’s prior consent, except in case of an emergency. Representatives of the University shall have the right to inspect the improvements under construction and, upon their completion, to ascertain that such improvements comply with the plans and specifications approved by the University, as provided in Section 3.1 of this Townhome Lot Lease.

4.2 **Reservation of Oil, Gas and Mineral Rights**

The University reserves unto itself and its assigns from all property leased hereunder:

- (a) Any oil, gas, or any other hydrocarbon or mineral substance and accompanying fluids, including all geothermal resources, that may be within or under the Property, including the rights to explore, mine, drill, slant drill, produce, maintain subsurface pressures, and utilize subsurface storage space for any such substance or resource. This reservation does not include the right of entry from surface access from the Residential Lot.
- (b) Any and all water rights or interest therein, together with the right and power to explore, drill, redrill, remove and store the same from the Property or to divert or otherwise utilize such water, rights or interests on any other property owned or leased by the University, whether such water right shall be riparian, overlying, appropriative, percolating, littoral, prescriptive, adjudicated, statutory or contractual; but without, however, any right to enter upon the surface of the Residential Lot in the exercise of such rights.
- (c) Home Owner shall not be disturbed in his or her quiet enjoyment and peaceful use of the Townhome Lot by any exploration, drilling or production activities.

4.3 **Easements**

- 4.3.1** The University reserves the right to grant easements across the Residential Lot to utility companies and public agencies for the purpose of installing, operating, or maintaining lines or conduits for electricity, cable television, telephones, sewers, water, gas, sprinkling systems, and similar public or quasi-public facilities. No such easement shall unreasonably interfere with the use, occupancy, or enjoyment of the Townhome Lot by Owner.
- 4.3.2** The University reserves an exclusive easement which it assigns to the Association for the repair and maintenance of all exterior walls and surfaces and all roof areas of the Residence, and Home Owner shall make no repairs or alterations to such walls, surfaces,

or roof areas, and shall not paint or perform other maintenance work on them without the Association's express approval.

4.3.3 If any portion of the Common Area encroaches on the Lot or if any portion of the Lot encroaches on Common Area, a valid easement shall be deemed to exist for such encroachment and for the maintenance of such encroachment.

4.3.4 Both the Association and lessees of leasehold parcels contiguous to the Lot have reciprocal easements with Home Owner for the purpose of accommodating any encroachment occasioned by the natural settlement of any improvement.

4.3.5 Home Owner shall not enter into any contract or agreement with any entity with respect to any easement without the prior consent of the University.

4.4 **Estoppel Certificates**

At the University's request, Home Owner will execute, acknowledge and deliver a certificate certifying (i) that this Lot Lease is unmodified and in full force and effect (or, if there has been any modification, that this Lot Lease is in full force and effect as modified and stating the modification); (ii) the date to which the rent has been paid; (iii) that there are no existing offsets or defenses against the enforcement of any term of this Lot Lease on the part of Home Owner (or, if so, specifying the same); and (iv) that no notice has been given to Home Owner of any default which has not been cured.

4.5 **Brokerage Commissions**

Each party will hold the other harmless from and against any real estate brokerage commission or other such obligation incurred by the party using such brokerage services as the result of the negotiation or execution of this Lot Lease or any assignment of this Lot lease.

4.6 **Compliance with the Regulations.**

Home Owner shall comply with the requirements respecting maintenance and use of the Property set forth in the Regulations, and failure to comply shall constitute a breach of this Lot Lease and give rise to a cause of action by the University for the recovery of damages or for injunctive relief, or both.

4.7 **Law Enforcement.**

The Property and all other portions of the Cardiff Terrace project may be patrolled by and shall be under the jurisdiction of the University of California Police. The California Vehicle Code and posted speed limits are enforced by the University of California Police, which is empowered to give citations.

4.8 **Firearms.**

Owner and Home Owner's guests, licensees, invitees and/or family members shall comply with the firearms policies of the University and the University of California, Santa Cruz.

ARTICLE 5 – NONSUBORDINATION AND PERMITTED ENCUMBRANCES BY THE HOME OWNER

5.1 Nonsubordination of Lease and Sublease

This Lot lease shall be a prior lien against the Lot in respect to any loan, mortgage, deed of trust, other lease, lien, or encumbrance that may hereafter be placed on the Lot. Home Owner agrees, without any cost to The Regents, to execute any instrument, which is necessary or is reasonably requested by The Regents to further effect the nonsubordination of the Lot Lease.

5.2 Permitted Encumbrances by Home Owner

- 5.2.1** Home Owner shall have the right, without obtaining the consent of The Regents, to assign all or part of Home Owner's interest under this Lot Lease as security to any Lender pursuant to a deed of trust or other security instrument. In such event, the University will execute all necessary papers reasonably required by such Lender, provided that the University shall not be required to sign any note or deed of trust or otherwise become obligated to any Lender, and provided further, that no such encumbrance shall constitute a lien upon the University ownership interest in the Lot. Notwithstanding the foregoing, Home Owner shall not have the right to obtain financing that in the aggregate exceeds the calculated Maximum Resale Price, as determined pursuant to Section 3.8.2 hereof, it being understood that the occurrence of any such financing in excess of the calculated Maximum Resale Price shall be a default under Section 6.1.2 hereof and constitute a Repurchase Option Event pursuant to Section 3.7.5 hereof
- 5.2.2** Concurrently with the execution of any deed of trust described in Section 5.2.1 above, Home Owner shall furnish to the University the name and address of the holder of the deed of trust. The University shall thereafter mail to such Lender a duplicate copy of any notices which the University may give to Home Owner pursuant to this Residential Lot Lease.
- 5.2.3** No deed of trust or other document may be recorded by Home Owner or any Lender with respect to the Townhome Lot prior to the recordation of the Townhome Lot Lease or a memorandum describing the Townhome Lot Lease. The Lender's deed of trust shall be subject to and subordinate to this Townhome Lot Lease. The Lender's deed of trust shall not encumber the University's fee interest in the Townhome Lot.
- 5.2.4** Any deed of trust or similar security instrument in connection with improvements constructed or to be constructed on the Lot shall provide that, prior to the institution of any proceeding to foreclose any such instrument, the holder or beneficiary of such instrument shall notify the University to that effect.
- 5.2.5** At anytime after a Lender records a Notice of Default under a deed of trust on the Residence and before a foreclosure sale or deed in lieu of foreclosure transaction is completed, the University may request that the Lender assign its note and deed of trust to University. If University desires to make such a request, it shall so notify the Owner and Lender in writing, and request Lender to provide Owner and the University with a demand itemizing all sums due Lender on the day of issuance and on a daily basis thereafter. At University's option, University may tender payment of the full amount due to the Lender prior to the

foreclosure sale and Lender shall assign its note and deed of trust to University. No consent of the Owner shall be necessary for University to acquire the loan from Lender.

- 5.2.6** Any Lender or other Successor Owner who acquires fee title to the Residence by foreclosure or deed in lieu of foreclosure, and who is not a Qualified Person, shall within 15 days of its acquisition of the Residence give notice of its intent to assign or transfer the Residence to the University or to a Qualified Person in accordance with the requirements of Sections 3.7 and 3.8 hereof, and if the University in its discretion exercises its right to repurchase the Residence thereunder, shall so transfer the Residence within 180 days of its acquisition of the Residence. The sales price of the Residence shall not exceed the Maximum Resale Price as determined pursuant to Section 3.8.2 hereof, provided that for purposes of calculating Maximum Resale Price the “purchase price of the Residence paid by the Owner” shall mean the purchase price paid by the previous owner of the Residence prior to the foreclosure or deed in lieu of foreclosure.
- 5.2.7** The provisions of Section 3.4 of this Residential Lot Lease shall apply to the offering process described in Section 5.2.6 above, to the same extent as if Section 5.2.6 were specifically mentioned in that Section.
- 5.2.8** Regardless of any provision of this Residential Lot Lease, the resale price of the Residence and its interest, if any, in the Residential Lot if acquired by a Lender as described in Section 5.2.6, above, shall not exceed the Maximum Resale Price for the Residence as established pursuant to Section 3.8 hereof.
- 5.2.9** The Lender and any Successor Owner shall be required to perform Home Owner’s obligations under this Residential Lot Lease for as long as such assignee or transferee holds a leasehold interest in the Residential Lot, including, without limitation, the obligations in Sections 3.6 and 3.7 of this Residential Lot Lease, and the obligation to pay the Residential Lot Lease Rent, the Residential Lot Lease Additional Rent and any other Rent.
- 5.2.10** The written consent of the University shall not be required for any assignment or other transfer of Home Owner’s interest in this Lot Lease at a foreclosure sale under any deed of trust described in Section 5.2.1 above, a judicial foreclosure under such deed of trust, or an assignment to the Lender under such deed of trust in lieu of foreclosure.
- 5.2.11** The provisions of Section 3.8.1 of this Residential Lot Lease shall apply to any assignment and sale transaction under this Section 5.2, except insofar as such application may be impractical in the case of a foreclosure sale under any deed of trust described in Section 5.2.1, a judicial foreclosure under such deed of trust, or an assignment to the Lender under such deed of trust in lieu of foreclosure
- 5.2.12** Except as provided in Section 6.8 of this Lot Lease, there shall be no modification, mutual termination, or surrender of this Lot Lease by The University and Home Owner without the prior written consent of each Lender that is a beneficiary of a deed of trust described in Section 5.2.1 above, and whose interest could be affected by such action.

ARTICLE 6 – DEFAULT, TERMINATION AND CONDEMNATION

6.1 Default by Owner and Remedies of the University

- 6.1.1** Subject to the provisions of Sections 6.1.2 and 6.1.4 below, if Owner shall fail to remedy any default in the payment of Residential Lot Lease Rent or Residential Lot Additional Lease Rent due under this Residential Lot Lease for thirty (30) days after notice of such default, University shall have the right to terminate this Residential Lot Lease and Owner's right to possession of the Residential Lot and Residence, by giving notice of such termination to Owner and any Lender under a deed of trust described in Section 5.2 of this Residential Lot Lease. Except as provided herein, and in connection with the sale of the Residence, University and Owner agree that there shall be no modification, mutual termination, or surrender of this Residential Lot Lease by University and Owner without the prior written consent of Lender whose interest could be affected by such action.
- 6.1.2** The occurrence of any Repurchase Option Event pursuant to the provisions of Section 3.7.5 hereof shall constitute a default of this Residential Lot Lease and shall entitle University to exercise the remedies under Section 6.1.3.
- 6.1.3** Owner's failure to comply with the provisions, covenants, or conditions of this Residential Lot Lease to be kept or performed by Owner shall constitute a default hereunder. If Owner shall fail to remedy such default within sixty (60) days after notice of such default, or, if additional time is reasonably required to cure such default, if Owner fails to initiate cure of such default within such sixty (60) day period and thereafter fails to diligently pursue such cure, then the University shall have the right, in its sole discretion, to require Owner to pay the University monthly the amount of the then-applicable Residential Lot Lease Additional Rent, which Residential Lot Lease Additional Rent shall be due and payable in advance, commencing on the first day of the month following the month in which the University notifies Owner of its election to require the Residential Lot Lease Additional Rent to be paid by Owner.
- 6.1.4** The University shall not take any action to terminate this Residential Lot Lease or to elect to require Owner to pay the Residential Lot Lease Additional Rent, because of any default or breach on the part of Owner if any Lender under a deed of trust described in Section 5.2 of this Residential Lot Lease:
- (a) within forty-five (45) days after the giving of notice to the Lender of the University's intention to terminate this Residential Lot Lease or to require payment of the Residential Lot Lease Additional Rent for such default or breach, shall cure such default or breach if the same can be cured by the payment or expenditure of money; or
 - (b) shall diligently take action to obtain possession of the Residential Lot and Residence (including possession by receiver) and to cure such default or breach in the case of a default or breach which cannot be cured unless and until the Lender has obtained possession; or
 - (c) if such default or breach is not curable as provided under clauses (a) or (b) of this Section 6.1.4, shall institute and complete judicial or nonjudicial foreclosure proceedings or otherwise acquire Owner's interest with due diligence, and keep and perform all of the covenants and conditions of this Residential Lot Lease requiring the payment or expenditure of money by owner until such time as Owner's interest shall be sold upon

foreclosure pursuant to the deed of trust or shall be released or reconveyed thereunder, provided that a Lender shall not be required to continue such action for possession or such foreclosure proceedings if such default or breach shall be cured by Owner, and provided further that, if such Lender shall fail or refuse to comply with the conditions of this subsection, the University shall be released from the covenant or forbearance set forth in this subsection. Notwithstanding the foregoing, the maximum amount recoverable by any Lender, or combination of Lenders, is the Maximum Resale Price; provided that for purposes of calculating Maximum Resale Price the “purchase price of the Residence paid by the Owner” shall mean the purchase price paid by the previous owner of the Residence prior to the foreclosure or deed in lieu of foreclosure.

6.2 Additional Remedies of the University

6.2.1 If the University terminates this Residential Lot Lease in accordance with the provisions of Section 6.1, the University may recover from Owner:

- (a) The worth at the time of award of the unpaid Rent which had been earned at the time of termination;
- (b) The worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Owner proves could have been reasonably avoided;
- (c) The worth at the time of award of the amount by which the unpaid Rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Owner proves could be reasonably avoided; and
- (d) Any other amount necessary to compensate the University for all the detriment proximately caused by the Owner’s failure to perform his or her obligations under this Residential Lot Lease or which in the ordinary course of things would be likely to result therefrom.

As used in this Section 6.2.1, the “worth at the time of award” of the amounts referred to in items (a) and (b) above shall be computed by allowing interest at the legal rate, and the worth at the time of the award of the amount referred to in item (c) above shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

6.2.2 Efforts by the University to mitigate any damages caused by Owner’s breach of this Residential Lot Lease shall not be treated as a waiver of the University’s right to recover damages under this Section 6.2. Nothing in this Section 6.2 shall affect the right of the University to be held harmless of any liability arising prior to the termination of this Residential Lot Lease for death, personal injury, or property damage as provided in this Residential Lot Lease.

6.2.3 Rent not paid when due shall bear interest at the Residential Lot Lease Interest Rate from the due date until received by the University.

6.3 Effects of Waiver by the University

No waiver by the University at any time of any provision of this Lot Lease shall be deemed a waiver at any subsequent time of the same or any other provision of this Lot Lease, nor of the strict and prompt performance required by this Lot Lease of Home Owner. No option, right, power, remedy, or privilege of The University shall be construed as being exhausted or discharged by its exercise in one or more instances. Each of the rights, powers, options, or remedies given The University by this Lot 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, option, or remedy by The University shall not impair the right to use any other.

6.4 Attorney's Fees

In the event that either the University or Owner brings suit against the other to enforce rights under this Residential Lot Lease or to interpret any provisions hereof, the prevailing party shall recover from the other party reasonable attorneys' fees and costs (including the allocated cost of staff counsel) to be fixed by the court.

6.5 Surrender of Residential Lot and Residence

Upon the expiration of the Term of this Residential Lot Lease or upon an earlier termination of this Residential Lot Lease, Owner shall quit and surrender the Residential Lot and the Residence to the University without further obligation on the part of either party to this Residential Lot Lease, free and clear of all liens and encumbrances other than easements created by or with the approval of the University. At the end of the Term of this Residential Lot Lease or upon its earlier termination, the title to and ownership of the Residence shall automatically vest with the University without the execution of any further instrument.

6.6 Home Owner's Right to Remove Personal Property

Upon expiration of the term of this Lot Lease or its earlier termination, Home Owner shall have the right to remove any and all of Home Owner's personal property from the Lot and Residence, provided that Home Owner shall be responsible for any resultant damage to the Lot and Residence. Any personal property which is not removed within thirty (30) days of the expiration date of this Lot Lease or its earlier termination, shall become the property of University.

6.7 Failure of Home Owner to Perform Required Acts

Subject to Section 2.5.2) above, if at any time during the term of this Lot Lease, Home Owner fails or refuses to perform any action required of Home Owner, the University shall have the right but not the obligations to perform the same, but at the cost of and for the account of Home Owner, provided that the University shall in no case take such action sooner than thirty (30) days after giving Home Owner written notice of such failure or refusal and allowing Home Owner such period within which to commence a bona fide effort to cure the same. The amount of any money expended by the University pursuant to this Section 6.7, together with interest at the Lot Lease Interest Rate, shall be repaid to the University by Home Owner upon demand. Nothing contained in this Section 6.7 shall diminish the rights of the University with regard to defaults under Section 6.1 or with regard to remedies under Section 6.2 of this Lot Lease.

6.8 Condemnation

6.8.1 If, during the term of this Lot Lease, the entire Lot shall be taken as a result of the exercise of the right of eminent domain, or if less than the entire Lot shall be taken but

Home Owner shall determine that the Residence cannot at a reasonable expense be repaired, restored, or replaced to a condition suitable for residential purposes, Home Owner may terminate this Lot Lease as of the date of such taking, and the rights of the University and Home Owner in and to the award upon any such taking shall be determined in accordance with Section 6.8.4, below.

- 6.8.2** If less than the entire Lot shall be taken as a result of the exercise of the right of eminent domain and Home Owner determines that the Residence can be repaired, restored, or replaced to a condition suitable for residential purposes, this Lot Lease shall not terminate but shall continue in full force and effect for the remainder of its term. The rights of the University and Home Owner in and to the award upon any such taking shall be determined in accordance with Section 6.8.4, below. Home Owner shall, with due diligence and in compliance with Section 3.1, above, restore, repair, and replace that portion of the Residence not so taken to a condition suitable for residential purposes, having due regard for the design, construction, and character of the improvements existing before such taking.
- 6.8.3** If all or any portion of the Residential Lot or Residence shall be taken as a result of the exercise of the right of eminent domain for governmental occupancy for a limited period of time, this Residential Lot Lease shall not terminate, and Owner shall be entitled to receive the entire amount of any compensation and damages awarded for such taking and the University hereby assigns such compensation and damages to Owner to the extent that the governmental occupancy does not extend beyond the expiration of the term hereof. In such event, Owner shall continue to perform and observe all obligations hereunder as though such taking had not occurred except to the extent that Owner may be prevented from so doing by reason of such taking. Owner shall in no event be excused from the payment of rent and all other sums and charges required to be paid under this Residential Lot Lease.
- 6.8.4** Except as provided in Section 6.8.3, if all or a portion of the Residential Lot shall be taken as a result of the exercise of the right of eminent domain, all compensation and damages awarded for the taking of all or any portion of the Residential Lot shall belong to and be the sole property of the University, and Owner shall not have any claim or be entitled to any award for diminution of value of its leasehold hereunder or for the value of any unexpired term of this Residential Lot Lease; provided, however, that Owner, subject to the rights of the Lender pursuant to the terms of Owner's loan, shall be entitled to any award that may be made for the taking of or injury to the Residence and any improvements installed and constructed upon the Residential Lot or on or within the Residence at the expense of Owner, or on account of any cost or loss Owner may sustain in the removal of his or her fixtures, equipment and furnishings, or as a result of any alteration, modifications or repairs which may be reasonably required in order to place the remaining portion of the Residential Lot or Residence not so condemned in a suitable condition for the continuance of Owner's tenancy.
- 6.8.5** As used in this Section 6.8, the phrase "taken as a result of the exercise of the right of eminent domain" shall mean a taking or damaging by eminent domain, or by inverse condemnation, or by deed or transfer in lieu thereof, for any public or quasi-public use under any statute or law. The taking shall, at the election of Home Owner, be considered to take place as of the earlier of (i) the date actual physical possession is taken by the

condemnor; or (ii) the date on which the right to compensation and damages accrues under the applicable law; or (iii) the date on which title vests in the condemnor.

6.8.6 If any Lender acquires an interest under this Residential Lot Lease by foreclosure or deed-in-lieu of foreclosure, then such Lender shall be entitled to the same rights and subject to the same requirements and restrictions as are applicable to Owner in this Section 6.8. In the event the Lender is entitled under the loan documents to be paid any condemnation proceeds to which Owner is entitled by reason of the taking of the Residence, then nothing in this Residential Lot Lease shall be deemed as interfering with the right of the Lender to be paid such condemnation proceeds.

6.9 Reimbursement Agreement.

Owner and University shall execute a “Reimbursement Agreement” which provides University the authority to make payments to cure a default or delinquency on the Owner’s mortgage loan, on the condition that the Owner agrees to reimburse University for any payments made to cure a default or delinquency on such loan. The Reimbursement Agreement shall provide for the Owner to reimburse University for any payments made to cure a default or delinquency on the Owner’s mortgage loan. In no event, however, shall University be obligated to cure any such default. The Reimbursement Agreement shall be secured by a deed of trust recorded as an encumbrance to the Residential Lot, junior and subordinate to the permitted deed of trust.

ARTICLE 7 – MISCELLANEOUS PROVISIONS

7.1 Force Majeure

If either party shall be delayed or prevented from the performance of any act required by this Lot Lease by reason of acts of God, strikes, lockouts, labor troubles, inability to secure materials, or other cause, without fault and beyond the reasonable control of the party obligated (financial inability excepted), performance of such act shall be excused for the period of the delay; and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay, provided that nothing in this Section 7. 1 shall excuse Home Owner from the prompt payment of any rental or other charge required of Home Owner. The party delayed or prevented from the performance of any act shall notify the other of such delay or prevention within ten (10) days of its inception, and shall thereafter keep such party regularly informed of the status of such delay or prevention.

7.2 Time of the Essence

The parties agree that time is of the essence of this Lot Lease and, accordingly, that the time limits stated in this Lot Lease shall be strictly observed.

7.3 Binding Effect

The provisions of this Lot Lease shall bind the heirs, executors, administrators, successors, and assigns of the original parties to this Lot Lease, provided that this Section 7. 3 shall not be deemed to authorize or permit the Assignment of any interest in this Lot Lease other than in strict compliance with its provisions.

7.4 Notices

7.4.1 All notices required to be given under this Lot Lease shall be in writing and shall be deemed to have been given when hand delivered to the addressee or deposited in the United States mail properly addressed to the addressee with postage prepaid in certified or registered form, return receipt requested.

7.4.2 All notices to the University shall be delivered or mailed to:

The Regents of the University of California
Office of General Counsel
1111 Franklin Street, 8th Floor
Oakland, California 94607

with a copy to:

Faculty and Staff Housing Manager
Hagar Court Community Room
University of California, Santa Cruz
Santa Cruz, California 95064

and

University of California, Santa Cruz,
Attn.: Director of Real Estate
1156 High Street
Santa Cruz, California 95064

or to such other address as the University may from time to time direct.

7.4.3 All notices to Home Owner shall be delivered or mailed to the Residence or to such other address as Home Owner shall designate from time to time to The Regents.

7.4.4 If the University has been notified of the interest of a Lender pursuant to Section 5.2.2 of this Lot Lease, then any notice sent to The Regents or Home Owner shall be effective and deemed given only if a copy of such notice is simultaneously hand delivered or sent to such Lender by registered or certified mail, return receipt requested, at an address previously provided by Home Owner or such Lender.

7.5 Memorandum of Lot Lease

Concurrently with the execution of this Lot Lease, the parties shall execute and acknowledge a memorandum of this Lot Lease for the purpose of recording that document in the office of the Santa Cruz County Recorder. Such memorandum shall contain a description of the Lot, the names of The Regents and Home Owner, and the term of this Lot Lease.

7.6 Nonmerger of Fee and Leasehold Estates

If under any circumstances both the University's fee interest in the Residential Lot and any subordinate leasehold interest in the Residential Lot become vested in the same owner, the

Residential Lot Lease shall not be extinguished by application of the doctrine of merger, and Lender's lien on the Residential Lot shall not be extinguished by the doctrine of merger.

7.7 Further Encumbrance of Property

University shall have the right, from time to time, in its sole discretion, to execute and record new trust deeds on the Property and to require Owner and any Lender to subordinate his or her leasehold interest and/or security interest hereunder to the lien thereof, on demand, provided University concurrently causes its new lender to execute and deliver to Owner and his or her Lender a non-disturbance and attornment agreement in form and substance reasonably satisfactory to the Lender, and the same is executed by Owner and/or the Owner's Lender.

7.8 Captions, Gender and Number

7.8.1 The captions used in this Residential Lot Lease are for convenience only and are not a part of this Residential Lot Lease and do not in any way limit or amplify its terms or provisions.

7.8.2 As used in this Residential Lot Lease, the use of one gender shall include the other and the use of the singular shall include the plural, and vice versa, as the context may require. If Owner consists of more than one person, the covenants, obligations, and liabilities of Owner shall be the joint and several covenants, obligations, and liabilities of such persons.

7.9 Governing Law and Construction

This Lot Lease shall be construed and interpreted in accordance with and governed by laws of the State of California. The language in all parts of this Lot lease shall be construed according to its fair meaning and not strictly for or against The Regents or Home Owner.

7.10 Unenforceability or Invalidity of Provision

If and to the extent that any provision of this Lot Lease should be found invalid, void, or unenforceable by a court of competent jurisdiction, or so rendered by legislative or administrative action, the validity of the remainder of this Lot Lease shall not be affected and shall remain in full force and effect as if this Lot lease had been executed with the portion held to be invalid, void, or unenforceable by a court of competent jurisdiction, or so rendered by legislative or administrative action, the validity of the remainder of this Lot Lease shall not be affected and shall remain in full force and effect as if this Lot Lease had been executed with the portion held to be invalid, void, or unenforceable eliminated. To accomplish the intentions of the parties as expressed in this Lot Lease, the parties shall, if necessary, conclude a modification to this Lot Lease on terms that are reasonable and which will accomplish as nearly as possible the original intention of the parties as reflected in the portion held to be invalid, void, or unenforceable.

7.11 Entire Agreement: Amendments

This Lot Lease contains all of the agreements between The Regents and Home Owner relating in any manner to the subject matter of this Lot Lease. No prior agreement or understanding with respect to the same shall be valid or of any force or effect, and no provision of this Lot Lease shall be altered or added to, except in writing, signed by The Regents and Home Owner and with the written consent of any Lender. No representation, inducement, or understanding of any nature made, stated, or represented on behalf of either party to this Lot Lease, either orally or in writing, has induced the other party to enter into this Lot Lease, except as set forth herein.

7.12 Assignment and Delegation by the University

Notwithstanding any other provision of this Residential Lot Lease, the University reserves the right to assign and delegate its rights and duties under this Residential Lot Lease without obtaining the consent of the Owner.

7.13 Notice of Sex Offender Database

Notice: Pursuant to Section 290.46 of the California Penal Code, information about specified registered sex offenders is made available to the public via an Internet Website maintained by the California Department of Justice at www.meganslaw.ca.gov. Depending on an offender's criminal history, this information will include either the address at which the offender resides or the community of residence and ZIP Code in which he or she resides.

IN WITNESS WHEREOF, the parties hereto have executed this Lot Lease as of the date first above written.

THE REGENTS OF THE UNIVERSITY OF
CALIFORNIA

BY _____

HOME OWNER

EXHIBIT A- DESCRIPTION OF PROPERTY

EXHIBIT B-DESCRIPTION OF RESIDENTIAL LOT

EXHIBIT C-CONSENT TO PAYROLL DEDUCTION

**EXHIBIT D- PROPERTY USE AND MAINTENANCE REGULATIONS
(INCLUDING ARCHITECTURAL GUIDELINES AND STANDARDS)**

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ARTICLE 7 – MISCELLANEOUS PROVISIONS

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EXHIBIT A- DESCRIPTION OF PROPERTY

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EXHIBIT B-DESCRIPTION OF RESIDENTIAL LOT

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EXHIBIT C-CONSENT TO PAYROLL DEDUCTION

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**EXHIBIT D- PROPERTY USE AND MAINTENANCE REGULATIONS
(INCLUDING ARCHITECTURAL GUIDELINES AND STANDARDS)**

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