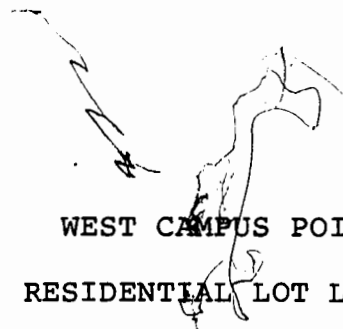


I.E

EXHIBIT B TO
PURCHASE CONTRACT

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WEST CAMPUS POINT
RESIDENTIAL LOT LEASE
UNIVERSITY OF CALIFORNIA
SANTA BARBARA

5/24/88

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EXHIBITS:

- FIRST - DESCRIPTION OF PROPERTY
- SECOND - DESCRIPTION OF RESIDENTIAL LOT
- THIRD - LIST OF LIENS AND ENCUMBRANCES, IF ANY, ON LOT
- FOURTH - WEST CAMPUS POINT PROPERTY USE
AND MAINTENANCE REGULATIONS

WEST CAMPUS POINT
RESIDENTIAL LOT LEASE

THIS RESIDENTIAL LOT LEASE is made and entered into as of this _____ day of _____, 19 ____, by and between THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, a California public corporation ("The Regents"), and _____ (the "Owner").

PREAMBLE

1. The Regents is the owner of certain real property which is located at West Campus Point, unincorporated area, County of Santa Barbara, State of California, described in Exhibit "A" attached to and made a part of the Declaration of Covenants, Conditions and Restrictions of West Campus Point Planned Unit Development recorded December 11, 1986 as Instrument No. 1986-081389 of Official Records, of which Residential Lot _____ described in Exhibit First hereof is a part.

2. The Regents intend to develop up to sixty-five (65) units of for-sale housing ("Residences") on the Property for the principal benefit and convenience of the members of the faculty and academic staff of the University of California Santa Barbara (the "Housing Program").

3. The principal objective of the Housing Program is to strengthen the educational program at the University of California Santa Barbara, by fostering an academic community near the campus; creating affordable for-sale housing for members of the University's faculty and staff, and assisting in the recruitment and retention of faculty.

4. Owner seeks to lease Residential Lot _____ from The Regents and to purchase a Residence located on the Residential Lot.

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

ARTICLE I - DEFINITIONS AND EXHIBITS

Section 1.01. Definitions. As used in this Residential Lot Lease:

(a) "Academic Senate" means the Academic Senate of the University of California Santa Barbara.

(b) "ARB" means the Architectural Review Board established pursuant to Article IX, section 2 of the CC&Rs.

(c) "Association" means the West Campus Point Homeowners Association, a California mutual benefit corporation, its successors and assigns.

(d) "Common Area" means the real property within the project leased pursuant to the Common Area Lease by The Regents to the Association for the common use and enjoyment of the owners.

(e) "Common Area Lease" means 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 pursuant to a Residential Lot Lease.

(f) "Declaration" or "CC&Rs" means the Declaration of Covenants, Conditions and Restrictions of West Campus Point Planned Unit Development which was recorded on December 11, 1986, as Instrument No. 1986-081389, Official Records of the County of Santa Barbara, State of California.

(g) "Housing Program" means the program approved by The Regents for the development and construction of up to sixty-five (65) Residences in a community to be known as West Campus Point, for the benefit of the faculty and staff of the University, and includes any amendments or modification to such Program which, after approval by The Regents, may from time to time be made.

(h) "Lender" means The Regents, 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 Owner secured by a deed of trust on the Residence located on the Residential Lot.

(i) "Maximum Resale Price" means the maximum permitted resale price of the Residence and the improvements located thereon as determined pursuant to the provisions of Section 3.07 of this Residential Lot Lease.

(j) "Owner" means the lessee identified in the first paragraph of this Residential Lot Lease.

(k) "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.

(l) "Property" means that certain real property located at West Campus Point, unincorporated area, County of Santa Barbara, State of California, described in Exhibit "A" attached to and made a part of the Declaration of Covenants, Conditions and Restrictions of West Campus Point Planned Unit Development recorded December 11, 1986 as Instrument No. 1986-081389 of Official Records, in the Office of the County Recorder of the County of Santa Barbara.

(m) "Regents" means The Regents of the University of California or any designee or authorized agent thereof.

(n) "Regulations" means the Property Use and Maintenance Regulations, as set forth in Exhibit Fourth to this Residential Residential Lot Lease and as hereafter amended.

(o) "Residence" means the residential structure or structures including patio areas, enclosed yards and garages, now, or hereafter during the term hereof, located on a Residential Lot.

(p) "Successor Owner" means any purchaser/assignee who is a successor in interest to the Owner with respect to any Residential Lot pursuant to the provisions of Section 3.04 of this Residential Lot Lease, or any person who succeeds to an interest under this Residential Lot Lease in the Residential Lot as a result of circumstances described herein.

(q) "University" means the University of California Santa Barbara.

Section 1.02. Exhibits. All of the Exhibits to this Residential Lot Lease are incorporated by reference in this Residential Lot Lease and shall, together with this Residential Lot Lease, be deemed one and the same instrument.

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ARTICLE II - TRANSFER OF LEASEHOLD
INTEREST AND BASIC TERMS OF RESIDENTIAL LOT LEASE

Section 2.01. Transfer of Leasehold Interest in Residential Lot. In consideration of the faithful performance by Owner of this Residential Lot Lease, including compliance by Owner with the Declaration and Regulations, The Regents leases the Residential Lot to Owner and Owner leases the Residential Lot from The Regents, together with all rights and privileges pertaining to the Residential Lot, subject, however, to the Declaration and any other covenants, conditions, restrictions, limitations, licenses, rights of way and other matters of record.

Section 2.02. Term. This Residential Lot Lease shall commence on the date first above written and shall end December 31, 2046; subject, however, to the provisions of Section 3.04 of this Residential Lot Lease and to earlier termination as provided in this Residential Lot Lease.

Section 2.03. Residential Lot Lease Rental.

(a) In consideration of the leasing of the Residential Lot, Owner shall pay to The Regents rent of \$120.00 per year subject to increases, to be set in the discretion of The Regents, in an amount not to exceed five percent (5%) of the previous year's rent. Any such increase shall take effect and be payable as of January 1st of any year during the Lease Term. Unless otherwise agreed to by The Regents, Owner shall pay rent not less frequently than quarterly and such payment shall, unless The Regents determines otherwise, be deducted from Owner's salary by The Regents. Payments for partial years and partial months shall be prorated.

(b) All payments enumerated in this Section 2.03 shall be made without offset of any kind.

Section 2.04. State of Title.

(a) The Regents represents and warrants that The Regents' title to the Residential Lot is now free and clear of any lien, charge, encumbrance, or claim except as may be referred to and described in Exhibit ^{(b)(2)} ~~Second~~ to this Residential Lot Lease, and shall so remain throughout the term of this Residential Lot Lease except as otherwise provided in this Residential Lot Lease.

(b) The Regents covenants to Owner that, at all times during the term of this Residential Lot Lease and so long as Owner is not in default under the terms hereof, Owner shall hold, occupy, and enjoy the Residential Lot without disturbance or hindrance by The Regents or by any other person claiming under or by right of The Regents.

Section 2.05. Uses and Purposes.

(a) Owner shall not use or permit any other person to use the Residential Lot or the Residence in any way that constitutes a nuisance. 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 Owner, to comply with the CC&Rs, the Regulations and with all other applicable public laws, ordinances, and regulations (including all University regulations). Owner will hold harmless The Regents 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 Residential Lot, Residence or Common Area occasioned by the negligent or willful act or omission of Owner or by any person present therein or thereon by license or invitation of Owner.

(b) Notwithstanding subsection 2.05(a), above, Owner shall have the right to contest, by appropriate judicial or administrative proceedings, without cost or expense to The Regents, the validity or application of any present or future law, ordinance or regulation which restricts use of the Residential Lot, Residence or Common Area or which requires Owner to repair, maintain, alter, or replace the Residence, provided that Owner shall not have the right to contest the validity or application of the Regulations. Owner shall not be in default under this Residential 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 Owner shall protect The Regents, the Residence and the Residential Lot from any lien by adequate surety bond or other appropriate security. Owner's right to contest shall be exercised in such a manner as to avoid any exposure of the Residential Lot or Residence to foreclosure or execution sale.

(c) Owner shall not, without the express prior approval of The Regents, the Association or the ARB, requested and rendered in accordance with the requirements of the CC&Rs, permit the demolition or removal of any improvement or fixture located on the Residential Lot.

Section 2.06. Taxes and Assessments.

(a) Owner may become subject to the payment of property taxes as well as other taxes and assessments imposed by governmental entities against the Residential Lot. In such event, Owner shall have sole responsibility for, and shall pay when due 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.

(b) Owner will hold harmless The Regents from the payment of any tax or assessment required to be paid pursuant to subsection 2.06(a), above. Subject to the provisions of subsection 2.06(c), below, Owner will prevent any such tax or assessment from becoming a delinquency lien upon the Residential Lot or Residence. If the payment of any such tax or assessment shall be more than ninety (90) days delinquent, The Regents shall have the right, but not the obligation, to pay such tax or assessment. If The Regents makes any such payment, the amount of the payment shall be immediately due and payable to The Regents by Owner and shall bear interest pending payment by Owner at the Residential Lot Lease Interest Rate. - Rate is not defined. Could define it as "the legal rate."

(c) 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&Rs.

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

(e) Owner's obligation to pay taxes and assessments levied and assessed against the Residential Lot shall exclude, without limitation, the following taxes and charges, however denominated: business, income, or profits taxes levied or assessed against The Regents or the Association by a federal, state or other governmental entity; or succession or transfer taxes of The Regents or the Association.

Section 2.07. Insurance.

(a) Except as provided in Article VI, sections 3 and 10 of the CC&Rs, Owner shall not separately insure the Residence against loss by fire or other casualty covered by any insurance carried by The Association.

(b) If, for any reason, the Association shall fail to maintain the policy of insurance described in Article VI, section 2 of the CC&Rs, Owner shall, at Owner's sole cost and expense, keep all of Owner's improvements on the Residential Lot insured at all times throughout the term of this Residential Lot Lease (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 the full insurable value of the improvements, in accordance with Article VI, section 10 of the CC&Rs.

(c) All insurance provided for in this Section 2.07 shall be effected under valid and enforceable policies issued by insurers licensed to do so in the State of California and shall name The Regents as an additional insured.

Section 2.08. Ownership of Improvements. The Residence and all other improvements made or constructed on the Residential Lot following the effective date of this Residential Lot Lease shall be the property of Owner or of Successor Owners during the term of this Residential Lot Lease. Upon expiration of this Residential Lot Lease pursuant to Section 2.02, the Residence and all other improvements located on the Residential Lot shall become the property of The Regents, subject to the provisions of Section 6.06 of this Residential Lot Lease.

Section 2.09. Condition of Residential Lot. Owner hereby accepts the Residential Lot "as is" and acknowledges that the Residential Lot is in satisfactory condition. The Regents shall not be responsible for any land subsidence, slippage, soil instability, or damage resulting from such conditions.

Section 2.10. Nonliability of The Regents. This Residential Lot Lease is made on the express condition that The Regents 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 Residential Lot, or in any way connected with the Residential Lot or with the improvements or personal property on the Residential Lot, including any liability for injury or death to the person or damage to or loss of property of Owner, his or her agents, 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 2.05, 2.06, 2.11 and 4.05 of this Residential Lot Lease, 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. Owner assumes all risks of injury or death of any person or damage to or loss of any property of Owner and any property under the control or custody of Owner while upon the Residential Lot.

Section 2.11. Liens and Encumbrances. Subject to Sections 2.06 and 5.02 of this Residential Lot Lease, Owner will keep the Residential Lot free and clear of any liens or encumbrances created by Owner's acts or omissions or created by the performance of any labor for or the furnishing of any material, supplies, or equipment to Owner. Owner will hold

harmless The Regents from any such liens, claims, or demands, and from any related costs, damages, or liability.

Section 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 Owner pursuant to Section 2.07(b), unless reconstructed by the Association pursuant to Article XII, section 4, Owner shall promptly restore the Residence to substantially the original specifications, except as to variations required by law or as approved pursuant to Section 3.01, as it was immediately prior to such destruction, and such destruction shall not terminate this Residential Lot Lease.

ARTICLE III - IMPROVEMENTS ON PROPERTY AND ASSIGNMENT/SUBLEASE OF INTERESTS UNDER RESIDENTIAL LOT LEASE

Section 3.01. Plans and Specifications.

(a) Before any construction or renovation on the Residential Lot by Owner (i) affecting the outward appearance of the Residential Lot or the Residence or (ii) affecting the structural or operational integrity of the Residence, 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 Owner without the ARB's written approval of the plans and specifications.

(b) Approval by the ARB of plans and specifications as required by this Section 3.01 shall not make the ARB, the Association or The Regents responsible or liable to Owner or to third persons for the design, construction, or quality of any improvement or renovation with respect to which its approval is given.

(c) The Regents 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 Regents agrees that changes that do not substantially alter plans and specifications previously approved by the ARB do not have to be submitted for separate approval.

Section 3.02. Demolition of Improvements. During the term of this Residential Lot Lease, Owner shall not demolish any structure on the Residential Lot without the express, written consent of The Regents. Such consent shall be entirely within The Regents' discretion to grant or to withhold. Any consent by

Good language. Put this in ARB

Change to "affecting structure of the Residence"

The Regents to such a request may be conditioned upon a requirement that Owner immediately commence and diligently complete construction of a replacement structure, which construction shall be undertaken in compliance with Section 3.01 of this Residential Lot Lease and shall be otherwise consistent with the terms of this Residential Lot Lease.

Section 3.03. Utility Services. Owner agrees to pay standard charges for each connection of Owner's housing unit to utility lines (other than those utility lines to which the housing unit is connected at the time of Owner's purchase) and for all utility services used by Owner.

Section 3.04. Assignments.

(a) Owner may, subject to subsection (b) of this Section 3.04 and to Sections 3.05, 3.06, 3.07, and 3.08 of this Residential Lot Lease, sell and convey his or her Residence and assign his or her interest under this Residential Lot Lease in the Residential Lot solely pursuant to the procedures and priorities set forth in Article XII of the CC&Rs. Upon such a sale, the Successor Owner purchasing the Residence may request that (i) this Residential Lot Lease be terminated and (ii) a new lease from The Regents be granted on the same general terms as this Residential Lot Lease, except that the term of such new lease shall not exceed sixty (60) years. Each subsequent qualifying purchaser under Article XII of the CC&Rs shall have a similar right to request that this Residential Lot Lease or the then applicable lease be terminated and that The Regents enter into a new lease embodying substantially the same terms and conditions as this Lease for a term not to exceed sixty (60) years. The Regents will consider such requests in good faith and act favorably thereon if the proposed sale is to an Approved Purchaser (as defined in Article XII of the CC&Rs) or if, in The Regents' judgment, the goals of the Housing Program will be furthered thereby.

(b) An assignment by Owner described in subsection (a) of this Section 3.04 will be effective only if, at the time of such assignment, Owner shall (i) pay any and all assessments due and owing which may have been imposed pursuant to the powers reserved to the Association or, if any such 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 Owner held an interest in the Residential Lot; and (ii) repay to The Regents (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 Regents to Owner in connection with Owner's occupancy of the Residence.

Section 3.05. University's Option to Terminate Lease and to Purchase Residence. Except as provided for herein in Section 5.02 of this Residential 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, will, operation of law, or otherwise, to any person who is not a "Qualified Person" or a "Conditionally Qualified Person" as those terms are defined in Article XI of the CC&Rs, or if Owner shall, at any time, cease to be a Qualified Person or Conditionally Qualified Person, the University may, at any time thereafter, terminate this Residential Lot Lease and purchase the Residence forty-five (45) days after notice to Owner of its intention to do so. Any event described in the preceding sentence shall also constitute an irrevocable offer to the University to sell the Residence to the University or its designee, at the price and on the terms set forth in Article XII, Sections 2 and 3 of the CC&Rs. Notwithstanding the foregoing, however, this Section 3.05 shall not apply to a purchaser or transferee (or the heirs, legatees or assigns of such a purchaser or transferee) who acquires rights under this Residential Lot Lease and ownership of the Residence from a Lender under a deed of trust described in Section 5.02 of this Residential Lot Lease, if such Lender has made the offers required under Section 5.02(f) (i) and (ii).

Section 3.06. Use of Residential Lot for Residential Purposes.

(a) Except as provided in subsections (b), (c), and (f) of this Section 3.06, Owner shall reside on the Residential Lot, and the Residence shall be used only as the principal place of residence of Owner and for no other purpose.

(b) If Owner, with the consent of The Regents and the Association, in accordance with the requirements of the CC&Rs and this Residential Lot Lease, demolishes the Residence, the requirement of subsection (a) of this Section 3.06 shall not be applicable until such time as a new housing unit is constructed on the Residential 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.

(c) Subject to rules applicable to the Project generally which may be promulgated by the Association, Owner may rent a Residence solely in compliance with Article XII, section 7 of the CC&Rs.

(d) The Regents may require Owner to provide such information as may be reasonably necessary to determine compliance with the provisions of this Section 3.06.

(e) If The Regents determines that Owner is in violation of the requirements of this Section 3.06, and if Owner shall fail, within thirty (30) days of receipt of written notice of such determination to comply herewith, such failure shall constitute an irrevocable offer by Owner to terminate the Residential Lot Lease and to sell the Residence thereon to The Regents at the price and on the same terms and conditions as

specified in subsection (a) of Section 3.05 of this Residential Lot Lease.

(f) Nothing contained in this Section 3.06 shall prohibit a Lender from holding an interest in the Residential Lot following a foreclosure or a transfer by a deed-in-lieu of foreclosure of the Residence.

Section 3.07. Resale Price Limitations. To assure that the Residences constructed on the Property will remain affordable by University-Associated Persons, the parties agree to impose a resale price limitation on the assignment of rights under this Residential Lot Lease and the sale of the Residence. To accomplish this purpose, this Residential Lot Lease may not be assigned nor may the Residence be sold by Owner at a price for such assignment and sale that is greater than the purchase price determined under Article XII, section 2 of the CC&Rs, except as provided in Article XII, section 1(e) of the CC&Rs and in subsections (f) and (h) of Section 5.02 of this Residential Lot Lease.

Section 3.08. Notices of Transfer and Sales Price. No later than thirty (30) days prior to the closing of any transaction as described in Section 3.04 of this Residential Lot Lease, Owner shall notify the Association and The Regents of the proposed transaction. The notice shall (a) identify the Successor Owner and describe his or her relationship to the University, and (b) set forth the proposed sales price. Such notice shall be accompanied by adequate documentation describing the transaction (in such form as may be prescribed by The Regents) and shall be signed by Owner and Successor Owner. The price as submitted and documented shall be the purchase price used in calculating the appreciation derived by the Successor Owner upon subsequent resale/reassignment. The Regents may from time to time specify other information which must be included in such notice.

Section 3.09. Effect of Assignment to a Successor Owner.

(a) The transfer of the possession of the Residential Lot under Section 3.04 of this Residential Lot Lease shall be a full and complete assignment. Following the effective date of the assignment, Owner shall have no further interest in the Residential Lot by virtue of this Residential Lot Lease.

(b) Following each assignment under Section 3.04, the Successor Owner shall assume all of the obligations and responsibilities imposed on Owner under this Residential Lot Lease, and all references in this Residential Lot Lease to Owner shall be deemed to refer to such Successor Owner.

Section 3.10. Limitation of Rights of Assignment or Subletting. Except as provided in Section 5.02 of this

Residential Lot Lease or as may be expressly approved by The Regents, 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 III, nor attempt to sell, grant, transfer, lease or otherwise convey any interest in the Residence other than in conformity with Article XII of the CC&Rs. Any such attempted sale, grant, assignment, lease, sublease, exchange, or other transfer shall constitute a breach of this Residential Lot Lease, and shall be void and of no force or effect.

ARTICLE IV - OTHER RIGHTS AND OBLIGATIONS
OF THE REGENTS AND THE OWNER

Section 4.01. Entry by The Regents. Except as described below, no representative of The Regents or Association may enter any improvement of Owner on the Residential Lot without Owner's prior consent, except in case of an emergency that appears to threaten injury to any person or destruction of any improvements. Representatives of The Regents or the Association shall have the right to inspect improvements under construction and, upon their completion, to ascertain that such improvements comply with the plans and specifications approved by the ARB, as provided in Section 3.01 of this Residential Lot Lease.

Section 4.02. Reservation of Oil, Gas and Mineral Rights. The Regents reserve the sole and exclusive right to prospect for, drill for, produce, and take any oil, gas, or other hydrocarbon or mineral substances and accompanying fluids, including all geothermal resources, from the Property from below the depth of five hundred (500) feet from the surface of the Residential Lot, including the rights to slant drill, maintain subsurface pressures, and utilize subsurface storage space for natural substances. This reservation does not include the right of entry from surface access, except on Common Area. Owner shall not, however, be disturbed in his or her quiet enjoyment and peaceful use of the Residential Lot by any drilling or production activities.

Section 4.03. Easements.

(a) The Regents reserve an easement across the Residential Lot which may be assigned to the Association for maintenance and upkeep purposes. The Regents also reserve 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 Residential Lot by Owner.

(b) The Regents reserve an exclusive easement which they assign to the Association for the repair and maintenance of all exterior walls and surfaces and all roof areas of the Residence, and 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.

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

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

(e) Owner shall not enter into any contract or agreement with any entity with respect to any easement without the prior consent of The Regents.

Section 4.04. Estoppel Certificates. At The Regents' request, Owner will execute, acknowledge and deliver a certificate certifying (i) that this Residential Lot Lease is unmodified and in full force and effect (or, if there has been any modification, that this Residential 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 Residential Lot Lease on the part of Owner (or, if so, specifying the same); and (iv) that no notice has been given to Owner of any default which has not been cured.

Section 4.05. 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 Residential Lot Lease or any assignment of this Residential Lot Lease.

Section 4.06. Compliance with the Regulations. 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 Residential Lot Lease and give rise to a cause of action by The Regents for the recovery of damages or for injunctive relief, or both.

ARTICLE V - NONSUBORDINATION AND PERMITTED
ENCUMBRANCES BY THE OWNER

Section 5.01. Nonsubordination of Residential Lot Lease.

This Residential Lot Lease shall be a prior lien against the Residential Lot in respect to any loan, mortgage, deed of trust, other lease, lien, or encumbrance that may hereafter be placed on the Residential Lot. 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 Residential Lot Lease.

Section 5.02. Permitted Encumbrances by Owner.

(a) Owner shall have the right, without obtaining the consent of The Regents, to assign all or part of Owner's interest under this Residential Lot Lease as security to any Lender pursuant to a deed of trust or other security instrument. In such event, The Regents will execute all necessary papers reasonably required by such Lender, provided that The Regents 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 Regents' ownership interest in the Residential Lot.

(b) Concurrently with the execution of any deed of trust described in Section 5.02(a), above, Owner shall furnish to The Regents the name and address of the holder of the deed of trust. The Regents shall thereafter mail to such Lender a duplicate copy of any notices which The Regents may give to Owner.

(c) Upon the recording of any deed of trust described in Section 5.02(a), above, Owner shall, at Owner's expense, record in the office of the Santa Barbara County Recorder a written request, executed and acknowledged by The Regents, for a copy of all notices of default and all notices of sale under such deed of trust as provided by the laws of California. Inclusion in the recorded deed of trust of a requirement for notices to be sent to The Regents shall constitute compliance with this provision.

(d) No deed of trust or other document may be recorded by Owner or any Lender with respect to the Residential Lot prior to the recordation of the Residential Lot Lease or a memorandum describing the Residential Lot Lease.

(e) Except as provided in Section 6.08 of this Residential Lot Lease, there shall be no modification, mutual termination, or surrender of this Residential Lot Lease by The Regents and Owner without the prior written consent of each Lender that is a beneficiary of a deed of trust described in

Section 5.02(a) above, and whose interest could be affected by such action.

(f) Any holder of, or beneficiary under, a deed of trust described in Section 5.02(a), above, that acquires an interest under this Residential Lot Lease by foreclosure or deed-in-lieu of foreclosure may assign or transfer the same (or any interest under any new lease obtained pursuant to Section 3.04(a), above) only after the expiration of thirty (30) days from the date such holder or beneficiary notifies The Regents of its intent to so assign or transfer and, thereafter, only in accordance with Article XII, Section 4 of the CC&Rs. A holder or beneficiary shall be considered to have fulfilled the notice requirements of this subsection (f) above, by notification of The Regents (with a copy to the Chancellor of the University of California, Santa Barbara) of an intent to assign and sell under such clause together with the proposed terms of such assignment and sale. Any assignment or transfer by any such holder or beneficiary that does not comply with the requirements of this subsection (f) and subsection (g) of this Section 5.02 shall be void and of no force or effect.

(g) The provisions of Section 3.04 of this Residential Lot Lease shall apply to the offering process described in subsection (f) of this Section 5.02 to the same extent as if subsection (f) were specifically mentioned in those subsections.

(h) Regardless of any other provision of this Residential Lot Lease, the maximum resale price of the Residence if acquired by a Lender as described in Section 5.02(f), above, shall be the greater of (i) the Maximum Resale Price for the Residence as established pursuant to Section 3.07 of this Residential Lot Lease or (ii) an amount equal to the full amount then owing on the mortgage loan that was foreclosed or with respect to which a deed-in-lieu of foreclosure was accepted, including interest accrued and unpaid thereon through the date of transfer, interest that would have been paid on the mortgage except for the transfer up to the date of sale, real property taxes that have been paid by the Lender or have accrued on the Residential Lot and Residence, the reasonable fees of the attorneys for the Lender, statutory costs and allowances permitted in connection with the foreclosure or other proceeding. In addition, the purchase price may include the reasonable expenses of repair or rehabilitation of the Residence, if necessary; the reasonable indirect cost of administration of the Lender with respect to foreclosure and resale of the Residence; and holding costs reasonably incurred by the Lender as a result of the foreclosure or the acceptance of a deed-in-lieu of foreclosure.

(i) The Lender and any Successor Owner shall be required to perform Owner's obligations under this Residential

Lot Lease for as long as such assignee of transferee holds a leasehold interest in the Residential Lot.

(j) The written consent of The Regents shall not be required to any assignment or other transfer of Owner's interest in this Residential Lot Lease at a foreclosure sale under any deed of trust described in subsection (a) of this Section 5.02, a judicial foreclosure under such deed of trust, or an assignment to the Lender under such deed of trust in lieu of foreclosure.

(k) The notification provisions of Section 3.08 of this Residential Lot Lease shall apply to any assignment and sale transaction under this Section 5.02, except insofar as such application may be impractical in the case of a foreclosure sale under any deed of trust described in Section 5.02(a) above, a judicial foreclosure under such deed of trust, or an assignment to the Lender under such deed of trust in lieu of foreclosure.

ARTICLE VI - DEFAULT, TERMINATION AND CONDEMNATION

Section 6.01. Default by Owner.

(a) Subject to the provisions of Section 6.01(b), below, if Owner shall fail to remedy any default in the payment of rental due under this Residential Lot Lease for thirty (30) days after notice of such default, or fail to remedy any default with respect to any of the other provisions, covenants, or conditions of this Residential Lot Lease to be kept or performed by Owner within sixty (60) days after notice of such default, or such additional time as is reasonably required to cure such default, The Regents 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 5.02 of this Residential Lot Lease.

(b) The Regents shall not take any action to terminate this Residential Lot Lease because of any default or breach on the part of Owner if any Lender under a deed of trust described in Section 5.02 of this Residential Lot Lease:

(i) within forty-five (45) days after the giving of notice to the Lender by The Regents' intention to terminate this Residential Lot Lease 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

(ii) 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

(iii) if such default or breach is not curable as provided under clauses (i) or (ii) of this subsection, 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 Regents shall be released from the covenant or forbearance set forth in this subsection.

Section 6.02. Remedies of The Regents.

(a) If The Regents terminates this Residential Lot Lease in accordance with the provisions of Section 6.01, The Regents may recover from Owner:

(i) Unpaid rent earned at the time of termination, which termination shall be treated as if an assignment of the Residential Lot and a sale of the Residence had occurred;

(ii) All other amounts then owed to The Regents;
and

(iii) Any other amount necessary to compensate The Regents for all detriment proximately caused by Owner's default under this Residential Lot Lease.

(b) Efforts by The Regents to mitigate any damages caused by Owner's breach of this Residential Lot Lease shall not be treated as a waiver of The Regents' right to recover damages under this Section 6.02. Nothing in this Section 6.02 shall affect the right of The Regents to be held harmless for 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. No legal action shall be commenced under this Section 6.02 more than four (4) years after notice to The Regents of any breach of the Residential Lot Lease by Owner, or more than four (4) years after the termination of Owner's right to possession of the Residential Lot, whichever is earlier.

(d) Rent not paid when due shall bear interest at the Residential Lot Lease Interest Rate from the due date until received by The Regents.

Section 6.03. Effects of Waiver by The Regents. No waiver by The Regents at any time of any provision of this Residential Lot Lease shall be deemed a waiver at any subsequent time of the same or any other provision of this Residential Lot Lease, nor of the strict and prompt performance required by this Residential Lot Lease of Owner. No option, right, power, remedy, or privilege of The Regents 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 Regents by this Residential 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 Regents shall not impair the right to use any other.

Section 6.04. Attorneys' Fees. In the event that either The Regents or Owner brings suit against the other to enforce rights under this Residential Lot Lease, each party shall bear the expense of their own attorneys' fees.

Section 6.05. Surrender of Residential Lot and Residence. Upon the expiration of the term of this Residential Lot Lease (including any extension thereof) or upon an earlier termination of this Residential Lot Lease, Owner shall quit and surrender the Residential Lot and the Residence to The Regents 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 Regents. 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 Regents without the execution of any further instrument.

Section 6.06. Owner's Right to Remove Personal Property. Upon expiration of the term of this Residential Lot Lease or its earlier termination, Owner shall have the right to remove any and all of Owner's personal property from the Residential Lot and Residence, provided that Owner shall be responsible for any resultant damage to the Residential Lot and Residence. Any personal property which is not removed within sixty (60) days of the expiration date of this Residential Lot Lease or its earlier termination, shall become the property of The Regents.

Section 6.07. Failure of Owner to Perform Required Acts. Subject to Section 2.05(b) above, if at any time during the term of this Residential Lot Lease, Owner fails or refuses to perform any action required of Owner, ~~The Regents shall have the right but not the obligations to perform the same, but at the cost of and for the account of Owner, provided that The Regents shall in no case take such action sooner than thirty (30) days after giving Owner written notice of such failure or refusal and allowing Owner such period within which to commence a bona fide effort to cure the same. The amount of any money expended by The Regents pursuant to this Section 6.07, together with interest at~~

Revisit later
"under this residential lot lease"

the Residential Lot Lease Interest Rate, shall be repaid to The Regents by Owner upon demand. Nothing contained in this Section 6.07 shall diminish the rights of The Regents with regard to defaults under Section 6.01 or with regard to remedies under Section 6.02 of this Residential Lot Lease.

Section 6.08. Condemnation.

(a) If, during the term of this Residential Lot Lease, the entire Residential Lot shall be taken as a result of the exercise of the right of eminent domain, or if less than the entire Residential Lot shall be taken but Owner shall determine that the Residence cannot at a reasonable expense be repaired, restored, or replaced to a condition suitable for residential purposes, Owner may terminate this Residential Lot Lease as of the date of such taking, and the rights of The Regents and Owner in and to the award upon any such taking shall be determined in accordance with Section 6.08(d), below.

(b) If less than the entire Residential Lot shall be taken as a result of the exercise of the right of eminent domain and Owner determines that the Residence can be repaired, restored, or replaced to a condition suitable for residential purposes, this Residential Lot Lease shall not terminate but shall continue in full force and effect for the remainder of its term. The rights of The Regents and Owner in and to the award upon any such taking shall be determined in accordance with Section 6.08(d), below. Owner shall, with due diligence and in compliance with Section 3.01, 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.

(c) If all or any portion of the Residential Lot or Residence shall be taken by 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 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.

(d) If all or a portion of the Residential Lot shall be taken by exercise of the right of eminent domain, the total award in any such proceeding or for any such injury or reduction in value shall be determined as follows:

(i) In the event of any taking that results in the termination of this Residential Lot Lease in accordance with the provisions of this Section 6.08, then The Regents and,

subject to the rights of any Lender, Owner shall be entitled to prosecute claims in such condemnation proceedings for the value of their respective interests in the Residential Lot and Residence.

(ii) In the event of any taking of a portion of the Residential Lot or Residence that does not result in the termination of this Residential Lot Lease in accordance with the provisions of this Section 6.08, then The Regents and, subject to the rights of any Lender, Owner shall be entitled to prosecute claims in such condemnation proceedings for the value of their respective interests affected by such taking.

(e) As used in this Section 6.08, 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 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.

(f) 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 6.08.

ARTICLE VII - MISCELLANEOUS PROVISIONS

Section 7.01. Force Majeure. If either party shall be delayed or prevented from the performance of any act required by this Residential 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 7.01 shall excuse Owner from the prompt payment of any rental or other charge required of 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.

Section 7.02. Time of the Essence. The parties agree that time is of the essence of this Residential Lot Lease and, accordingly, that the time limits stated in this Residential Lot Lease shall be strictly observed.

Section 7.03. Binding Effect. The provisions of this Residential Lot Lease shall bind the heirs, executors, administrators, successors, and assigns of the original parties to this Residential Lot Lease, provided that this Section 7.03 shall not be deemed to authorize or permit the assignment of any interest in this Residential Lot Lease other than in strict compliance with its provisions.

Section 7.04. Notices.

(a) All notices required to be given under this Residential 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.

(b) All notices to The Regents shall be delivered or mailed to The Regents of the University of California, Office of the Treasurer, 615 University Hall, 2200 University Avenue, Berkeley, California 94720, with a copy to the Chancellor, University of California, Santa Barbara, California 93106; or to such other address as The Regents may from time to time direct.

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

(e) If The Regents has been notified of the interest of a Lender pursuant to Section 5.02(b) of this Residential Lot Lease, then any notice sent to The Regents or 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 Owner or such Lender.

Section 7.05. Memorandum of Residential Lot Lease. Concurrently with the execution of this Residential Lot Lease, the parties shall execute and acknowledge a memorandum of this Residential Lot Lease for the purpose of recording that document in the office of the Santa Barbara County Recorder. Such memorandum shall contain a description of the Residential Lot, the names of The Regents and Owner, and the term of this Residential Lot Lease.

Section 7.06. Nonmerger of Fee and Leasehold Estates. If under any circumstances both The Regents' 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 except at the express election of such owner.

Section 7.07. Captions, Gender and Number.

(a) 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.

(b) 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.

Section 7.08. Governing Law and Construction. This Residential Lot Lease shall be construed and interpreted in accordance with and governed by the laws of the State of California. The language in all parts of this Residential Lot Lease shall be construed according to its fair meaning and not strictly for or against The Regents or Owner.

Section 7.09. Unenforceability or Invalidity of Provision. If and to the extent that any provision of this Residential 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 Residential Lot Lease shall not be affected and shall remain in full force and effect as if this Residential 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 Residential Lot Lease, the parties shall, if necessary, conclude a modification to this Residential 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.

Section 7.10. Entire Agreement; Amendments. This Residential Lot Lease contains all of the agreements between The Regents and Owner relating in any manner to the subject matter of this Residential 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 Residential Lot Lease shall be altered or added to, except in writing, signed by The Regents and 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 Residential Lot Lease, either orally or in writing, has induced the other party to enter into this Residential Lot Lease, except as set forth herein.

Section 7.11. Assignment and Delegation by The Regents.
Notwithstanding any other provision of this Residential Lot Lease, The Regents reserves the right to assign and delegate its rights and duties under this Residential Lot Lease.

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

THE REGENTS OF THE UNIVERSITY
OF CALIFORNIA

ATTEST:

BY _____

WITNESS:

OWNER

