



October 27, 2022

Via Email ([dearden@sedonak12.org](mailto:dearden@sedonak12.org))

Dennis Dearden, Superintendent  
Sedona – Oak Creek Unified School District 9  
995 Upper Red Rock Loop Rd.  
Sedona, AZ 86336

RE: **25 W. Saddlehorn Rd., Building C, Sedona, Arizona  
Proposal to Lease and Improve**

Dear Mr. Dearden:

On behalf of our clients, Basil Maher and Mimi Maher, we are pleased to present this Term Sheet outlining our clients' interest in leasing and improving School District premises described as Building C at 25 W. Saddlehorn Road (the "Premises"). This property is within Yavapai County Assessor Parcel No. 405-27-006C.

The following points are intended to summarize certain but not all material terms that would be contained within a mutually agreed lease, on terms satisfactory to the parties.

Rationale and  
Purpose of the  
Transaction

The School District seeks to attract and retain a highly qualified work force. One obstacle in achieving this goal is a shortage of quality, affordable housing within the District's boundaries. The Mahers are interested in leasing the Premises from the School District for the purpose of developing the Premises into residential units, making the residential units available to School District staff, and eventually returning the improved property to the School District for its benefit and use in perpetuity.

Transaction  
Structure

The parties agree to structure the transaction as a lease as follows:

1. For nominal consideration, the School District will lease the Premises to the Mahers (or an entity specially formed to fulfill the purposes of the proposed transaction). The term of the lease will continue until recoupment of the Mahers' Costs, as described below.
2. The Mahers, at their cost, will renovate the Premises into residential units, including obtaining use rights, development rights, architectural approval, building permits and construction services.
3. Upon issuance of a certificate of occupancy, the Mahers will manage and maintain the Premises, including entering into sublease agreements with residents. All rent collections will accrue to the Mahers until termination of the lease.

4. As permitted by law, priority for leasing the residential units will be given first to employees of the School District, and second to employees of the City of Sedona and Yavapai County.
5. The obligations of the Mahers described herein will be fulfilled in consultation with the School District and subject to the usual approvals reserved to a commercial landlord. Approvals shall not be unreasonably withheld.
6. Costs incurred by the Mahers to develop, renovate, manage and maintain the premises (the Mahers' Costs) will be documented to the School District.
7. Upon recoupment by the Mahers of their costs without interest, or the earlier election of the Mahers, the parties will agree to terminate the lease, whereupon the Premises and all improvements shall be the property of and inure to the benefit of the School District.
8. Rent rates for tenants will be set in accordance with agreed parameters of affordable and market rents depending on the tenants' ability to pay.

Representations  
Warranties,  
Indemnification,  
and Insurance

The parties shall provide typical representations and warranties for a transaction of this nature and scope, as well as indemnification and applicable insurance tailored to the terms of the transaction. Such representations and warranties will include the School District's agreement that it has legal authority to enter into this transaction without violating other binding legal commitments, and that it will work in good faith and expeditiously with the Mahers to fulfill their obligations under the lease. The Mahers will represent and warrant that they will work in good faith and expeditiously with the School District to fulfill their obligations under the lease, including completion and letting of the residential units.

Contingency

The obligations to be assumed by the Mahers under the lease will be subject to contingencies, including the following:

As determined by the Mahers in their sole discretion:

- Approval upon commercially reasonable terms of all necessary development rights by any governmental body having jurisdiction.
- Issuance of building permits allowing development of the Premises on commercially reasonable terms.
- Securing necessary design, construction and engineering contracts on commercially reasonable terms.

Timeline

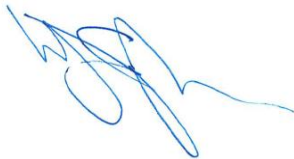
The Parties agree to work in earnest and good faith to meet the following timeline:

- Execution of this Term Sheet – December 6, 2022
- Execution of the lease – January 3, 2023

This proposal outlines very general terms and conditions under which the parties will investigate moving forward toward a definitive agreement as outlined above. It is not the intention of the parties that this Term Sheet, or any actions of the parties with respect hereto, be, or be deemed to constitute, legally binding obligations. Any legally binding obligation with respect to this proposal shall exist only upon the execution of a definitive agreement – the lease – defining the terms and conditions of the parties’ relationship, and all rights and obligations of the parties shall be governed by such agreement. No party, however, will be liable to any other party if no such agreement is, in fact, reached. Termination of negotiations by any party prior to the execution and delivery of a definitive agreement shall be without liability, and no party hereto shall be entitled to any form of relief whatsoever, including, without limitation, injunctive relief or damages.

Sincerely,

ASPEY, WATKINS & DIESEL PLLC



Whitney Cunningham

C: C. Benson Hufford  
Attorney for Sedona – Oak Creek Unified School District 9  
Via Email ([cbh@h2m2law.com](mailto:cbh@h2m2law.com))

For the purposes stated above, the parties have executed this Term Sheet.

Sedona – Oak Creek Unified School District 9

\_\_\_\_\_  
Randy Hawley, President

Date: \_\_\_\_\_

\_\_\_\_\_  
Basil Maher

Date: \_\_\_\_\_

\_\_\_\_\_  
Mimi Maher

Date: \_\_\_\_\_