

## LEASE

WHEREAS the Sedona – Oak Creek School District No. 9 (“Landlord”) desires to attract and maintain a highly qualified workforce, one obstacle to which is a shortage of quality, affordable housing within the School District’s boundaries; and

WHEREAS Landlord is the owner of certain real property described as Yavapai County Assessor Parcel No. 405-27-006C, with an address of 25 W. Saddle Horn Road, Sedona, Arizona (“Landlord’s Parcel”); and

WHEREAS Landlord has an interest in improving and leasing for residential use by its employees certain of Landlord’s Parcel described as “Building C” together with ingress/egress, utilities, parking and common areas, and other amenities, all as more particularly described in Exhibit “A” hereto (the “Premises”); and

WHEREAS Basil Maher and Mimi Maher or their assignee (“Tenant”) desire to lease the Premises from Landlord for the purpose of developing the Premises into residential units available for Landlord’s staff, and eventually to return possession and management of the improved Premises to Landlord following recoupment of their costs incurred arising from the promises and obligations created under this Lease;

NOW THEREFORE, in consideration of the foregoing recitals, which are hereby incorporated by reference, and the terms, covenants, conditions and agreements set forth below, the receipt and sufficiency of which are acknowledged, Landlord and Tenant agree as follows:

THIS LEASE is entered into by and between Landlord and Tenant on the following terms.

### ARTICLE 1 – FUNDAMENTAL LEASE PROVISIONS

Date of Lease: January \_\_, 2023

Landlord: Sedona – Oak Creek Unified School District No. 9

Landlord Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Tenant: Basil Maher and Mimi Maher or their assignee

Tenant Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Premises: The Premises defined in Article 2, below

Delivery of Possession:	On satisfaction of the contingencies described in Paragraph 6.1, below
Term:	The Term defined in Article 3, below
Term Commencement Date:	The date of Delivery of Possession
Rent Commencement Date	The date the Premises receives a Certificate of Occupancy and becomes usable for the Permitted Use
Proportionate Share:	The ratio equal to the area of real property occupied by the Premises divided by the area of Landlord's Parcel, which the parties stipulate to be _____ percent (____%)
Nominal Rental:	One Dollar (\$1.00) per year
Permitted Use:	Development and leasing of multifamily residential housing, with priority as allowed by law to Landlord's employees, and to employees of the City of Sedona and Yavapai County

The foregoing Fundamental Lease Provisions are an integral part of this Lease, and each reference in the body of this Lease to any Fundamental Lease Provision is construed to incorporate all of the terms set forth above with respect to such Provisions; provided, however, in the event of conflict between the Fundamental Lease Provisions and the balance of this Lease, the balance of this Lease controls.

## ARTICLE 2 – PREMISES

Subject to the conditions contained in this Lease, Landlord leases to Tenant for the Term described in Article 3, below, the real property, improvements and associated rights and privileges described in Exhibit "A" hereto (collectively, the "Premises"). Tenant acknowledges that Tenant has inspected the Premises, is familiar with the condition of the Premises and accepts the Premises "AS IS" in their condition existing at the Term Commencement Date.

## ARTICLE 3 – LEASE TERM

3.1 The term of this Lease (herein called the "Lease Term" or the "Term") commences on the Term Commencement Date set forth in Article 1, above, and continues for one (1) year from the Term Commencement Date. This Lease will then automatically renew each year on the anniversary of the Term Commencement Date for an additional one (1) year period until Tenant has recovered all of Tenant's Costs in developing the Premises, as provided further below. Landlord acknowledges that Tenant is or will be investing substantial resources into the development of the Premises and agrees this Lease will not terminate until the earliest of: (1) Tenant's recoupment of all Tenant's Costs (without interest); (2) an Event of Default as provided further in Article 20; or (3) Tenant's notice to Landlord electing to terminate this Lease.

3.2 In this Lease, the phrase “Tenant’s Costs” means any and all expenses of whatever nature, except interest, that Tenant incurs in connection with developing and subleasing the Premises for use as a multifamily residential structure. Without limiting the generality of the foregoing, Tenant’s Costs include Tenant’s expenses related to (a) designing and planning the development of the Premises, (b) obtaining all necessary approvals and permits for the same, (c) hiring and managing relationships with architectural, construction, engineering, legal and other professionals to implement the planned improvements; (d) the costs of materials and services necessary and proper to implementing the planned improvements and maintaining them in fit condition for the Permitted Use; (e) Rent, Additional Charges, and all others costs, charges, liabilities and expenses for which Tenant is responsible under this Lease; and (f) any other costs of any nature that Tenant reasonably incurs in connection with fulfilling its obligations under this Lease and any sublease with residential tenants. Tenant will from time to time, not less than annually, provide Landlord with documentation of all Tenant’s Costs and any amounts it has recouped through subleases.

#### ARTICLE 4 – RENT

Landlord acknowledges that Tenant will be developing the Premises at Tenant’s own expense, with any improvements returning to Landlord’s possession upon termination of this Lease. In recognition of this substantial benefit, Landlord agrees that only nominal rent will be due from Tenant as provided herein. From and after the Rent Commencement Date, Tenant agrees to pay to Landlord nominal rent in annual installments of one dollar (\$1.00) during each year of the Lease Term, in arrears, together with all applicable Additional Charges (as defined in Article 5, below). Rent and Additional Charges are payable in lawful money of the United States to Landlord at its address stated herein or at such other place as Landlord may from time to time designate in writing.

#### ARTICLE 5 – ADDITIONAL CHARGES

From and after the Rent Commencement Date, Tenant assumes and agrees to pay all costs assessed pursuant to any taxes, assessments, insurance premiums, charges, costs and expenses provided for in this Lease, together with all interest and penalties that may accrue thereon in the event of Tenant’s failure (but not in the event of Landlord’s failure so long as Tenant has performed its obligations under this Lease) to pay the same as herein provided, and all other damages, costs and expenses which Landlord may suffer or incur, and any and all other sums which may become due, which are referred to herein as “Additional Charges.” Whenever a liability or expense that would otherwise qualify as Additional Charges is attributable to Landlord’s Parcel as a whole and not separately charged or incurred only for the Premises, then in that event Tenant shall pay only its Proportionate Share of such Additional Charges and Landlord shall be responsible for payment of any balance.

#### ARTICLE 6 – CONTINGENCY/DELIVERY OF POSSESSION

6.1 Landlord shall deliver possession of the Premises to Tenant upon the satisfaction of the contingencies set forth in this Paragraph, which satisfaction will be determined in the sole discretion of Tenant. This Lease is contingent on all of the following:

- a. The full execution of this Lease by \_\_\_\_\_, 2023;
- b. Tenant's receipt by the first anniversary of the Date of Lease of final and non-appealable zoning and all other approvals and permits reasonably necessary for Tenant's operation of the Premises for the Permitted Use from Yavapai County or other governmental body(ies) with jurisdiction;
- c. Issuance by the first anniversary of the Date of Lease of building permits allowing development of the Premises on commercially reasonable terms;
- d. Securing necessary design, construction and engineering contracts on commercially reasonable terms.

6.2 Landlord and Tenant will each use commercially reasonable, good faith efforts to satisfy their respective contingencies within the times provided above. In its sole discretion, Tenant may extend any or all of the deadlines set in 6.1(a), (b) or (c) by an additional six months. If any of 6.1(a), (b) or (c) are not satisfied by the dates set forth above (or as extended by Tenant), either Landlord or Tenant may terminate this Lease by delivering written notice to the other party. Upon such termination, all amounts previously paid by Tenant to Landlord will be returned and neither party will have any further obligation hereunder, except to the extent any such obligations expressly survive termination. Each party will notify the other in writing immediately following the satisfaction of the contingencies set forth above. Upon satisfaction of all contingencies set forth above, Delivery of Possession of the Premises to Tenant shall be deemed to have occurred.

## ARTICLE 7 – TAXES, ASSESSMENTS AND UTILITIES

7.1 Except as otherwise provided in Paragraph 7.2, below, Tenant agrees to pay and discharge punctually as and when the same become due and payable, each and every cost, expense and obligation of every kind and nature, foreseen or unforeseen, which Landlord or Tenant is or becomes liable by reason of the estate or interest of Landlord or Tenant in the Premises, or any portion of either of them, by reason of any right or interest of Landlord or Tenant in or under this Lease, or by reason of or in any manner connected with or arising out of the possession, operation, maintenance, alteration, repair, rebuilding, use or occupancy of the Premises. Tenant also agrees to pay and discharge punctually, as and when the same become due and payable without penalty, all real estate, personal property, business, occupation and occupational license taxes, water, sewer, gas, electricity, internet and telephone charges and fees; assessments (including, but not limited to, assessments for public improvements or benefits); and all other governmental taxes, impositions and charges of every kind and nature, extraordinary or ordinary, general or special, unforeseen or foreseen, whether similar or dissimilar to any of the foregoing, which at any time during the Term are or become due and payable by Landlord or Tenant and which are levied, assessed or imposed:

- a. Upon or with respect to, or are or become liens upon, the Premises, or any portion thereof or any interest of Landlord or Tenant therein or under this Lease;

- b. Upon or with respect to the possession, operation, management, maintenance, alteration, repair, rebuilding, use or occupancy of the Premises, or any portion thereof;
- c. Upon this transaction or any document to which Tenant is a party or is bound, creating or transferring an interest or an estate in the Premises, under or by virtue of any present or future law, statute, charter, ordinance, regulation or other requirement of any governmental authority, whether federal, state, county, city, municipal or otherwise; and/or
- d. Upon Landlord on account of, attributed to, or measured by rental or other Additional Charges payable by Tenant (except general income, transfer, estate and inheritance taxes), expressly including, without limitation, transaction privilege tax on the business of commercial or residential leasing.

7.2 Tenant is not required to pay or reimburse Landlord for (a) any local, state or federal capital levy, franchise tax, revenue tax, income tax, or profits tax of Landlord unless and to the extent such levy, tax or impost is in lieu of or a substitute for any other levy, tax or impost now or later in existence upon or with respect to the Premises which, if such other levy, tax or impost were in effect, would be payable by Tenant under the provisions hereof, (b) any estate, inheritance, devolution, succession or transfer tax which may be imposed upon or with respect to any transfer (other than taxes in connection with a conveyance by Landlord to Tenant) of Landlord's interest in the Premises, and (c) any lien not of record as of the Term Commencement Date arising from the unilateral acts or omissions of Landlord and unrelated to a default of Tenant under this Lease.

7.3 The parties acknowledge that tax bills may cover the Premises and also other real property within Landlord's Parcel. With respect to such tax bills, Tenant agrees to pay its Proportionate Share; provided, however, to the extent the assessment notice relating to any such tax bills includes an apportionment for building improvements (as opposed to land), Tenant is also responsible for the payment of that portion, if any, of such tax bill allocable to improvements on the Premises, but not as to such improvements on any other portion of Landlord's Parcel. Landlord agrees to pay or cause to be paid prior to delinquency the balance of the taxes (not payable by Tenant hereunder) shown to be due on such tax bills.

## ARTICLE 8 – USE OF PREMISES

Except as otherwise expressly provided in this Article 8, Tenant may use the Premises solely for the Permitted Use set forth in the Fundamental Lease Provisions and for no other purpose. Tenant may not use or permit the Premises to be used in violation of the laws, ordinances, regulations and requirements of the United States, the State of Arizona, the County of Yavapai, or any other authority or agency having jurisdiction over the Premises.

## ARTICLE 9 – TENANT'S CONSTRUCTION OF BUILDING AND IMPROVEMENTS

9.1 Tenant agrees to remodel Building C (the "Building") into residential units for use as apartments, and to construct and install required site work, retention/detention improvements,

perimeter or screen walls, pedestrian crosswalks, site lighting, trash enclosures, landscaping, paving, curbs, driveways, sidewalks and other improvements that are within or immediately border the Premises and are consistent with the Permitted Use of the Premises provided herein and in compliance with this Lease (the Building and all such other improvements to be collectively hereinafter referred to as the “Initial Improvements”). Tenant agrees to commence construction of the Initial Improvements within six (6) months of Delivery of Possession of the Premises. Tenant’s construction will be performed in a good and workmanlike manner in compliance with all applicable laws, codes and regulations, free and clear of liens and encumbrances, and substantially in accordance with the Approved Final Plans (as defined below).

9.2 Tenant will submit for Landlord’s approval an initial site plan and elevations for the Initial Improvements, which approval shall not be unreasonably withheld or delayed. The initial site plan and elevations for the Initial Improvements when approved by Landlord and Tenant shall be referred to as the “Approved Initial Plans.” Promptly following mutual approval of the Approved Initial Plans, Tenant will pursue approval of the Approved Initial Plans by the County. To the extent the County requires revisions to the Approved Initial Plans, Tenant will submit the revised Approved Initial Plans to Landlord for approval, which approval shall not be unreasonably withheld or delayed. After approval of the Approved Initial Plans by the County, Tenant will prepare construction drawings for the Initial Improvements in accordance with and based upon the Approved Initial Plans and submit such plans and specifications to Landlord for review and approval, which approval shall not be unreasonably withheld or delayed. It shall be deemed unreasonable for Landlord to disapprove of any aspect of the construction plans and specifications, including change orders, that are consistent with the Approved Initial Plans. Construction plans and specifications approved by Tenant, Landlord and the County shall be deemed the “Approved Final Plans.”

9.3 When in this Article 9 reference is made to Landlord providing approval without delay, this means Landlord must provide its approval of or comments on the submitted documents within fifteen (15) days following receipt. Tenant will revise and resubmit documents following receipt of comments, if any. Landlord must respond to Tenant’s resubmittal within ten (10) days following receipt. If Landlord fails to respond to Tenant’s resubmittal within such ten (10) day period, which failure continues for five (5) days after written notice thereof by Tenant to Landlord, Tenant’s resubmittal shall be deemed approved.

9.4 Within thirty (30) days following completion of the Initial Improvements, and within thirty (30) days following completion of any subsequent alterations, additions or improvements to the Building or other improvements on the Premises, Tenant will provide to Landlord, at no cost to Landlord, one (1) set of “as built” plans and specifications for the Building and other improvements on electronic media.

#### ARTICLE 10 – RESERVED

#### ARTICLE 11 – MAINTENANCE AND REPAIRS

Tenant at all times during the Term agrees to keep and maintain in good order and repair the Premises and all improvements, equipment and appurtenances, both interior and exterior,

structural and non- structural, ordinary or extraordinary, howsoever the necessity or desirability of repairs may occur. All repairs, replacements and renewals must be made promptly and be equal in quality and class to the original work. Tenant waives any right created by any law now or hereafter in force to make repairs to the Premises at Landlord's expense, it being understood that Landlord is in no event required to make any alterations, restorations, replacements, changes, additions, improvements or repairs during the Term.

## ARTICLE 12 – REGULATORY REQUIREMENTS

Tenant agrees to promptly observe and comply with all present and future laws, ordinances, requirements, orders, directions, rules and regulations of all governmental authorities having or claiming jurisdiction over the Premises or any part thereof and of all insurance companies writing policies covering the Premises or any part thereof. Without limiting the generality of the foregoing, Tenant agrees to procure each and every permit, license, certificate or other authorization required in connection with the lawful and proper use of the Premises or required in connection with any building or improvement now or hereafter erected thereon.

## ARTICLE 13 – LIENS

13.1 Without otherwise limiting Tenant's right to mortgage its leasehold estate in accordance with the provisions of Article 19 hereof, Tenant has no authority to do any act or make any contract which may create or be the basis for any lien, mortgage or other encumbrance upon any interest of Landlord in the Premises.

13.2 Landlord and Tenant agree, and notice is given, that Tenant is not the agent of Landlord for any construction, alterations, restorations, replacements, additions, improvements, or repairs to be made on the Premises which are the obligation of Tenant under this Lease, the same being done at the sole direction and expense of Tenant. Should Tenant cause any such work to be done on the Premises, or cause any labor to be performed or material to be furnished thereon, therein or thereto, neither Landlord nor the Premises will under any circumstances be liable for the payment of any expense incurred or for the value of any work done or material furnished, and Tenant is solely and wholly responsible to contractors, laborers and materialmen performing such labor and furnishing such material. All contractors, materialmen, mechanics and laborers are charged with notice that they must look solely to Tenant for the payment of any charge for work done or material furnished on the Premises by or at the direction of Tenant during the Term of this Lease. Tenant has no right, agency, authority or power to bind Landlord or any interest of Landlord for the payment of any claim for labor or material, or for any charge or expense, incurred by Tenant as to improvements, additions, alterations or repairs on or to the Premises.

13.3 If, because of any act or omission (or alleged act or omission) of Tenant, any mechanics', materialmen's or other lien, charge or order for the payment of money is filed or recorded against the Premises or against Landlord (whether or not such lien, charge or order is valid or enforceable as such), Tenant, at its own expense, must either cause the same to be discharged of record pursuant to A.R.S. § 33-1004, or otherwise cause such discharge, within thirty (30) days after Tenant receives notice of the filing thereof, or Tenant may, within said period, furnish to Landlord a bond satisfactory to Landlord against said lien, charge or order, in which

case Tenant has the right in good faith to contest the validity or amount thereof.

13.4 Tenant may not cause or allow to be filed or recorded any Uniform Commercial Code (UCC) financing statements which encumber Tenant's personal property, fixtures or other property and which contain the legal description of the Premises or the Development, unless such UCC financing statements expressly disclose that the security interest is limited to Tenant's interest in the collateral described therein and does not extend to Landlord's interest in the Premises. Tenant represents and warrants that it has not, prior to the date hereof, entered into, caused to be filed or recorded, or allowed to be filed or recorded, any such UCC financing statement. If any such UCC financing statement is filed or recorded against the Premises, or against any of Landlord's property, or any property in which Landlord may have an interest, Tenant shall, within five (5) business days after Landlord's demand, immediately cause such UCC financing statement to be released from Landlord's property, the Premises.

#### ARTICLE 14 – PROPERTY INSURANCE

14.1 Tenant agrees at all times during the Term to keep the Building and improvements on the Premises and all property used at or in conjunction with the Premises insured against all perils included within the classification "Causes of Loss - Special Form" (All Risk) insurance coverage, together with insurance against sprinkler damage, vandalism and malicious mischief, as well as the following endorsements: difference in conditions, business income and extra expenses (with extended period of indemnity), service interruption and building ordinance or law, and against such other risks or hazards and in such amounts as Landlord reasonably requires. Such insurance must be maintained by Tenant during the Term in an amount not less than the full cost of replacement thereof (including debris removal and demolition), and including all personal property, inventory, decorations, trade fixtures, furnishings, equipment and other contents in the Premises. The requirements of this paragraph do not extend to the personal property of subtenants.

14.2 Tenant also agrees to maintain or cause to be maintained during the construction of the Building and other improvements on the Premises Builder's Risk (course of construction) insurance in an amount equal to the cost of such construction.

14.3 Tenant must also maintain and/or cause Tenant's contractor(s) to maintain a policy or policies of Worker's Compensation Insurance as required by law and employer's liability insurance with limits equal to those set forth in Article 16 below containing a full waiver of subrogation in favor of Landlord.

14.4 Tenant's obligations to carry the insurance required by this Lease may be brought within the coverage of a so-called blanket policy or policies of insurance carried and maintained by Tenant; provided, however, that the coverage afforded Landlord will not be reduced or diminished by reason of the use of a blanket policy of insurance, and provided further that the requirements set forth in this Article 14 and Article 16 below are otherwise satisfied. If Tenant uses such a blanket policy, Tenant's certificate of insurance must provide that the Premises are covered by such blanket policy with the limits of liability required by this Lease.



14.5 In the event of loss under any such policy or policies, Tenant must promptly proceed with the repair and restoration of the damaged or destroyed buildings and improvements in accordance with Article 15 hereof. If this Lease is terminated for an Event of Default of Tenant, all proceeds of insurance in the hands of Tenant and all claims against insurers will be and become the absolute property of Landlord.

14.6 Tenant releases Landlord and Landlord's officers, directors, shareholders, members, managers, partners, agents, employees, lenders, and independent contractors and all persons and entities claiming through any of these persons or entities (collectively "Landlord Group") from liability for loss or damage to Tenant's property arising out of or incident to any peril required to be insured against in this Lease. If such loss or damage to Tenant's property occurs, Tenant agrees to look solely to its insurance (or self insurance) for recovery. This release is not limited by the amount of insurance carried or required to be carried under this Lease or by any deductibles applicable thereto, or invalidated by Tenant's failure to carry insurance. This release is applicable even if the loss or damage is caused by the fault or negligence of any member of Landlord Group. Tenant agrees to obtain from its insurance carriers a waiver of subrogation clause or endorsement consistent with the foregoing. However, nothing contained herein releases Tenant from the obligation to insure and to apply or pay over proceeds of insurance or self-insurance as otherwise required by this Lease.

#### ARTICLE 15 – DAMAGE OR DESTRUCTION

15.1 In the event of damage to or destruction of the Building or other improvements on the Premises by fire or other casualty, Tenant agrees to give Landlord and any mortgagee immediate notice thereof. Tenant further agrees at Tenant's own expense and whether or not the insurance proceeds are sufficient for the purpose, to promptly commence and thereafter diligently pursue completion of the repair, restoration or rebuilding of the same so that upon completion of such repairs, restoration or rebuilding, the replacement Building and improvements are substantially equivalent to the Building and improvements existing immediately prior to the occurrence of such fire or other casualty. Tenant expressly waives any statutory right to terminate this Lease in the event of damage or destruction of the Premises or all or any portion of the Building or improvements thereon. In connection with Tenant's repair and restoration, Tenant must comply with the requirements of Article 9.

15.2 Notwithstanding anything to the contrary contained herein, if the Building on the Premises is rendered untenable by fire or other casualty to the extent of fifty percent (50%) or more of the replacement cost of the Building, and if all insurance required by this Lease to be maintained by Tenant is then in full force and effect, Tenant has the option to terminate this Lease by notice to Landlord within sixty (60) days after the occurrence of such damage or destruction. Upon such termination, this Lease and the Term hereof will cease and come to an end as of the effective date of such notice (which may be not less than thirty (30) nor more than ninety (90) days after the notice and must be specified in the notice), any unearned rent or other charges will be apportioned as of the effective date, and Tenant and its leasehold mortgagee, if any, will assign to Landlord all of their rights to the insurance proceeds arising out of damage or destruction to the Building or improvements.

## ARTICLE 16 – LIABILITY INSURANCE

Throughout the Term Tenant agrees, at its expense, to provide and keep in force a policy or policies of commercial general liability insurance with respect to the operation, use, occupancy and maintenance of the Premises by Tenant (pursuant to the terms of this Lease) and its employees, agents, contractors, invitees and licensees, including premises operations, products and completed operations and owned, hired and non-owned automobiles. Such insurance must (a) cover liability for death or personal injury, bodily injury or property damage in any one accident, mishap or casualty in a combined single limit of not less than \$3,000,000.00, and (b) identify Landlord as an additional insured (under ISO Form CG 20-26 or equivalent)

## ARTICLE 17 – INDEMNIFICATION

17.1 Excepting any responsibility allocated to Landlord by reason of its negligence (excluding from this exception, however, any responsibility allocated to Landlord by reason of its failure to enforce the terms of this Lease), Tenant agrees to indemnify, defend and hold harmless Landlord for, from and against all liabilities, obligations, claims, suits, damages, penalties, causes of action, costs and expenses (including without limitation, reasonable attorneys' fees and expenses) imposed upon or asserted against Landlord by reason of the acts or omissions of Tenant, its agents, employees, contractors, suppliers, licensees, invitees and guests and/or the occurrence of any of the following during the Term: (a) any use, nonuse or condition of the Premises or any part thereof, (b) any accident, injury to or death of persons (including workmen) or loss of or damage to property occurring on or about the Premises or any part thereof, (c) any failure on the part of Tenant to perform or comply with any of the terms of this Lease, (d) performance of any labor or services or the furnishing of any materials or other property in respect of the Premises or any part thereof (excluding any such matters performed or furnished by or at the request of Landlord and unrelated to a default of Tenant under this Lease), or (e) any failure on the part of Tenant to comply with any of the matters set forth in Article 12, including but not limited to any failure by Tenant to clean up and/or dispose of any Hazardous Materials for which Tenant is responsible in accordance with the requirements of this Lease and Hazardous Materials Laws. If Landlord is made a defendant in any action, suit or proceeding brought by reason of any such occurrence, Tenant agrees at its own expense to resist and defend such action, suit or proceeding or cause the same to be resisted and defended by counsel designated by Tenant and reasonably approved by Landlord, as appropriate. If any such action, suit or proceeding results in a final judgment against Landlord, Tenant agrees to cause such judgment to be promptly satisfied and discharged. The obligations of Tenant under this Article arising by reason of any such occurrence taking place while this Lease is in effect survive the termination of this Lease.

17.2 Landlord agrees to indemnify, defend and hold harmless Tenant for, from and against all liabilities, obligations, claims, suits, damages, penalties, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) imposed upon or asserted against Tenant by reason of the gross negligence of Landlord or its agents, employees or contractors. If Tenant is made a defendant in any action, suit or proceeding brought by reason of any such occurrence, Landlord agrees at its own expense to resist and defend such action, suit or proceeding or cause the same to be resisted and defended by counsel designated by Landlord. If any such action, suit or proceeding results in a final judgment against Tenant, Landlord agrees

to cause such judgment to be promptly satisfied and discharged. The obligations of Landlord under this Article arising by reason of any such occurrence taking place while this Lease is in effect survive the termination of this Lease.

## ARTICLE 18 – ASSIGNMENT AND SUBLETTING

18.1 Tenant may not transfer or assign this Lease or any interest in this Lease or sublet the Premises or any portion thereof without first obtaining the consent of Landlord which consent must not be unreasonably withheld. In determining whether to grant its consent to a proposed assignment or subletting hereunder, Landlord may take into account the financial standing and management abilities of the proposed transferee and its key personnel, as well as business reputation and moral character (the “Assignment Criteria”). Additionally, the use proposed by the transferee or sublessee must comply with the provisions contained in this Lease, particularly those stated in Articles 1 and 8 of this Lease. Prior to Tenant’s completion of the Initial Improvements and opening for business to the public for the Permitted Use, Landlord may withhold its consent to any proposed assignment or subletting hereunder.

18.2 Notwithstanding the foregoing, Landlord agrees that, upon completion of the Initial Improvements Tenant is permitted without further approval by Landlord to sublet the individual residential units in the Building to subtenants as provided for under the terms of this Lease. Tenant and Landlord may consult about setting affordable rents in line with tenants’ ability to pay. Tenant will have the right to determine rent amounts for subtenants. The form and terms of the lease between Tenant and any of its subtenants, including material terms such as the rent due to Tenant thereunder, will be provided to Landlord.

## ARTICLE 19 – RESERVED

## ARTICLE 20 – DEFAULT

20.1 It is the intent of the parties that this Lease shall not terminate due to default by either party except under exceptional circumstances. Accordingly, an Event of Default requires that all of the following shall have occurred:

- a. The defaulting party has committed an act or omission breaching a material term of the Lease;
- b. The non-defaulting party has provided Notice, as defined in Article 35, of the breach to the defaulting party;
- c. The defaulting party has failed to cure the breach within thirty (30) days of Notice; or if the breach cannot reasonably be cured within thirty (30) days, the defaulting party initiates cure within that period of time and diligently pursues cure until the breach is fully resolved;
- d. The non-defaulting party has provided Notice, as defined in Article 35, demanding private mediation of the dispute with a mutually-selected

mediator whose fees will be split between the parties, and who can conduct mediation within thirty (30) days of the Notice; and

- e. The mediation fails to produce resolution of the dispute, including failure resulting from the defaulting party's failure or refusal to participate in mediation.

The occurrence of an Event of Default allows termination of the Lease as provided in Paragraph 3.1, above.

ARTICLE 21 – RESERVED

ARTICLE 22 – RESERVED

ARTICLE 23 – RESERVED

ARTICLE 24 – CONDEMNATION

24.1 If the whole of the Premises is taken or condemned under the right of eminent domain or if such a substantial part of the Premises is taken as results in the portion remaining being unsuitable for the Permitted Use, then this Lease terminates as of the date upon which title vests in the condemning authority.

24.2 If only a part of the Premises is so taken or condemned and the part not so taken can, in Tenant's reasonable judgment, be adapted for the Permitted Use, this Lease remains in full force and effect without any abatement or reduction in rent except as provided in Paragraph 24.4, and Tenant, whether or not its portion of the awards or payments, if any, on account of such taking is sufficient for the purpose, at its own expense agrees to promptly commence and complete the restoration of the Building and improvements on the Premises as nearly as possible to their value, condition and character immediately prior to such taking or condemnation. In this regard, that portion of the net awards or payments, if any, payable to Tenant must be applied to pay the cost of restoration of the then remaining Building and improvements, if any, damaged in the taking, in the manner provided in Paragraph 14.9 for paying out insurance proceeds.

24.3 In the event of any such taking or condemnation in whole or in part, unless the court has already apportioned the award between Landlord and Tenant, the entire award will be paid to Landlord in trust for disbursement as herein provided, and Tenant hereby assigns to Landlord the right to receive such award or awards in trust.

24.4 In the event of a partial taking which does not result in termination of this Lease, this Lease remains in full force and effect, covering the portion of the Premises remaining.

24.5 The net awards or payments on account of any complete taking described herein will be apportioned as follows:

- a. Tenant will first be paid for the balance of any Tenant's Costs it has incurred in developing the Premises which have not been recouped by payments from residential subtenants;
- b. Landlord will receive any balance of the award.

It is acknowledged that upon a total or substantial taking resulting in a termination of this Lease, the provisions of Article 30 below govern the respective rights of Landlord and Tenant in the Building, improvements, equipment, trade fixtures and other personal property existing on the Premises as of such Lease termination.

24.6 Provided that Tenant's claim does not reduce the amount of any award or payments made to Landlord under subparagraphs 24.5(a) and (b) above, nothing in this Article 24 precludes Tenant from claiming and receiving a separate award for such compensation as may be separately recoverable by Tenant in Tenant's own right on account of fixtures or improvements installed in the Premises at Tenant's expense, damage to Tenant's business or personal property, or Tenant's moving expenses.

#### ARTICLE 25 – RESERVED

#### ARTICLE 26 – WAIVER OF PERFORMANCE

No failure by Landlord or Tenant to insist upon the strict performance of any term or condition hereof or to exercise any right, power or remedy consequent upon a breach thereof and no submission by Tenant or acceptance by Landlord of full or partial rent during the continuance of any such breach constitutes a waiver of any such breach or of any such term. No waiver of any breach affects or alters this Lease (which continues in full force and effect), or the respective rights of Landlord or Tenant with respect to any other then existing or subsequent breach.

#### ARTICLE 27 – REMEDIES CUMULATIVE

Each right, power and remedy provided for in this Lease or now or hereafter existing at law, in equity or otherwise is cumulative and concurrent and in addition to every other right, power or remedy provided for in this Lease or now or hereafter existing at law, in equity or otherwise; and the exercise or beginning of the exercise of any one or more of the rights, powers or remedies provided in this Lease does not preclude the simultaneous or later exercise of any or all such other rights, powers or remedies.

#### ARTICLE 28 – RESERVED

#### ARTICLE 29 – NO PERSONAL LIABILITY TO LANDLORD

Tenant agrees to look solely to Landlord's interest in the Premises for the satisfaction of any judgment or decree requiring the payment of money by Landlord based upon any default under this Lease, and no other property or assets of Landlord, or any member, manager or principal of Landlord, are subject to levy, execution or other enforcement procedures for satisfaction of any

such judgment or decree.

#### ARTICLE 30 – TITLE TO BUILDING AND IMPROVEMENTS

Title to the Building, equipment in or appurtenant thereto, improvements, and all changes, additions and alterations therein, and all renewals and replacements thereof, when made, erected, constructed, installed or placed upon the Premises by Tenant, remain in Tenant until the expiration of the Term, unless sooner terminated as herein provided. Upon the expiration or sooner termination of the Term, title to all such property (exclusive of trade fixtures and personal property) automatically passes to, vests in and belongs to Landlord without further action on the part of either party, without cost or charge to Landlord, and without further conveyance or transfer to Landlord; provided, however, that, if requested by Landlord, Tenant agrees to execute any instruments or documents reasonably required by Landlord to evidence the vesting of title to such property in Landlord. While this Lease remains in effect, Tenant alone is entitled to claim depreciation on the Building, improvements, additions and alterations therein and all renewals and replacements thereof, for all taxation purposes.

#### ARTICLE 31 – SURRENDER

Upon the expiration or other termination of the Term, Tenant must quit and surrender to Landlord the Premises, including any Building, and all replacements, changes, additions and improvements constructed, erected, added, installed or placed by Tenant thereon or therein, with all fixtures and equipment in or appurtenant thereto (exclusive of trade fixtures and personal property removed by Tenant in accordance with Article 30 above) in good condition and repair, reasonable wear and tear and casualty excepted (subject, however, to the performance by Tenant of its obligations to repair and restore, or to pay over insurance proceeds, in the event of casualty, as expressly provided in this Lease).

#### ARTICLE 32 – RESERVED

#### ARTICLE 33 – RESERVED

#### ARTICLE 34 – RESERVED

#### ARTICLE 35 – NOTICE

Any notice to be given by Landlord or Tenant must be given in writing and delivered in person or by reputable nationwide overnight courier to Landlord or Tenant, or forwarded by certified or registered mail, postage prepaid, at the address indicated in the Fundamental Lease Provisions, unless the party giving any such notice has been notified, in writing, of a change of address. Any such notice is deemed effective (a) upon receipt or refusal to accept delivery, if personally delivered, (b) on the next business day following delivery to the overnight courier, or (c) in the case of certified mailing, on the date of actual delivery as shown by the addressee's receipt or upon the expiration of three (3) business days following the date of mailing, whichever first occurs.

#### ARTICLE 36 – RESERVED

#### ARTICLE 37 – RESERVED

#### ARTICLE 38 – RESERVED

#### ARTICLE 39 – RESERVED

#### ARTICLE 40 – ESTOPPEL CERTIFICATE

Each party to this Lease agrees to execute, acknowledge and deliver to the other, within twenty (20) days following request therefor, a certificate certifying (a) that this Lease is unmodified and in full force (or, if there have been modifications, that the Lease is in full force and effect, as modified, and stating the modifications), and (b) the dates, if any, to which rent, Additional Charges and other sums payable hereunder have been paid, and (c) that no notice has been received by the certifying party of any default which has not been cured, except as to defaults specified in said certificate. Any claim of the certifying party in contradiction of any the foregoing matters must be set forth with specificity in the certificate. Any such certificate may be relied upon by any prospective purchaser or encumbrancer of the Premises. A party's failure to deliver such certificate within the time permitted hereby is conclusive upon such party that this Lease is in full force and effect, except to the extent any modification has been represented by the requesting party, that there are no uncured defaults in the requesting party's performance, and that not more than one month's rent has been paid in advance.

#### ARTICLE 41 – MORTGAGE, ATTORNMENT

This Lease is automatically subject and subordinate to any other underlying leasehold interest, to the lien of any mortgage, deed of trust or other security device previously or hereafter placed upon Landlord's interest in the Premises, to any and all advances made or to be made thereunder, to the interest on the obligations secured thereby, to all renewals, replacements and extensions thereof, and to any easements, covenants, conditions, restrictions, or other matters of record now or hereafter imposed upon all or any portion of the Premises; provided, however, as to any future mortgage, deed of trust or other security device to which this Lease is not subordinate at the date of this Lease, such subordination of this Lease is conditioned upon the existence of a non-disturbance covenant in form reasonably acceptable to Tenant whereby the encumbrance holder to whom Tenant subordinates agrees to honor this Lease and recognize Tenant's rights and interests hereunder, provided Tenant is not in default hereunder. Tenant agrees not violate any such superior instrument. If any proceedings are brought for default under any such lease or underlying leasehold interest, or in the event of foreclosure or the exercise of the power of sale under any such mortgage, deed of trust or other security device, Tenant agrees to attorn to the purchaser of the Premises at such foreclosure or sale and recognize such purchaser as landlord under this Lease.

If the mortgagee or beneficiary of any mortgage or deed of trust upon Landlord's interest in the Premises at any time requires that Tenant's rights hereunder be senior and superior to the lien of such mortgage or deed of trust, Tenant agrees that such mortgagee or beneficiary may, without the signature or further consent of Tenant, execute and place of record an instrument subordinating the lien of such mortgage or deed of trust to the rights of Tenant hereunder, provided that Tenant is furnished a copy of such instrument, together with the pertinent recording information.

## ARTICLE 42 – NET LEASE

It is the intention of the parties hereto that this Lease is a net lease and that Landlord will receive the rents herein reserved and all sums which shall or may become payable hereunder by Tenant free from all taxes, charges, expenses, damages and deductions of every kind or sort whatsoever and that Tenant will and hereby expressly agrees to pay all such sums which, except for the execution and delivery of this Lease, would have been chargeable against the Premises and payable by Landlord. Tenant, however, will not be under any obligation to pay any principal or interest on any mortgage or mortgages which may be placed by Landlord on the Premises, nor is Tenant under any obligation to pay any income taxes which may become payable by Landlord by reason of the income derived hereunder.

## ARTICLE 43 – MEMORANDUM FOR RECORDING

A Memorandum of Lease substantially similar to that attached as Exhibit “B” hereto will be executed and recorded by the parties on or as soon as practicable following the Delivery of Possession.

## ARTICLE 44 – RESERVED

## ARTICLE 45 – MISCELLANEOUS

45.1 Each party represents that it has the authority to enter into this Lease without violating any other binding legal commitments and that it will work in good faith and diligently with the other party to fulfill each party’s obligations under this Lease.

45.2 This Lease is binding upon and inures to the benefit of and is enforceable by the respective successors and assigns of the parties hereto. Time is declared to be of the essence of this Lease.

45.3 The Article and paragraph headings contained in this Lease are for purposes of reference only and do not limit or define the meaning of any of the terms or provisions hereof.

45.4 The word “Landlord” includes not only the original Landlord but also any person or entity hereafter acquiring the Landlord’s interest in this Lease.

45.5 This Lease may be amended only by an instrument in writing signed by both Landlord and Tenant.

45.6 This Lease is governed by and construed in accordance with the substantive laws of the State of Arizona without giving effect to the principles of conflict of laws. Yavapai County, Arizona is the agreed upon venue for all actions brought to enforce or construe this Lease.

45.7 Whenever in this Lease anything is to be done or performed by Tenant or Landlord, unless otherwise expressly provided to the contrary, it shall be done or performed at the sole cost and expense of Tenant or Landlord as the case may be.



45.8 Except as otherwise expressly provided herein, any consent or approval required in this Lease must be in writing and may not be unreasonably withheld or delayed. Each party will respond to the other within twenty (20) days of receipt of any request for approval hereunder, other than as to specific approval periods for specific matters as otherwise set forth herein. A party requesting consent or approval, if the same is denied, is entitled to seek specific performance at law and has such other remedies as are reserved to it under the Lease, but in no event is Landlord or Tenant responsible for damages to anyone for such failure to give consent or approval.

45.9 Any prevention, delay or stoppage (collectively, a "Delay") due to strikes, lockouts, labor disputes, acts of God, inability to obtain labor or materials or reasonable substitutes therefor, governmental restrictions, governmental regulations, governmental controls, enemy or hostile governmental action, civil commotion, fire or other casualty, and other causes beyond the control of the party obligated to perform shall excuse the performance by such party for a period equal to any such Delay. Notwithstanding the foregoing to the contrary, no obligation imposed with regard to rental and other monies to be paid by Tenant pursuant to this Lease is excused under this Paragraph 45.8, except in the following instance only: If as the result of the occurrence of a Delay and not as the result of a lack of diligence on the part of Tenant, Tenant is unable to open the Premises for business to the public for the Permitted Use one hundred twenty (120) days following Delivery of Possession, and if the Delay hindering Tenant from opening is not of a nature that Tenant is required under the terms of this Lease to insure (that is, for example, if the Delay is not the result of fire or other insurable casualty), then the Commencement Date will be tolled for the period of the Delay, or a period of ninety (90) days, whichever is shorter.

45.10 Except as expressly set forth in this Lease, Landlord hereby specifically disclaims any warranty, guaranty or representation, oral or written, past, present or future, of, as to, or concerning (a) the nature and condition of the Premises or the common or other areas thereof, including, without limitation, the water, environmental, soils and geotechnical condition, utilities or utility services, title, zoning, setback or other requirements, restrictions or stipulations and the suitability thereof for any and all activities and uses which Tenant may elect to conduct thereon, and the existence of any environmental hazards or conditions thereon (including the presence of asbestos) or compliance with applicable laws, rules or regulations; (b) the nature and extent of any rights-of-way, lease, possession, lien, encumbrance, license, reservation, condition or other matter affecting the Premises; (c) the compliance of the Premises or its operation with any laws, ordinances or regulations of any government or other body; and (d) the profitability or losses or expenses relating to the Premises and the business conducted or to be conducted thereon. Any engineering data, soils reports, surveys, or other information that Landlord or any other party may have delivered to Tenant is furnished without any representation or warranty whatsoever. The lease of the Premises as provided for herein is made on an "as is" basis, and Tenant expressly acknowledges that, in consideration of the agreements of Landlord herein contained, except as otherwise specifically set forth herein, Landlord makes no warranty or representation, express or implied, or arising by operation of law, in respect of the Premises, including, but not limited to, any warranty of condition, habitability, merchantability or fitness for a particular use or purpose. Tenant warrants and represents to Landlord that Tenant has made a complete investigation of the Premises, the surface and sub-surface conditions thereof and the present and proposed uses thereof.

45.11 Each party represents that it has dealt with no other broker in connection with the consummation of the transaction contemplated by this Lease and agrees to indemnify, defend and hold harmless the other party for, from and against any and all claims, actions, damages, fees or losses arising from a breach of such representation. Both parties acknowledge that principals or affiliates of Landlord may be licensed real estate brokers or salespersons in the State of Arizona.

45.12 THIS LEASE MUST BE FIRST EXECUTED BY TENANT, IF AT ALL, AND THEN PRESENTED TO LANDLORD FOR ITS CONSIDERATION. THIS LEASE DOES NOT CONSTITUTE AN OFFER TO LEASE BY LANDLORD UNLESS AND UNTIL PROPERLY EXECUTED BY BOTH PARTIES.

45.13 The parties specifically acknowledge that neither party is acting as the agent of the other in any respect hereunder, and that each party is an independent contracting entity with respect to the terms, covenants and conditions contained in this Lease. None of the terms or provisions of this Lease shall be deemed to create a partnership between or among the parties nor shall it cause them to be considered joint venturers or members of any joint enterprise.

IN WITNESS WHEREOF, the Parties have executed this Lease as of the \_\_\_\_\_ day of \_\_\_\_\_, 2023.

LANDLORD:

SEDONA – OAK CREEK UNIFIED SCHOOL DISTRICT NO. 9

By \_\_\_\_\_  
Title \_\_\_\_\_  
Date \_\_\_\_\_

TENANT:

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

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

EXHIBIT A  
DESCRIPTION OF THE PREMISES

To Come

EXHIBIT B  
MEMORANDUM OF LEASE

To Come