

SPENCRAZI, L.L.C.

PARCEL A LAND AND IMPROVEMENTS LEASE

between

CITY OF YUMA, ARIZONA,
an Arizona municipal corporation,

and

SPENCRAZI, L.L.C.,
an Arizona limited liability company

_____, 2025__

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SPENCRAZI, L.L.C.
PARCEL A LAND AND IMPROVEMENTS LEASE

THIS SPENCRAZI, L.L.C. PARCEL A LAND AND IMPROVEMENTS LEASE (“**Lease**”) is made and entered into as of the _____ day of _____, 2025 (“**Execution Date**”) by and between the CITY OF YUMA, an Arizona municipal corporation (“**Landlord**” or “**City**”), and SPENCRAZI, L.L.C., an Arizona limited liability company, (“**Tenant**”). The Landlord and Tenant are sometimes referred to herein collectively as the “**Parties**” or individually as a “**Party**”.

RECITALS

- A. The City of Yuma and The Spencer Companies, d/b/a Hardknocks, LLLP, an Arizona limited liability limited partnership (“**Hardknocks**”), previously entered into that certain Real Property Sale, Option, and Development Agreement dated January 23, 2023, and recorded as Document No. 2023-01843 in the Official Records of the Yuma County, Arizona at (the “**Development Agreement**”). Hardknocks assigned its rights under the Development Agreement to Tenant pursuant to that certain Memorandum of Assignment dated January 25, 2023, and recorded as Document No. 2023-01813 in the Official Records of Yuma County, Arizona. The Development Agreement, in part, authorizes the Parties to enter into this Lease. Capitalized terms in this Lease which are not defined herein shall have the same meanings as set forth in the Development Agreement; capitalized terms in this Lease which are defined herein shall prevail over any conflicting definitions in the Development Agreement.
- B. Tenant previously held fee title to the land described in **Exhibit A** hereto (the “**Land**”) and entered into that certain Ground Lease with AZ Slims Real Estate, LLC, an Arizona limited liability company (“**AZ Slims**”) dated March 17, 2023, and amended by the First Amendment dated September 16, 2024, as evidenced by that certain Memorandum of Lease dated November 1, 2024 and recorded (or to be recorded) in the official records of Yuma County, Arizona (“**Ground Lease**”).
- C. The Ground Lease requires AZ Slims to construct a building and other improvements, along with fixtures, furnishings and equipment therein consistent with the Development Agreement (the “**Improvements**”) which, together with the Land and all rights and privileges appurtenant thereto and all future additions thereto or alterations and replacements thereof, are collectively referred to herein as the “**Premises**”).
- D. Tenant has conveyed the Premises to the Landlord by special warranty deed (but reserving unto Tenant all right, title, interest in and to the Ground Lease), and Landlord has agreed to lease the Premises to the Tenant pursuant to this Lease and consents to the Ground Lease, which shall henceforth be converted to a sublease between Tenant, as Sublessor, and AZ Slims, as Sublessee. For purposes of this Lease, however, such sublease shall continue to be referred to as “Ground Lease” for convenience.
- E. The Premises are located in a single central business district in a redevelopment area established pursuant to Title 36, Chapter 12, Article 3, of the Arizona Revised Statutes (“**A.R.S.**”). The construction of the Improvements will result in an increase in the property

value of the Premises of at least one hundred percent (100%).

- F. Pursuant to A.R.S. § 42-6206, notice is hereby given that the Premises will be subject to the government property lease excise tax under A.R.S. § 42-6201 through § 42-6210 (the “GPLET”). Landlord has or will abate the GPLET for the period beginning upon the issuance of the certificate of occupancy on those Improvements defined by A.R.S. § 42-6201 as a government property improvement and ending eight (8) years thereafter, as provided in A.R.S. §42-6210. But for the abatement, Tenant would not have agreed to cause the Improvements to be constructed.

AGREEMENT

IN CONSIDERATION of the mutual promises and covenants contained herein, and of other good and valuable consideration, receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

ARTICLE 1 LEASE OF PREMISES

1.1 Lease. In consideration of the covenants of Tenant contained in this Lease, Landlord leases the Premises to Tenant, and Tenant leases the Premises from Landlord, effective as of the Commencement Date set forth in Section 2.1, in an “**AS IS**” “**WHERE IS**” condition and subject to: (a) current taxes and assessments, reservations in patents, all rights-of-way, easements, liens, encumbrances, covenants, conditions, restrictions, obligations, and liabilities of record as of the date hereof; (b) AZ Slims rights under the Ground Lease and the Leasehold Mortgage; (c) all matters which a current accurate survey or physical inspection of the Premises would disclose; and (d) all federal, state, county and local laws (statutory and common law) ordinances, rules, regulations, permit requirements, development fees (in accordance with A.R.S. § 9-463.05), and other requirements and official policies of the City, now or hereafter in effect, provided any such new laws (statutory and common law) ordinances, rules, regulations, permit requirements, development fees (in accordance with A.R.S. § 9-463.05), and other requirements and official policies shall be of general applicability (“**Applicable Laws**”).

1.2 Premises. The Premises are described in Recital C above.

1.3 Tenant’s Inspection of the Premises. Tenant has inspected and investigated the Premises to Tenant’s complete satisfaction, observed its physical characteristics and existing conditions, the operations thereon and on adjacent areas, and Tenant hereby waives any and all objections to, complaints about, or claims regarding the Premises and its physical characteristics and existing conditions, including, without limitation, subsurface soil and water conditions and solid and hazardous waste and any Hazardous Substance on, under or adjacent to the Premises. Tenant further hereby assumes the risk of changes in Applicable Laws and regulations relating to past, present and future environmental conditions on the Premises and the risk that adverse physical characteristics and conditions, including, without limitation, the presence of any Hazardous Substance or other contaminants that may not have been revealed by its investigation. Landlord is hereby released from all responsibility and liability regarding the operation, condition

(including the presence in the soil, air, structures, and surface and subsurface waters, of materials or substances that have been or may in the future be determined to be toxic, hazardous, undesirable or subject to regulation and that may need to be specially treated, handled and/or removed from the Premises under current or future federal, state and local laws and regulations), valuation or utility of the Premises, or its suitability for any purpose whatsoever. Tenant expressly acknowledges that Tenant has not relied on any warranties, promises, understandings or representations, express or implied, oral or written, of Landlord or of any agent of Landlord, relating to the Premises, except as specifically set forth in this Lease.

1.4 Quiet Enjoyment. Landlord covenants that so long as Tenant shall perform the obligations of Tenant contained in this Lease and shall not be in default in the performance of any of such obligations, Landlord shall not take any action, or fail to take any action, that would deny Tenant and its subtenants, licensees, successors and assigns the right to freely, peaceably, and quietly have, hold and enjoy full and exclusive use and enjoyment of the Premises.

ARTICLE 2 TERM

2.1 Commencement Date and Term. The term of this Lease (the “**Term**” or “**Lease Term**”) shall be for a period of eight (8) years, commencing on the later to occur of the date on which, (i) the Certificate of Occupancy for those Improvements referenced in Recital F above was issued by the City; and (ii) fee title to the Premises is conveyed from Spencrazi, L.L.C., to the City (the “**Commencement Date**”), and ending at midnight on the eighth (8th) anniversary of the Commencement Date, subject to the terms and conditions set forth in this Lease which may permit or provide for an earlier termination. However, and notwithstanding anything to the contrary herein, Tenant shall not be obligated to pay any Rent or perform any of its other obligations under this Lease until the Commencement Date of this Lease.

2.2 Option to Terminate. If no Event of Default under this Lease exists at the time, at any time during the Term of this Lease, it shall be the option of both the Tenant and the Landlord to terminate this Lease, subject to the continuance of the Ground Lease and the Leasehold Mortgagee protections provided in Article 14 herein, effective upon thirty (30) days after written notice of such termination.

2.3 Termination and Reconveyance. Upon the end of the Lease Term or any other termination of this Lease, this Lease shall terminate, and fee title to the Premises shall be promptly, but in no case more than sixty (60) days, reconveyed (the “**Reconveyance**”) by the City to Spencrazi, L.L.C., or its permitted successors or assigns, at the time of termination, pursuant to a special warranty deed executed and delivered by the City similar to the form of Exhibit D hereto.

ARTICLE 3 RENT

The consideration for this Lease includes, without limitation, the following payments by Tenant to Landlord (collectively, the “**Rent**”):

3.1 Annual Rental. Tenant shall pay to Landlord as annual rental for the Premises the sum of One Dollar (\$1) (the “**Annual Rent**”) on the Commencement Date and on each consecutive

anniversary thereof. The Landlord accepts and acknowledges the receipt of prepayment of the Rent for the Term of this Lease.

3.2 Additional Rent. Upon ten (10) days prior written notice to Tenant, Landlord may pay any sum or do any act which Tenant has failed to do (however, Landlord shall have no obligation to do so), and Tenant agrees to pay Landlord, upon demand, all sums so expended by Landlord, together with interest at a rate (the “**Default Rate**”) equal to four (4) percentage points added to the prime lending rate of JP Morgan Chase Bank, N.A. or its successor bank, as it varies from time to time. In addition to Annual Rent, such sums expended by Landlord, interest thereon and all other payments to be made by Tenant under this Lease shall be deemed “**Additional Rent**” and shall be due and payable within ten (10) days after notice thereof to Tenant if no other time for payment is specified.

ARTICLE 4 UTILITIES

In addition to the Rent and other payments herein provided, Tenant during the Term of this Lease shall pay, prior to delinquency, for all water, gas, light, power, telephone, telecommunications, cabling, sewage, refrigeration, air conditioning, heat and ventilation, janitorial and all other materials and utilities used in connection with or supplied to the Premises. To the extent not already installed, Tenant at its cost and expense shall be obligated for all utility connections, disconnections and security deposit charges applicable to the Premises. Landlord shall not be liable for, and Tenant shall not be entitled to any other relief, by reason of the unavailability, limited availability, or interruption of any utilities and services.

ARTICLE 5 TAXES AND ASSESSMENTS

5.1 Payment of Taxes and Assessments. Subject to the GPLET Abatement provisions of this Lease, Tenant shall pay, prior to delinquency: (a) all real property taxes, personal property taxes, GPLET and other taxes, assessments, levies, fees, fines, penalties and all other governmental charges, general and special, ordinary and extraordinary, foreseen and unforeseen, which now or hereafter under existing or future Applicable Laws are imposed or levied upon, measured by or assessed during the Lease Term against (i) the Premises, (ii) any Annual Rent, or any Additional Rent or other sum payable by Tenant hereunder or (iii) this Lease, the leasehold estate hereby created or which arises in respect of the operation, possession or use of the Premises; and (b) all sales, transaction privilege, gross receipts or similar taxes imposed or levied upon, assessed against or measured by any Annual Rent, or other amounts payable to Landlord hereunder, but not income taxes (collectively, the “**Taxes**”). If Tenant fails to pay any Taxes before they become delinquent, Landlord, after notice to Tenant, may pay such delinquent Taxes, and all expenditures and costs incurred thereby shall be payable as Additional Rent hereunder within ten (10) days after such notice to Tenant. Tenant will furnish to Landlord, promptly after demand therefor, proof of payment of all Taxes payable by Tenant. Tenant may pay such Taxes in installments if legally permitted to do so.

5.2 GPLET. Pursuant to A.R.S. § 42-6206, and in addition to the notice of the GPLET given in Recital F above, any failure by Tenant to pay the GPLET after notice and an opportunity

to cure as set forth in Section 15.1(b) of this Lease is an Event of Default that could result in Reconveyance and the divesting Tenant of any leasehold interest in the Premises for the government property improvement.

5.3 Prorations. All Taxes due and payable in the first and last years of the Term hereof shall be prorated so that Tenant is obligated only for those Taxes accruing or due during the Lease Term.

5.4 Privilege of Contesting. Upon at least ten (10) days prior written notice to Landlord and Tenant furnishing to Landlord such bonds or other security in such form and by such issuers as reasonably approved by Landlord in an amount equal to one hundred fifty percent (150%) of the amount of Taxes being contested, Tenant shall have the right to protest, contest, object to or oppose the legality or amount of any such Taxes to be paid by Tenant hereunder. In the event of any such contest, Tenant may defer payment of any such Taxes so long as the legality or the amount thereof is being so contested, diligently and in good faith; provided, however, that if at any time payment of the whole or any part thereof shall become necessary in order to prevent the termination by sale or otherwise of the right of redemption of any property affected thereby or to prevent physical eviction of either Landlord or Tenant because of nonpayment thereof, Tenant shall pay the same in order to prevent such termination of the right of redemption or such eviction. Any such contest shall be at the sole cost and expense of Tenant and Tenant shall pay any costs or expenses incurred by Landlord as a result of any such contest. Each refund of any Taxes so contested shall be paid to Tenant, and Landlord shall not, without prior approval of Tenant, make or enter into or finally agree to any settlement, compromise or any deposition of any contest or discontinue or withdraw any contest or accept any refund, other adjustment or credit of or from any such Taxes as a result of any contest. If there are any refunds of the Taxes at the beginning or end of the Lease Term, the amounts will be prorated between Landlord and Tenant on the basis set forth in Section 5.3. Any and all penalties and interest that become due as a result of any such contest shall be paid by Tenant.

ARTICLE 6 USES; LEGAL AND ENVIRONMENTAL COMPLIANCE

6.1 Permitted Uses. Tenant shall use, occupy, and/or sublet the Premises only for the following uses and purposes and no other without the prior written consent of Landlord which consent shall not be unreasonably withheld, conditioned or delayed provided such use is consistent with the Development Agreement and Applicable Laws:

(a) for the construction, installation, furnishing, maintenance, repair, reconstruction, replacement, alteration and operation, in strict conformity with this Lease, the Development Agreement and Applicable Laws, of Improvements which use includes the development and operation of an approximately 3,683 square feet Slim Chickens restaurant with a patio of approximately 428 square feet, an exterior refrigeration structure of approximately 263 square feet, dual drive through/bypass lanes on the Property together with appurtenant asphalt or concrete paving, landscaping, sidewalks and all necessary and appurtenant structures, machinery and equipment, all as more particularly described in the Site Plan approved by Landlord (the “**AZ Slims Development**”); and

(b) for construction, erection, maintenance, repair, reconstruction, replacement, alteration and operation of parking spaces in sufficient numbers to provide adequate parking, as may be approved by Landlord, for the uses to be developed and operated on the Premises.

6.2 Continuous Operation. After the issuance of a Certificate of Occupancy for the Improvements or any portion thereof, Tenant shall continuously operate and use (or cause to be operated and used) the Premises and all Improvements for which such Certificate(s) of Occupancy were issued, or such much thereof as may be sublet to third parties on terms acceptable to Tenant, for the operational purposes specified above, during all usual business hours and on all such days as similar businesses are operated in the same market area in which the Premises are located, except to the extent that Tenant is unable to operate or use (or cause to be operated and used) the Premises, or such much thereof as may be sublet to third parties on terms acceptable to Tenant, for reasons beyond the reasonable control of Tenant, such as during periods of damage or destruction.

6.3 Legal Compliance; Nuisance; Waste. Tenant shall fully comply with all Applicable Laws of all governmental authorities having jurisdiction over Premises, or any part thereof. Tenant shall pay all costs, expenses, liabilities, losses, fines, penalties, claims and demands including, without limitation, attorneys' fees that may in any way arise out of or be imposed because of the failure of Tenant to comply with such Applicable Laws. Tenant shall not conduct or permit to be conducted any public or private nuisance on or from the Premises. Tenant shall not permit or commit any waste of the Premises.

6.4 Hazardous Substances.

(a) **Definitions.** As used herein, the term "**Hazardous Substance**" means any hazardous or toxic substance, material, or waste which is or becomes regulated by any federal, state or local governmental authority, including, without limitation, (i) any substance, chemical or waste that is or shall be listed or defined as hazardous, toxic or dangerous under Applicable Environmental Law, (ii) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any federal, state or local governmental authority pursuant to any environmental, health and safety or similar law, code, ordinance, rule, regulation, order or decree and which may or could pose a hazard to the health and safety of occupants or users of the Premises or any part thereof, any adjoining property or cause damage to the environment, (iii) any petroleum products, (iv) PCB's, i.e. polychlorinated biphenyl (v) leaded paint, and (vi) asbestos. As used in this Lease, the term "**Applicable Environmental Law**" shall mean the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §§ 9601 *et seq.*, the Resources Conservation Recovery Act, 42 U.S.C. §§ 6901 *et seq.*, the Federal Water Pollution Control Act, 33 U.S.C. §§ 1251 *et seq.*, the Clean Air Act, 42 U.S.C. §§ 7401 *et seq.*, the Hazardous Materials Transportation Act, 49 U.S.C. §§ 1801 *et seq.*, the Toxic Substances Control Act, 15 U.S.C. §§ 2601 *et seq.*, and the Safe Drinking Water Act, 42 U.S.C. §§ 300f through 300j-26, as such Acts have been or are hereafter amended from time to time; any so called Superfund or superlien law; and any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to or

imposing liability or standards of conduct concerning hazardous, toxic or dangerous waste, substance or material as now or any time hereafter in effect.

(b) **Restrictions on Hazardous Substances; Remedial Work.** Tenant shall not cause or knowingly permit any Hazardous Substance to be brought, kept or used in or about the Premises by Tenant, its members, managers, officers, directors, owners, agents, employees, subtenants, assignees, vendors, suppliers, contractors, subcontractors, invitees or concessionaires (“**Tenant’s Personnel**”) except in commercial quantities not in violation of Applicable Environmental Law and similar to those quantities usually kept on similar premises by others in the same businesses. Tenant shall store, use and dispose (and shall cause Tenant’s Personnel to store, use and dispose) of any Hazardous Substance in compliance with all Applicable Laws, including, without limitation, Applicable Environmental Law. If the presence of any Hazardous Substance on, in or under the Premises caused or permitted by Tenant or Tenant’s Personnel results in any contamination of the Premises, Tenant shall promptly take all actions, at its sole expense, as are necessary to return the affected area to the condition existing prior to the introduction of any such Hazardous Substance, including, without limitation, any investigation or monitoring of site conditions or any clean up, remediation, response, removal, encapsulation, containment or restoration work required because of the presence of any such Hazardous Substance on, in or under the Premises or any release or suspected release or threat of release of any such Hazardous Substance in the air, soil, surface water or ground water (collectively, “**Tenant’s Remedial Work**”). Tenant shall obtain all necessary licenses, manifests, permits and approvals to perform Tenant’s Remedial Work. Tenant shall promptly perform all of Tenant’s Remedial Work and the disposal of all waste generated by Tenant’s Remedial Work in accordance with all Applicable Environmental Law.

(c) **Compliance with Applicable Environmental Law.** Without limiting the generality of the foregoing or any other provision of this Lease, Tenant shall be solely and completely responsible for insuring that the Premises and all activities thereon (including activities of Tenant and Tenant’s Personnel) comply fully with Applicable Environmental Law and for responding to, defending against and/or complying with any administrative order, request or demand relating to potential or actual contamination on the Premises, or third party claims (including the claims of current or future subtenants in the Premises, or other tenants or subtenants in parcels adjoining or near the Premises) for Tenant’s Remedial Work or for the costs of any such remedial work or for the costs of any such Tenant’s Remedial Work which any third-party claimant has undertaken, whether such order, request, demand or claim names Landlord, Tenant or both, or refers to the Premises in any way. Tenant’s responsibility under this Section includes but is not limited to promptly responding to such order, requests, demands and claims on behalf of Landlord and defending against any assertion of Landlord’s financial responsibility or duty to perform thereunder.

(d) **Indemnification of Landlord.** Tenant shall indemnify, save harmless and defend Landlord, its council members, officers, officials, employees, agents, successors and assigns (collectively with Landlord, the “**Landlord Indemnitees**”) for, from and against any and all claims (including, without limitation, third party claims for personal injury or real or personal property damage), actions, administrative proceedings (including

informal proceedings), judgments, damages, punitive damages, penalties, fines, costs, liabilities, interest or losses (including, without limitation, diminution in value of the Premises and the Improvements to the Premises, damages for the loss or restriction on use of rentable space or of any amenity in the Improvements to the Premises, damages arising from any adverse impact on marketing of space in the Improvements to the Premises, and sums paid in settlement of claims, attorney's fees, consultant fees, expert fees and any fees and expenses incurred in enforcing this indemnity) incurred by, sought from or asserted directly or indirectly against any Landlord Indemnitees during or after the Term of this Lease as a result of the presence of any Hazardous Substance on, in or under the Premises or any release of any Hazardous Substance into the air, soil, surface water or ground water, which Hazardous Substance was brought, kept or used in or about the Premises by Tenant or Tenant's Personnel, or as a result of a breach by Tenant of its obligations under this Section 6.4. Tenant shall promptly provide Landlord copies of all communications, filings or other writings, photographs or materials given to or received from any person, entity or agency in connection with any cleanup or Tenant's Remedial Work conducted by Tenant, and shall notify Landlord of, and permit Landlord's representative to attend, any meetings or oral communications relating thereto.

(e) **Survival.** The forgoing obligations and indemnities set forth in this Section 6.4 shall survive the termination or expiration of this Lease.

ARTICLE 7

DEVELOPMENT OF THE PREMISES AND CONSTRUCTION OF IMPROVEMENTS; TRADE FIXTURES

7.1 Development. The planning and development of the Premises and Improvements has been or will be achieved pursuant to the applicable provisions of the Development Agreement and Landlord's normal review and construction inspection process.

7.2 Alterations. In addition to the initial Improvements pursuant to Section 7.1 above, Tenant at its sole cost and expense may make, or permit to be made, additions and alterations to the Improvements now or hereafter located on the Premises, provided that (a) all such additions and alterations shall be constructed of new, high quality materials in a workmanlike manner, and shall not weaken or impair the structural strength or materially decrease the value of any existing Improvements; (b) all such additions and alterations shall comply with Applicable Laws, including without limitation obtaining all required permits and approvals of such construction from the governmental authorities and utilities having jurisdiction thereof; and (c) Tenant has complied with the provisions of Section 7.3 with respect thereto.

7.3 Plans and Specifications; Contractors. All construction work on the Premises, and all Major Alterations and additions thereto, shall be done in compliance with and pursuant to detailed plans, drawings and specifications first approved in writing by Landlord, such approval not to be unreasonably withheld or delayed and to be presumed given if written notice of disapproval is not given within fifteen (15) Business Days of Landlord's receipt of a request for approval ("**Business Days**" hereby defined to mean calendar days other than Fridays, Saturdays, Sundays and legal holidays observed by the City of Yuma), and by duly licensed and reputable contractors. Any modifications to any such Major Alteration plans, drawings and specifications

shall also require the prior written approval of Landlord, such approval not to be unreasonably withheld or delayed and to be presumed given if written notice of disapproval is not given within fifteen (15) Business Days of Landlord's receipt of a request for approval. As used herein, "**Major Alterations**" means Alterations involving any modifications to the structural, mechanical, electrical, plumbing, fire/life safety or heating, ventilation and air conditioning systems of the Building.

7.4 Ownership of Improvements. In addition to the Landlord's Ownership of the Premises, all Improvements, and all alterations and additions thereto, constructed or to be constructed by or on behalf of Tenant are hereby conveyed to and shall remain the property of Landlord during the Term of this Lease, subject to any Leasehold Mortgage. Upon the expiration of this Lease, all such Improvements, and all alterations and additions thereto, shall be reconveyed and become the property of Tenant. This Section excludes Trade Fixtures and Personal Property (as defined in Section 18.1).

7.5 Mechanics' Liens.

(a) **Tenant Not Agent of Landlord.** Notice is hereby given that Tenant is not the agent of Landlord for the construction, alteration or repair of any Improvements, the same being done at the sole direction and expense of Tenant. All contractors, materialmen, mechanics, and laborers are hereby charged with notice that they must look only to Tenant for the payment of any charge for work done or material furnished on the Premises during the Lease Term. Tenant shall have no right, 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, and Tenant shall post notices on the Premises during all construction work of any nature whatsoever that Landlord is not responsible for any material and labor used on the Premises.

(b) **Landlord's Protection.** Tenant shall not suffer or permit to be enforced against the Premises, or any part thereof, and shall indemnify, defend and hold Landlord and the Premises harmless for, from, and against (i) any mechanics', materialman's, contractor's or subcontractor's liens arising from, and (ii) any claim for damage arising from, the work or any construction, repair, restoration, replacement, or improvement done by or on behalf of Tenant. Tenant shall pay or cause to be paid all of such liens, claims, or demands before any action is brought to enforce the same against the Premises. If Tenant shall in good faith contest the validity of any such lien, claim, or demand, then Tenant shall, at its expense, defend itself and Landlord against the same and shall pay and satisfy any adverse judgment that may be rendered thereon prior to execution thereof and in the event of any such contest Tenant shall at the request of Landlord provide such security and take such steps as required by A.R.S. §33-1003 or other Applicable Laws to release the Premises from the effect of such lien.

7.6 Easements; Restrictive Covenants. In connection with the further development of the Premises, Landlord agrees to:

(a) **Easements**. Join with Tenant in granting to public utilities or public service corporations, for the purpose of serving only the Premises, reasonable easements on, under, or over the Premises for telephone, electricity, water, cable, sanitary or storm sewers or both, drainage facilities, and for other utilities; and

(b) **CC&Rs**. Consent to or join with Tenant in granting or otherwise subjecting portions of the Premises to such covenants, conditions, restrictions and reciprocal easements as are reasonably necessary or appropriate in connection with the further development of the Premises.

ARTICLE 8 REPAIRS AND MAINTENANCE

8.1 Obligations of Tenant. During the Lease Term, Tenant, at its sole cost and expense, shall keep and maintain (or cause to be kept and maintained) all of the Improvements now or hereafter located on the Premises, together with all additions and alterations thereto, and all fixtures and equipment therein, in good, attractive and safe condition and repair and shall make all necessary repairs, replacements and renewals, whether structural or non-structural, foreseen or unforeseen, ordinary or extraordinary, in order to maintain such state of repair and condition, it being understood and agreed that Landlord shall have no liability for any of the foregoing. Tenant's maintenance and repair obligations shall apply, without limitation, to the maintenance, repair and replacement of all buildings, heating, ventilation and air conditioning equipment, windows and plate glass, wiring, plumbing, roadways, driveways, parking areas, landscaping, sidewalks, fencing, lighting, retention ponds, drainage and utility facilities and other Improvements located on, in, or under the Premises. Tenant, at Tenant's expense, shall be responsible for all improvements, additions, alterations, maintenance, and repairs necessary or appropriate such that the Premises and all Improvements thereon are in substantial compliance with Applicable Laws. In addition, but notwithstanding anything contained in this Section 8.1 to the contrary (and subject to causes beyond Tenant's reasonable control which are described in Articles 10 and 11 hereof), Tenant shall cause the Improvements to be maintained in good repair and condition and in conformity with Applicable Laws. Tenant shall make or cause to be made such routine maintenance, repairs and minor alterations to the Premises as Tenant, from time to time, reasonably deems necessary. Tenant waives any provisions of Applicable Laws that may require any duty of repair by Landlord or permit Tenant to make repairs at the expense of Landlord.

ARTICLE 9 INDEMNITY AND INSURANCE

9.1 Indemnity. Tenant shall pay, defend, indemnify and hold harmless each and all Landlord Indemnitees from and against all claims, demands, fines, penalties, costs, expenses, damages, losses, obligations, judgments, liabilities, and suits (including attorneys' fees, experts' fees and court costs associated therewith) arising out of (a) any accident or other occurrence causing injury to or death of persons or damage to property by reason of construction or maintenance of any Improvements, of any additions, alterations or renovations thereto, or due to the condition of the Premises or any Improvements thereon, or the use or neglect thereof by Tenant, Tenant's Personnel, or any other person, or otherwise occurring upon the Premises or any Improvements thereon, or (b) arising out of any failure of Tenant to comply with any of Tenant's

obligations under this Lease; provided however, that the provisions of (a) and (b) of this Section 9.1 shall not apply to loss or damages or claims therefore which are attributable to acts or omissions of Landlord or any other Landlord Indemnitee, and their respective employees, contractors, subcontractors, agents or representatives, and Tenant shall have no defense obligations in any instance in which a claim is asserted based, in whole or in part, upon an act or omissions of Landlord, its employees, contractors, subcontractors, agents or representatives.

9.2 GPLET Release and Indemnity. Notwithstanding anything to the contrary in Section 9.1 or elsewhere in this Lease or the Development Agreement, Tenant shall defend, indemnify, release and hold harmless the City and its City Council members, officers, employees and agents from and against all claims, demands, fines, penalties, costs, expenses, damages, losses, liabilities and lawsuits or arbitration, mediation and other dispute resolution proceedings (including without limitation attorneys' fees, experts' fees and associated costs) which arise from or relate in any way to A.R.S. §§ 42-6201 through 42-6210 (the "**GPLET**"), regardless of any acts or omissions by the City or any other party, including without limitation (i) the repeal or amendment of the GPLET statutes as they exist on the Execution Date of this Lease; (ii) the failure of the GPLET Abatement for any cause; or (iii) the Premises not being located within the City's central business district or within a slum or blighted area pursuant to A.R.S. Title 36, Chapter 12, Article 3.

9.3 Liability, Etc. Insurance. Tenant shall, at all times during the Lease Term and at the sole cost and expense of Tenant, procure and maintain liability and other insurance in accordance with and in amounts and coverages set forth in Section 9.4 and on Exhibit B hereto.

9.4 Casualty Insurance. Tenant, at its sole cost and expense, shall obtain and continuously maintain in full force and effect during the Lease Term, policies of insurance covering the Improvements now or hereafter constructed, installed or located on the Premises naming the Landlord, as an additional insured, against (a) loss or damage by fire; (b) loss or damage from such other risks or hazards now or hereafter covered by a current ISO form "special causes of loss" (also known as "all-risk") policy (or similar policy providing comparable coverage), including, but not limited to, windstorm, hail, explosion, vandalism, riot and civil commotion, damage from vehicles, smoke damage, water damage and debris removal; (c) loss for flood, if required by Lender (as defined in the Development Agreement), if the Premises are in a designated flood or flood insurance area; (d) loss for damage by earthquake, if required by Lender, if the Premises are located in an earthquake-prone area; (e) loss from so-called explosion, collapse and underground hazards; (f) loss or damage covered by a customary policy of boiler and machinery insurance to the extent applicable to the Improvements; and (g) loss or damage from such other risks or hazards of a similar or dissimilar nature which are now or may hereafter be customarily insured against with respect to improvements similar in construction, design, general location, use and occupancy to the Improvements. Such insurance coverage at all times shall be in an amount equal to ninety percent (90%) of the then Full Replacement Cost of the Improvements. "**Full Replacement Cost**" means the cost of replacing the Improvements without deduction for depreciation or wear and tear, and shall include a reasonable sum for architectural, engineering, legal, administrative and supervisory fees connected with the restoration or replacement of the Improvements in the event of damage thereto or destruction thereof. If a sprinkler system shall be located in any of the Improvements, sprinkler leakage insurance consistent with the foregoing general requirements shall be procured and continuously maintained

by Tenant at Tenant's sole cost and expense. All such policies shall comply with the insurance requirements in Paragraphs D, E and F of Exhibit B hereto and shall provide that loss, if any, payable thereunder shall be payable to Tenant (or to the Leasehold Mortgagee, if required by the terms of any Leasehold Mortgage) to be held in trust and disbursed for the restoration and repair of the Premises pursuant to Section 10.3 or allocated between Landlord and Tenant after a termination of the Lease pursuant to Section 10.2, whichever is applicable.

9.5 Waiver of Subrogation and Release of Claims. Tenant, on behalf of Tenant and its insurers, waives, releases and discharges Landlord from all claims, actions, demands, liabilities, damages, costs, penalties, forfeitures, losses or expenses, including, without limitation, attorneys' fees and the costs and expenses of enforcing any indemnification, defense or hold harmless obligation under this Lease (collectively, "**Claims**"), arising out of personal injury or damage to or destruction of the Premises or Tenant's trade fixtures, other personal property or business, and any loss of use or business interruption, occasioned by any fire or other casualty or occurrence whatsoever (whether similar or dissimilar), regardless whether any of such Claims results from the negligence or fault of Landlord or otherwise, and Tenant will look only to Tenant's insurance coverage (regardless whether Tenant maintains any such coverage, regardless whether any such insurance covers such Claims and regardless of any self-insured retention maintained by Tenant) in the event of any such Claims. Tenant's Trade Fixtures and Personal Property and all other property in Tenant's care, custody or control, is located within the Premises at Tenant's sole risk, and Landlord is not liable for any damage to or for any theft, misappropriation or loss of such Trade Fixtures and Personal Property. Tenant is solely responsible for providing such insurance as may be required to protect Tenant and Tenant's Personnel against any injury, loss, or damage to persons or property occurring within the Premises, including, without limitation, any loss of business or profits from any casualty or other occurrence within the Premises.

9.6 Conflict. If any of the foregoing provisions of this Article 9 conflict with the Development Agreement, the provisions of this Article 9 shall prevail.

9.7 Survival. The foregoing provisions of this Article 9 shall survive the expiration or termination of this Lease for a period equal to the applicable statute of limitations period.

ARTICLE 10 DAMAGE AND DESTRUCTION

10.1 Damage or Destruction. Subject to the provisions of Sections 10.2 and 10.3, if any Improvements are damaged or destroyed during the Lease Term by fire, earthquake, flood or any other casualty covered or required to be covered by a policy of insurance to be maintained pursuant to Article 9, Tenant shall repair and/or rebuild, and or cause to be repaired and/or rebuilt, the same (a "**Restoration**") so that the repaired or rebuilt Improvements shall have at least the same values as such Improvements immediately prior to such damage or destruction, such construction to be undertaken and completed in accordance with the requirements of Article 7. In no event whatsoever shall Landlord be required to repair, replace, or restore any Improvements as a result of any such damage or destruction. No damage to or destruction of Improvements shall effect an abatement or reduction in Rent or, except as provided in Section 10.2, a termination of this Lease, and Tenant waives any provisions of Applicable Laws that may be to the contrary.

10.2 Lease Termination by Tenant. If the Improvements are damaged or destroyed (a) at any time during the Term of this Lease by fire or other casualty covered or required to be covered by a policy of insurance to be maintained pursuant to Article 9 and the cost of repairing or rebuilding such Improvements exceeds twenty percent (20%) of the full replacement value thereof; or (b) at any time during the Term of this Lease by casualties not covered or required to be covered by a policy of insurance to be maintained pursuant to Article 9 and the cost of repairing or rebuilding such Improvements exceeds twenty-five percent (25%) of the full replacement value thereof, Tenant, by giving written notice to Landlord within sixty (60) days after the occurrence of such damage or destruction and by removing, if requested by Landlord and approved by any permitted Leasehold Mortgagee, any damaged or destroyed Improvements and leveling and grading that portion of the Premises underlying such removed Improvements, may elect to terminate this Lease. Also, if a Restoration of any damaged or destroyed Improvements shall not occur by reason of any Leasehold Mortgagee applying the insurance monies to the repayment of any amounts due under its Leasehold Mortgage as permitted by Section 10.3 below, either party, by giving written notice to the other, may elect to terminate this Lease with respect to that portion of the Premises underlying such damaged or destroyed Improvements, as well as the parking or common area therefor. Notwithstanding anything contained in this Lease to the contrary, in the event of a termination of the Lease pursuant to this Section 10.2, the balance of any insurance monies payable by reason of any damage or destruction shall be paid for the full cost to remove the damaged or destroyed Improvements and to level and grade that portion of the Premises underlying such removed Improvements, with the balance thereof to be disbursed to the permitted Leasehold Mortgagee(s) and applied to the repayment of its or their Leasehold Mortgage(s).

10.3 Application of Insurance Proceeds. All insurance monies on account of such damage or destruction, less the costs, if any, of such recovery, shall be disbursed to the permitted Leasehold Mortgagee(s) and, in the sole and absolute discretion of any permitted Leasehold Mortgagee(s), applied either to the cost of Restoration or to the repayment of any amounts due under the Leasehold Mortgage(s); provided, however, that if any Leasehold Mortgagee applies such insurance monies to the repayment of its Leasehold Mortgage, that portion of such insurance monies required to pay the full cost to remove the damaged or destroyed Improvements and to level and grade the portion of the Premises underlying such removed Improvements shall be excluded from the repayment of amounts due under the Leasehold Mortgage(s) and, instead, shall be paid for the full cost of removing the damaged or destroyed Improvements and leveling and grading the portion of the Premises underlying such removed Improvements. To the extent that a Leasehold Mortgagee elects to allow the insurance monies to be utilized for the Restoration, such insurance monies shall be applied to the payment of the costs of the Restoration and shall be paid out from time to time as the Restoration progresses upon the written request of Tenant (such written request to be made to Landlord and the insurer or, if the Leasehold Mortgagee requires such insurance proceeds to be held by the Leasehold Mortgagee, to Landlord, the Leasehold Mortgagee, and the insurer), accompanied by a certificate of the architect or a qualified professional engineer in charge of the Restoration stating that as of the date of such certificate (a) the sum requested is justly due to the contractors, subcontractors, materialmen, laborers, engineers, architects or persons, firms or corporations furnishing or supplying work, labor, services or materials for such Restoration, or is justly required to reimburse Tenant for any expenditures made by Tenant in connection with such Restoration, and when added to all sums previously paid out by Landlord does not exceed the value of the Restoration performed to the date of such certificate by all of said parties; (b) except for the amount, if any, stated in such certificate to be due for work, labor,

services or materials, there is no outstanding indebtedness known to the person signing such certificate, after due inquiry, which is then due for work, labor, services or materials in connection with such Restoration, which, if unpaid, might become the basis of a mechanic's lien or similar lien with respect to the Restoration or a lien upon the Premises, or any portion thereof; and (c) the costs, as estimated by the person signing such certificate, of the completion of the Restoration required to be done subsequent to the date of such certificate in order to complete the Restoration do not exceed the sum of the remaining insurance monies, plus the amount deposited by Tenant, if any, remaining in the hands of Landlord (or, if the Leasehold Mortgagee requires such insurance proceeds to be held by the Leasehold Mortgagee, in the hands of the Leasehold Mortgagee) after payment of the sum requested in such certificate. Landlord (or the Leasehold Mortgagee, if applicable) and Tenant shall not be required to pay out any insurance monies where Tenant fails to supply satisfactory evidence of the payment of work, labor, services or materials performed, furnished or supplied, as aforesaid. Upon completion of the Restoration and payment in full thereof by Tenant, Tenant shall be entitled to receive any insurance monies or other monies then remaining upon submission of proof reasonably satisfactory to Landlord that the Restoration has been paid for in full and the damaged or destroyed Improvements repaired, restored or rebuilt as nearly as possible to the condition there were in immediately prior to such damage or destruction, or with such additions or alterations as may be made in accordance with Section 7.2 above.

ARTICLE 11 CONDEMNATION

11.1 Entire or Substantial Condemnation. If all or Substantially all of the Premises shall be lawfully taken by condemnation or other eminent domain proceedings pursuant to any Applicable Laws, general or special, this Lease shall terminate on the date of such taking. All Rent required to be paid by Tenant under this Lease shall be paid up to the date of such termination and upon such termination this Lease shall be of no further force and effect, except that any obligation or liability of either Party, actual or contingent, under this Lease which has accrued on or prior to such termination date shall survive and any prepayment of Rent shall be prorated between the Parties. For purposes of this Section "**Substantially All of the Premises**" shall mean such portion of the Premises as, when so taken, would leave remaining a balance of the Premises which, due either to the area so taken or the location of the part so taken in relation to the part not so taken, would not under economic conditions, applicable zoning laws and building regulations then existing or prevailing, reasonably accommodate Tenant's business as conducted at the date of such taking. Tenant, in cooperation with Landlord, shall have the right to participate in any condemnation proceedings and be represented by legal counsel for the purpose of protecting its interests hereunder.

11.2 Continuation of Lease. In the event of a taking of less than all or Substantially All of the Premises, this Lease shall continue in effect with respect to the portion of the Premises not so taken, and Tenant at its expense, to the extent Tenant has received the award for the taking, shall proceed with reasonable diligence with restoring the remaining parts of the Premises, subject to Section 7.2, to substantially the condition existing immediately prior to the date of taking to the extent that the same may be feasible to constitute a complete and tenantable Premises.

11.3 Award. Except for a partial taking that does not result in a termination of this Lease, the Tenant shall receive the entire award. In the case of a partial taking which does not

result in a termination of this Lease, and, provided no Default shall have occurred and be continuing, such award shall be paid in the same manner as insurance proceeds are paid pursuant to Section 10.3 for the cost of restoring the Premises pursuant to Section 11.2 hereof. Nothing herein contained shall prohibit Tenant from making a separate claim, to the extent permitted by Applicable Laws, for the value of Tenant's relocation expenses, Trade Fixtures and Personal Property.

11.4 Notice of Condemnation. In the event any action is filed to condemn the Premises or any part thereof by any public or quasi-public authority under the power of eminent domain, or in the event that action is threatened or any public or quasi-public authority communicates to Landlord or Tenant its desire to acquire the Premises or any part thereof by a voluntary conveyance or transfer in lieu of condemnation, either Landlord or Tenant shall give prompt notice thereof to the other Party and each shall have the right, at its own cost and expense, to represent its respective interest in each proceeding, negotiation or settlement with respect to any taking or threatened taking. No agreement, settlement, conveyance or transfer to or with the condemning authority affecting the Premises shall be made without the prior written approval of both Landlord and Tenant.

ARTICLE 12

NET LEASE

This Lease shall be interpreted and construed as an absolute net lease, and it is the express intent and agreement of Landlord and Tenant that (a) the obligations of Landlord and Tenant hereunder shall be separate and independent covenants and agreements and the Rent and all other charges payable by Tenant hereunder shall be payable in all events without abatement, deduction, diminution, deferment, suspension, reduction or setoff whatsoever, unless this Lease shall be terminated pursuant to Section 2.2 or Articles 10 or 11 hereof; (b) all costs or expenses of whatever character or kind, general or special, ordinary or extraordinary, foreseen or unforeseen, and of every kind and nature whatsoever that may be necessary, appropriate or required in and about the Premises or any part thereof, or in connection with Tenant's possession or authorized use thereof during the Term of this Lease, shall be paid by Tenant; (c) the Rent shall be absolutely net to Landlord; (d) all Taxes, insurance premiums, utility expenses, repair and maintenance expense, and all other costs, fees, interest, charges, expenses, reimbursement and obligations of every kind and nature whatsoever relating to the Premises, or any portion thereof, which may arise or become due during the Term of this Lease, or any extension or renewal thereof, shall be paid or discharged by Tenant as Additional Rent; and (e) Tenant shall indemnify, defend and save Landlord harmless from and against such costs, fees, charges, expenses, reimbursements and obligations, any interest thereon. Except as otherwise expressly provided in Articles 10 and 11 hereof, this Lease and the rights of Landlord and the obligations of Tenant hereunder shall not be affected by any event or for any reason, including without limitation: (i) any damage to or theft, loss or destruction of any of the Premises by fire, flood, earthquake or other casualty, (ii) any condemnation, (iii) any default on the part of Landlord hereunder, (iv) any latent or other defect in any of the Premises, (v) the bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution or winding-up of, or other proceeding, affecting either of the Parties, (vi) the exercise of any remedy, including without limitation foreclosure, under any Leasehold Mortgage, collateral assignment or other encumbrance, (vii) any action with respect to this Lease (including the disaffirmance hereof) which may be taken by any trustee, receiver or liquidator of either of the Parties or any court under

the Federal bankruptcy laws or otherwise, (viii) any interference with Tenant's use of the Premises, (ix) market or economic changes or (x) any other cause, whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding. Landlord shall have no responsibility, obligation or liability under this Lease whatsoever with respect to disruption or unavailability of gas, heat, water, light, power, telephone, telecommunications, cabling, sewage, and any other utilities or services for or to the Premises; maintenance, repair or Restoration of the Premises; or any other cost, expense, duty, obligation, service or function whatsoever related to the Premises.

ARTICLE 13 ASSIGNMENT

13.1 Restrictions on Transfer. Except as permitted in Section 13.3 below, or in Article 14 hereof, Tenant shall not assign, mortgage, pledge, or otherwise encumber this Lease, or any interest therein, or in any manner assign, mortgage, pledge, or otherwise encumber its interest or estate in the Premises, or any portion thereof (each of which are herein referred to sometimes as a "**Transfer**"), without obtaining Landlord's prior written consent in each and every instance, such consent not to be unreasonably withheld, conditioned or delayed. Tenant's request for Landlord's consent to a Transfer must describe in detail the parties and portion of the Premises involved in the proposed Transfer. If Landlord consents to a Transfer, the following terms and conditions shall apply:

(a) Any assignment of this Lease shall transfer to the assignee all of Tenant's right, title and interest in this Lease and all of Tenant's estate or interest in the Premises.

(b) Any such assignee shall assume, by written, recordable instrument, in form and content reasonably satisfactory to Landlord, the due performance of all of Tenant's obligations under this Lease, including any accrued obligations at the time of the effective date of the assignment, and such assumption agreement shall state that the same is made by the assignee for the express benefit of Landlord as a third party beneficiary thereof, whereupon Tenant shall be released from all liability under this Lease. A copy of the assignment and assumption agreement, both in form and content reasonably satisfactory to Landlord, fully executed and acknowledged by the assignee, together with a certified copy of a properly executed corporate resolution (if assignee or its signatory is a corporation) authorizing the execution and delivery of such assumption agreement, shall be sent to Landlord within a reasonable time following the effective date of such assignment.

(c) No Event of Default under this Lease shall exist at any time of any assignment, nor when Tenant requests Landlord's written consent thereto.

(d) Any assignment shall be subject to all the provisions, terms, covenants and conditions of this Lease.

(e) No assignee shall further assign its interest in this Lease or in the Premises, or any portion thereof, without Landlord's prior written consent in each and every instance, which consent shall not be unreasonably withheld or unduly delayed.

(f) Tenant shall pay or reimburse Landlord as Additional Rent any and all costs of Landlord, including reasonable attorney's fees paid or payable to outside counsel, occasioned by such Transfer in an amount not to exceed One Thousand Dollars (\$1,000).

(g) Tenant's failure to comply with all of the provisions and conditions of this Section 13.1 shall (whether or not Landlord's consent is required under this Section 13), at Landlord's option, render any purported Transfer or sublease null and void and of no force and effect.

(h) Landlord consents to the Ground Lease.

13.2 Landlord's Consent Standard. For purposes of Section 13.1 and in addition to any other reasonable grounds for denial, Landlord's consent to any requested Transfer described in Section 13.1 will be deemed reasonably withheld if, in Landlord's good faith judgment, any one or more of the following apply: (i) a proposed assignee of the entire Premises does not have the financial strength to perform the Tenant's obligations under this Lease; (ii) the business and operations of the proposed assignee are not of comparable quality to the business and operations being conducted by Tenant in the Premises; (iii) the proposed assignee does not have a good business reputation; (iv) the use of the Premises by the proposed assignee would, in Landlord's reasonable judgment, impact the Premises in a negative manner; (v) the proposed assignee is a government entity (or agency or instrumentally thereof); or (vi) an Event of Default exists under this Lease at the time Tenant requests consent to the proposed transaction.

13.3 Transfer to Affiliate. Provided that no Event of Default exists under this Lease, Tenant may, without Landlord's consent, assign all or a portion of this Lease or the Premises to an Affiliate (as herein defined) if (a) Tenant notifies Landlord of such assignment, including the name of the Affiliate and terms of the assignment, at least twenty (20) days prior to such assignment; and (b) Tenant delivers to Landlord, not later than the effective date of the assignment, a written agreement reasonably acceptable to Landlord under which the assignee assumes and agrees to perform Tenant's obligations under this Lease and to observe all terms and conditions of this Lease. Tenant will also promptly provide Landlord with copies of any documents reasonably requested by Landlord to document the status and relationship between Tenant and its Affiliate. A Transfer to an Affiliate shall not release Tenant from any liability or obligation under this Lease. "**Affiliate**" means (i) any person or entity that, directly or indirectly, controls, is controlled by or is under common control with Tenant or any of its controlling principals; (ii) any trust or entity created by any of Tenant's controlling principals for estate planning purposes; (iii) any entity into which Tenant is consolidated or merged; and (iv) any entity to which substantially all of the assets of Tenant are transferred. For purposes of this definition, "**control**" means possessing the power to direct or cause the direction of management and policies of the entity by the ownership of a majority of the voting securities of the entity. In the event of consolidation of Tenant with one or more other entities or the sale or other disposition of all or substantially all of the assets of Tenant to one or more entities, the surviving entity or transferee of assets, as the case may be, shall deliver to Landlord, and any assignee of any interest of Landlord, an acknowledged instrument assuming all obligations, covenants and responsibilities of Tenant hereunder.

ARTICLE 14 LEASEHOLD MORTGAGE OF PREMISES

14.1 Permitted Encumbrances. Tenant and/or AZ Slims, from time to time during the Lease Term, may encumber either's respective leasehold interest in the Premises under this Lease, or any part thereof, or any of the Improvements, by one or more Leasehold Mortgages (as defined below), and assign their respective interest in this Lease and/or the Ground Lease, or any part or parts thereof, as collateral security therefor; subject to the following:

(a) For the purposes of this Lease, the term "**Leasehold Mortgage**" shall mean an encumbrance on a leasehold interest in the Premises under this Lease, including the leasehold interest created under the Ground Lease, which shall be deemed to include a deed of trust and such other types of security instruments as are commonly given to secure loans or advances for the construction and permanent financing and refinancing of improvements and property similar to the Improvements and the Premises, and the term "**Leasehold Mortgagee**" shall mean a bank, insurance company, pension fund or other financial institution which is the holder of record of a Leasehold Mortgage (including a beneficiary or trustee under a deed of trust).

(b) Tenant or the Leasehold Mortgagee shall promptly deliver to Landlord in the manner provided in this Lease for the giving of notice to Landlord a true and complete copy of the Leasehold Mortgage and of any assignment thereof, and shall notify Landlord of the address to which notices to the Leasehold Mortgagee may be sent.

(c) The Leasehold Mortgage shall secure financing to be utilized only for the Premises, including, without limitation, the development and construction of the Improvements.

(d) The Leasehold Mortgage shall include provisions to the effect that any notice of default under the Leasehold Mortgage shall be delivered to Landlord, as well as to Tenant; that Landlord shall have the same time period as is available to Tenant within which to cure a default, with Landlord's time period for curing a default running concurrently with the time period available for Tenant's cure of such defaults; and that neither Landlord's right to cure a default nor Landlord's exercise of such right shall be deemed to be an assumption by Landlord of liability under the Leasehold Mortgage.

(e) In the event of an Event of Default by Tenant, Landlord shall provide notice of such Event of Default, at the same time notice is provided to Tenant, to not more than two (2) of such Leasehold Mortgagees, as previously designated by Tenant to receive such notice (the "**Designated Lenders**") whose names and addresses were provided by written notice to Landlord in accordance with Article 16. Landlord shall give Tenant copies of any such notice provided to such Designated Lenders and, unless Tenant notifies Landlord that the Designated Lenders names or addresses are incorrect (and provides Landlord with the correct information) within three (3) Business Days after Tenant receives its copies of such notice from Landlord, Landlord will be deemed to have given such notice to the Designated Lenders even if their names or addresses are incorrect. Tenant may provide notices to other Leasehold Mortgagees. Notwithstanding the forgoing, on the Execution

Date, the Parties mutually agree and understand that the Designated Lender under the terms of the Ground Lease is Bell Bank, a North Dakota corporation ("Bell"). Accordingly, Landlord shall provide written notice of any Event of Default by Tenant to Bell at Bell's designated address set forth in Article 16 of this Lease, or any other address that Bell may elect by written notice to Landlord and Tenant during the term of this Lease.

(f) It may be necessary for the Leasehold Mortgagees to enter into an agreement among themselves, Tenant and/or its permitted assignees, acknowledging the various rights of the Leasehold Mortgagees (the "**Triparty Agreement**"). Landlord agrees that it shall execute such Triparty Agreement only for the purpose of acknowledging the rights of such Leasehold Mortgagees in this Lease, provided that such Triparty Agreement imposes no additional obligations upon nor diminishes any rights of Landlord other than those contained within this Lease. If a Leasehold Mortgagee is permitted, under the terms of its nondisturbance agreement with Landlord, or under a Triparty Agreement executed by Landlord, to cure the Event of Default and/or to assume Tenant's position with respect to this Lease, Landlord agrees to recognize such rights of the Leasehold Mortgagee or Leasehold Mortgagees under the Triparty Agreement, and to otherwise permit each such Leasehold Mortgagee to assume all of its respective rights and obligations of Tenant under this Lease. Landlord shall, at any time upon reasonable request by Tenant, provide to any Leasehold Mortgagee an estoppel certificate or other document evidencing that this Lease is in full force and effect and that no Event of Default by Tenant exists hereunder (or, if appropriate, specifying the nature and duration of any existing Event of Default). Upon request by a Leasehold Mortgagee, Landlord will enter into a separate nondisturbance agreement with each such Leasehold Mortgagee, consistent with the provisions of this Article 14.

(g) From and after receiving notice of the existence of a Designated Lender's Leasehold Mortgage, Landlord and Tenant shall not cancel, surrender, modify or amend this Lease in any respect without the prior written consent of the Designated Lender.

(h) Any Leasehold Mortgagee may be added as a named insured or to the "loss payable endorsement" of any and all insurance policies required to be carried by Tenant under this Lease on the condition that the insurance proceeds are to be applied in the manner specified in this Lease. The proceeds of any insurance policies or proceeds arising from a condemnation shall be held by any Leasehold Mortgagee and distributed pursuant to the provisions of this Lease, but the Leasehold Mortgagee may reserve its right to apply to the Leasehold Mortgage debt all, or any part of Tenant's share of such proceeds pursuant to such Leasehold Mortgage.

(i) Landlord consents to a provision in any Leasehold Mortgage for an assignment of rents due to Tenant from sublessees to the holder thereof, effective upon any default under Leasehold Mortgage, and to a provision in the Leasehold Mortgage that the holder thereof in any action to foreclose the same shall be entitled to the appointment of a receiver.

14.2 Leasehold Mortgagee's Rights on Tenant's Default.

(a) If Tenant shall Default under any of the provisions of this Lease, each Leasehold Mortgagee shall have the right and period of time as Tenant to cure such Default, whether the same consists of the failure to pay Rent or the failure to perform any other obligation which Tenant is required to do or perform, and Landlord shall accept such performance on the part of the Leasehold Mortgagee as though the same had been done or performed by Tenant; provided, that any of the Designated Lenders after receiving notice in accordance with Section 14.1 will have forty-five (45) days more than is given Tenant after notice to such Designated Lender, to remedy such default by Tenant.

(b) In the event any Leasehold Mortgagee becomes an owner of Tenant's interest under this Lease by foreclosure of its Leasehold Mortgage or as a result of the assignment of this Lease in lieu of foreclosure, the Leasehold Mortgagee shall not become liable under the provisions of this Lease unless and until such time as it becomes, and then only for as long as it remains, an owner of Tenant's interest under this Lease. Any purchaser at a foreclosure sale, other than a Leasehold Mortgagee, shall assume all of Tenant's obligations under this Lease and such purchaser shall have no right with respect to the Premises unless it so assumes and delivers a duplicate of the assumption agreement (to be executed in due form for recording) within ten (10) days after such purchaser acquires Tenant's interest under this Lease.

14.3 Right to New Lease. In the event of termination of this Lease for any reason (including but not limited to any Default by Tenant), Landlord, if requested by any Leasehold Mortgagee, will enter into a new lease of the Premises with the most senior Leasehold Mortgagee requesting a new lease, which new lease shall commence as of the date of termination of this Lease and shall run for the remainder of the original Term of this Lease, at the same Rent and upon the same terms, covenants and conditions herein contained; provided that

(a) Such Leasehold Mortgagee shall make written request upon Landlord for the new lease within thirty (30) days after the date such Leasehold Mortgagee receives written notice from Landlord that the Lease is to be terminated;

(b) Such Leasehold Mortgagee shall pay to Landlord, at the time of the execution and delivery of said new lease, any and all sums which would at the time of the execution and delivery thereof be due under this Lease but for such termination, and in addition pays to Landlord any and all expenses, including reasonable attorneys' fees, court costs and disbursements incurred by Landlord in connection with any such Default and termination, as well as in connection with the execution and delivery of such new lease;

(c) Each sublessee of the Premises whose sublease was in force and effect immediately prior to termination of this Lease, and which did not expire of its own terms prior to the delivery of said new lease, shall attorn to the tenant under said new lease; and

(d) Any new lease made in accordance with the provisions of this Section 14.3 and the leasehold estate thereby created shall, subject to the same conditions contained in this Lease, continue to maintain the same priority as this Lease with regard to any then existing Leasehold Mortgage.

14.4 Leasehold Mortgagee; Further Assurances. Landlord and Tenant shall cooperate in including in this Lease, by suitable amendment from time to time, any provision that may be reasonably requested by any proposed Leasehold Mortgagee which is a Designated Lender for the purpose of implementing the mortgagee protection provisions contained in this Lease by (i) allowing such Leasehold Mortgagee reasonable means to protect or preserve the lien of its Leasehold Mortgage upon the occurrence of a Default under the terms of this Lease, and (ii) confirming the elimination of the ability of Tenant to modify, terminate, or waive this Lease or any of its provisions without the prior written approval of such Leasehold Mortgagee. Landlord and Tenant each agree to execute and deliver (and to acknowledge, if necessary, for recording purposes) any such amendment; provided, however, that any such amendment shall not in any way affect the Term or Rent under this Lease nor otherwise in any material respect adversely affect any rights or obligations of Landlord under this Lease; and, provided further, that any such amendment shall be subject to approval by Landlord's City Council. Neither disapproval by Landlord's City Council of such an amendment for any reason whatsoever, nor any delay by Landlord's City Council in deciding to approve or disapprove such an amendment, shall result in any liability to Landlord or affect any time periods set forth in this Lease.

ARTICLE 15 EVENTS OF DEFAULT; REMEDIES

15.1 Events of Default. The occurrence of any of the following events shall be a default or breach of this Lease by Tenant (each a "**Default**" or "**Event of Default**"):

(a) if Tenant fails to pay any Rent for more than five (5) days after the same becomes due and payable; or

(b) if Tenant fails to pay, when the same becomes due and payable, any Taxes or charges other than Rent which Tenant is required to pay under this Lease, and such failure continues for more than ten (10) days after written notice of such non-payment has been given by Landlord to Tenant; or

(c) if Tenant fails to perform or comply with any other obligation of Tenant under this Lease, including without limitation the timely commencement or completion of the construction of the Improvements, and such failure shall continue for more than thirty (30) days after notice thereof has been given by Landlord to Tenant, and Tenant shall not, cure the same within such period; provided, that such period of thirty (30) days shall be extended by the number of additional days, if any, that the curing of such failure is delayed by reasons beyond the reasonable control of Tenant, financial inability and economic market conditions excepted;

(d) if Tenant shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts as they become due or shall file a petition in bankruptcy, or shall be adjudicated a bankrupt or insolvent, or shall file a petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation due to its bankrupt or insolvent financial status; or

(e) if, as a result of any proceeding against Tenant, a decree or order of a court or agency or supervisory authority having jurisdiction in the premises for the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings of or relating to the Tenant or of or relating to all or substantially all of its property, or for the winding-up or liquidation of its affairs or for the supervision of the business or affairs of Tenant, shall have been entered, and such decree or order shall remain in force for a period of more than sixty (60) days; or

(f) if Tenant is in Default under the Development Agreement.

15.2 Remedies. Upon the occurrence of any Default, and after the expiration of any applicable cure periods, Landlord at Landlord's option, without notice or demand, may do any one or more of the following, in any order, successively or concurrently:

15.2.1 Continuation of Lease without Reentry. Landlord may continue the Lease in full force and effect, without reentry, and may recover from Tenant, in one or more actions, all Rent and other sums due or coming due from Tenant, plus any added costs, expenses or damages caused by or arising out of Tenant's Default, and without any obligation of Landlord to reenter, terminate or take other action.

15.2.2 Termination of Lease. Landlord may terminate this Lease by written notice to Tenant of Landlord's election to do so, whether or not Landlord has previously elected to continue the Lease in effect without reentry. Upon Landlord's notice of termination, (i) Landlord shall immediately convey fee simple title to the Premises to Tenant as contemplated by Section 2.3 above and (ii) Tenant immediately shall pay to Landlord the amount of all Rent and other sums due under this Lease to the date of termination.

15.2.3 Landlord's Expenses and Damages. Landlord, in every case, shall be entitled to recover from Tenant all of Landlord's expenses, costs and damages arising out of any Event of Default, including, but not limited to, clean-up, repair, alterations, refurnishing, refurbishing, custodial and security expenses, bookkeeping, and accounting costs, attorneys' fees (whether or not suit is brought), and costs and expenses of litigation.

15.3 Landlord Default. Upon any failure by Landlord to perform any of its obligations hereunder, and the continuance thereof for thirty (30) days following written notice thereof from Tenant (or such longer period of time, not to exceed 90 days as may be reasonably required for Landlord to cure such failure so long as Landlord commences such cure within said 30 days and thereafter diligently pursues such cure to completion), Tenant shall be entitled to exercise any and all remedies available to it in law and/or equity, provided, however, in no event shall Tenant be entitled to seek or recover consequential, lost profit, punitive or similar monetary damages. Tenant shall not be entitled to seek any claim for damages against Landlord after the date of Landlord's conveyance of fee simple title to the Premises to Tenant described in Sections 2.2 and 2.3 above.

ARTICLE 16 NOTICES

All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if personally delivered or if mailed by United States certified or registered mail, return receipt requested, postage prepaid, as follows:

If to Landlord:

City Administrator
City of Yuma
One City Plaza
Yuma, AZ 85364-1436

With a copy to:

City Attorney
City of Yuma
One City Plaza
Yuma, AZ 85364-1436

If to Tenant:

Spencrazi, L.L.C.
c/o A.T. Pancrazi Real Estate Services, Inc.
350 W. 16th Street, Suite 332
Yuma, Arizona 85364
Attn: Thomas J. Pancrazi

With a copy to:

Garcia, Kinsey & Villarreal, P.L.C.
2620 W. 24th Street
Yuma, Arizona 85364
Attn: John S. Garcia, Esq.

If to Bell:

Bell Bank
8349 West Bell Road
Peoria, AZ 85382
Attn: Evan Ho

or at such other place or to such other persons as any Party shall from time to time notify the other in writing as provided herein. The date of service of any communication hereunder shall be the date of personal delivery or seventy-two (72) hours after the postmark on the certified or registered mail, as the case may be.

ARTICLE 17 NO MERGER

In no event shall the leasehold interest, estate or rights of Tenant hereunder, or of any Leasehold Mortgagee, merge with any interest, estate or rights of Landlord in or to the Premises. Such leasehold interest, estate and rights of Tenant hereunder, and of any Leasehold Mortgagee, shall be deemed to be separate and distinct from Landlord's interest, estate and rights in or to the Premises, notwithstanding that any such interests, estates or rights shall at any time be held by or vested in the same person, corporation or other entity.

ARTICLE 18 TRADE FIXTURES AND PERSONAL PROPERTY

18.1 Tenant's Property. All trade fixtures and personal property, including, without limitation, all furniture, furnishings and inventories now or hereafter maintained, installed or used in or about the Premises by Tenant or Tenant's subtenant or permitted assignees (the "**Trade Fixtures and Personal Property**") shall remain the property of Tenant, or such subtenant or permitted assignee, as applicable, after the expiration or earlier termination of this Lease.

18.2 Landlord's Lien Waiver. Upon request of Tenant or Tenant's permitted assignees or subtenants, Landlord shall execute and deliver any commercially reasonable consent or waiver form submitted by any vendors, landlords, chattel mortgagees or holders or owners of any Trade Fixtures and Personal Property (each a "**Third Party Claimant**") located or installed in the Premises by Tenant or any such permitted assignee or subtenant, provided that such consent or waiver form shall be limited to (i) Landlord's waiver in favor of such Third Party Claimant of any lien, claim, interest or other right superior to that of such Third Party Claimant in such Trade Fixtures and Personal Property; (ii) Landlord's acknowledgement that the Trade Fixtures and Personal Property covered by such consent or waiver form is personal property and is not to become part of the realty no matter how affixed thereto; and (iii) Landlord's acknowledgement that such personal property may be removed from the Premises by the applicable Third Party Claimant at any time, upon default by Tenant or the assignee or subtenant in accordance with the terms of such chattel mortgage or other similar documents, free and clear of any claim or lien of Landlord, subject to the Third Party Claimant at its cost repairing any damage and restoring the damaged Improvements to substantially the same condition as existed prior to the removal of such Trade Fixtures and Personal Property.

ARTICLE 19 ESTOPPEL CERTIFICATES

19.1 By Landlord. Landlord will execute, acknowledge and deliver to Tenant, subtenant or any permitted Leasehold Mortgagee, within twenty (20) days of Tenant's written request, a certificate stating that:

(a) this Lease is unmodified and in full force and effect (or, if there have been modifications, that this Lease is in full force and effect, as modified, and stating the modifications);

(b) the dates, if any, to which Rent and other sums payable hereunder have been paid; and

(c) whether or not, to the knowledge of Landlord, there then exists any Default under this Lease (and if so, specifying the same).

Any such certificate may be relied upon by Tenant and any permitted prospective Leasehold Mortgagee or permitted prospective assignee of Tenant's interest under this Lease.

19.2 By Tenant. Tenant will execute, acknowledge and deliver to Landlord within twenty (20) days of Tenant's written request, a certificate stating that:

(a) this Lease is unmodified and in full force and effect (or, if there have been modifications, that this Lease is in full force and effect, as modified, and stating the modifications);

(b) the dates, if any, to which Rent and other sums payable hereunder have been paid; and

(c) whether or not, to the knowledge of Tenant, there then exists any Default under this Lease (and if so, specifying the same).

Any such certificate may be relied upon by Landlord.

ARTICLE 20 GENERAL PROVISIONS

20.1 Time of Essence. Time is of the essence of each and every provision of this Lease.

20.2 Landlord's Access to Premises. Landlord and its agents, at all reasonable times and upon notice to Tenant, shall have free and full access to the Premises for the purposes of examining or inspecting the condition thereof, determining if Tenant is performing the covenants and agreements of this Lease, and posting such notices as Landlord may desire to protect the rights of Landlord, provided the exercise of such rights does not materially interfere with Tenant's use and enjoyment of the Premises.

20.3 Governing Law; Choice of Forum. This Lease shall be deemed to be made under, shall be construed in accordance with, and shall be governed by the internal, substantive laws of the State of Arizona (without reference to conflict of law principles). Any action brought to interpret, enforce or construe any provision of this Lease shall be commenced and maintained in the Superior Court of the State of Arizona in and for the County of Yuma (or, as may be appropriate, in the Justice Courts of Yuma County, Arizona, or in the United States District Court for the District of Arizona, if, but only if, the Superior Court lacks or declines jurisdiction over such action). The Parties irrevocably consent to jurisdiction and venue in such courts for such purposes and agree not to seek transfer or removal of any action commenced in accordance with the terms of this Section 20.3.

20.4 Successors and Assigns. This Lease and all of the covenants and conditions set forth herein shall inure to the benefit of and be binding upon the successors and permitted assigns of the Parties hereto.

20.5 Waiver. No waiver by either Party of any breach of any of the terms, covenants or conditions of this Lease shall be construed or held to be a waiver of any succeeding or preceding breach of the same for any other term, covenant or condition herein contained.

20.6 Limited Severability. Landlord and Tenant each believes that the execution, delivery and performance of this Lease is in compliance with all Applicable Laws. However, in the unlikely event that any phrase, clause, sentence, paragraph, section, article or other portion of this Lease is declared void or unenforceable (or is construed as requiring Landlord to do any act in violation of any Applicable Laws, constitutional provision, law, regulation, Yuma City Code or Yuma City Charter), such provision shall be deemed severed from this Lease and this Lease shall otherwise remain in full force and effect; provided that this Lease shall retroactively be deemed reformed to the extent reasonably possible in such a manner so that the reformed lease (and any related agreements effective as of the same date) provide essentially the same rights and benefits (economic or otherwise) to the Parties as if such severance and reformation were not required. The Parties further agree, in such circumstances, to do all acts and to execute all amendments, instruments and consents necessary to accomplish and to give effect to the purposes of this Lease, as reformed.

20.7 Exhibits; Recitals. All Exhibits referred to herein or attached hereto are incorporated herein by this reference as though fully set forth herein. The Recitals at the beginning of this Lease are hereby incorporated herein as covenants.

20.8 Entire Agreement; Amendments. This Lease and the Development Agreement constitute the entire agreement between the Parties hereto pertaining to the subject matter hereof, and all other prior and contemporaneous agreements, representations, negotiations and understandings of the Parties hereto, oral or written, are hereby superseded and merged herein. No amendment or modification of this Lease shall be effective unless in writing executed and delivered by the Parties hereto. Any amendment of this Lease to change the use of the GPLET Improvements during the period of the GPLET abatement shall require adherence to the notification and other requirements of A.R.S. § 42-6209(C)(3).

20.9 Successor Laws. Each reference in this Agreement to a particular City Ordinance, Arizona statute or other Applicable Laws shall include any successor City ordinance, successor Arizona statute or successor Applicable Laws provided such successor City ordinance, successor Arizona statute or successor Applicable Laws are of general applicability.

20.10 Memorandum of Land and Improvements Lease. The Parties shall, concurrently with the execution of this Lease, complete, execute, acknowledge and record (at Tenant's expense) a Memorandum of Land and Improvements Lease in substantially the form attached hereto as Exhibit C.

20.11 Negation of Partnership. The relationship of the Parties is solely that of landlord and tenant, and under no circumstances shall the Parties become or be deemed partners or joint venturers.

20.12 Time Periods. If the time for the performance of any obligation under this Lease expires on a Friday, Saturday, Sunday or legal holiday, the time for performance shall be extended to the next succeeding day which is not a Friday, Saturday, Sunday or legal holiday.

20.13 Conflict of Interest. Pursuant to Arizona law, rules and regulations, no member, official or employee of the City shall have any personal interest, direct or indirect, in this Lease, nor shall any such member, official or employee participate in any decision relating to this Lease which affects his or her personal interest or the interest of any corporation, partnership or association in which he or she is, directly or indirectly, interested. This Lease is subject to cancellation pursuant to A.R.S. § 38-511.

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IN WITNESS WHEREOF, the Parties hereto have executed this Lease on the date and year first written above.

LANDLORD:

CITY OF YUMA, an Arizona municipal corporation

By: _____
John D. Simonton
City Administrator

TENANT:

SPENCRAZI, L.L.C., an Arizona limited liability company

By: _____
Thomas J. Pancrazi
Manager

ATTEST

By: _____
Lynda L. Bushong
City Clerk

APPROVED AS TO FORM

By: _____
Richard W. Files
City Attorney

Exhibit A

Legal Description of Land

Parcel A, Center Pointe Commons Lot Tie/Lot Split, recorded in Book 34 of Plats, page 93, records of Yuma County, Arizona.

Exhibit B

Insurance Requirements

Tenant (the term “Tenant” as used in this Insurance Exhibit shall not include Tenant’s sub-tenants or sub-lessees) shall procure and maintain for the Term of the Lease insurance against claims for injury to persons or damage to property which may arise from or in connection with this Lease by Tenant and Tenant’s agents, representatives, employees, contractors.

The insurance requirements herein are minimum requirements for this Lease and in no way limit the indemnity covenants contained in this Lease. Landlord in no way warrants that the minimum limits contained herein are sufficient to protect Tenant from liabilities that might arise out of this Lease and Tenant is free to purchase such additional insurance as may be determined necessary. The limits set forth below shall be adjusted every five (5) years by the percentage of change in the Consumer Price Index (the “CPI”) determined in accordance with this paragraph. In determining the percentage of change in the CPI for the adjustment of the insurance limits for any year, the CPI for the month October in the preceding year, as shown in the column for “All Items” in the table entitled “All Urban Consumers” under the “United States City Averages” as published by the Bureau of Labor Statistics of the United States Department of Labor, shall be compared with the corresponding index number for the month of October one (1) year earlier.

A. Minimum Scope and Limits of Insurance: Tenant shall provide coverage at least as broad with limits of liability not less than those listed below.

Commercial General Liability – Occurrence Form

General Aggregate or Umbrella Policy	\$2,000,000
Products-Completed Operations Aggregate	\$1,000,000
Personal Advertising Injury	\$1,000,000
Each Occurrence	\$2,000,000
Fire Damage (Any one fire)	\$100,000
Medical Expenses (Any one person)	Optional

Automobile Liability – Any Auto or Owned, Hired and Non-Owned Vehicles

Combined Single Limit per Accident for Bodily Injury	\$1,000,000
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Workers’ Compensation and Employer’s Liability

Workers’ Compensation	\$1,000,000
Employer’s Liability: Each Accident	\$500,000
Disease – Each Employee	\$500,000
Disease – Policy Limit	\$500,000

Liquor Liability

Combined Single Limit	\$1,000,000
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B. Self-Insured Retentions/Deductibles: Any self-insured retentions and deductibles greater than \$10,000 must be declared to and approved by Landlord.

C. Other Insurance Requirements: The policies are to contain, or be endorsed to contain, the following provisions:

a. Commercial General Liability and Automobile Liability Coverages: Landlord, its council members, officers, officials, agents, and employees are additional insureds with respect to liability arising out of the use and/or occupancy of the Premises subject to this Lease. Tenant's insurance shall contain broad form contractual liability coverage. Landlord, its officers, officials, agents, and employees shall be additional insureds to the full limits of liability purchased by Tenant even if those limits of liability are in excess of those required by this Lease. The commercial general liability additional insured endorsement will be at least as broad as the Insurance Services Office, Inc. (ISO) additional insured form B CG 20 10 1185. Tenant's insurance coverage shall be primary insurance with respect to Landlord, its officers, officials, agents, and employees. Any insurance or self-insurance maintained by Landlord, its officers, officials, agents, and employees shall be in excess of the coverage provided by Tenant and shall not contribute to it. Tenant's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability. Coverage provided by Tenant shall not be limited to the liability assumed under the indemnification provisions of this Lease. The policies shall contain a waiver of subrogation against Landlord, its officers, officials, agents, and employees for losses arising from Tenant's operations, occupancy and use of the Premises that are subject of this Lease.

b. Workers' Compensation and Employer's Liability Coverage: The insurer shall agree to waive all rights of subrogation against Landlord, its council members, officers, officials, agents, and employees for losses arising from Tenant's operations, occupancy, and use of the Premises that are the subject of this Lease.

D. Notice of Cancellation: Each insurance policy required by the insurance provisions of this Lease shall not be suspended, voided, cancelled, reduced in coverage or in limits except after thirty (30) days' prior written notice has been given to Landlord. Such notice shall be sent directly to Landlord's City Administrator, City of Yuma, One City Plaza, P. O. Box 13014, Yuma, AZ 85366-3014 and shall be sent by certified mail, return receipt requested.

E. Acceptability of Insurers: Insurance is to be placed with insurers duly licensed or approved unlicensed companies in the State of Arizona and with an "A.M. Best" rating of not less than A- VII. Landlord in no way warrants that the above-required minimum insurer rating is sufficient to protect Tenant from potential insurer insolvency.

F. Verification of Coverage: Tenant shall furnish Landlord with original certificates of insurance (Association for Cooperative Operation, Research and Development (ACCORD) form or equivalent approved by Landlord) as required by this Lease. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. Any policy endorsements that restrict or limit coverage shall be clearly noted on the certificate of insurance.

All certificates are to be received and approved by Landlord before the Lease Term commences. Each insurance policy required by this Lease must be in effect at or prior to the commencement of the Lease Term and must remain in effect for the duration of the Lease Term. Failure to maintain

the insurance policies as required by this Lease or to provide timely evidence of renewal will be considered a material breach of the Lease.

All certificates required by this Insurance Exhibit shall be sent directly to Landlord's City Administrator, City of Yuma, One City Plaza, P. O. Box 13014, Yuma, AZ 85366-3014. Landlord's City Department and the lease agreement number, and location description are to be noted on the certificate of insurance. Landlord reserves the right to require complete, certified copies of all insurance policies and endorsements required by this Insurance Exhibit at any time.

G. Approval: Any modification or variation from the insurance requirements in Insurance Exhibit must have prior approval from Landlord's City Administrator's Office whose decision shall be final. Such action will not require formal contract amendment, but may be made by administrative action.

EXHIBIT C

MEMORANDUM OF LAND AND IMPROVEMENTS LEASE

DATE: _____, 202__ (“Execution Date”)

PARTIES: CITY OF YUMA, ARIZONA, an Arizona municipal corporation (“Landlord”)
SPENCRAZI, L.L.C., an Arizona limited liability company (“Tenant”)

RECITALS:

A. Landlord and Tenant are parties to that certain Spencrazi, L.L.C. Parcel A Land and Improvements Lease (“**Lease**”), dated as of _____, 202__, for the lease of certain land described in **Exhibit A** attached hereto and made a part hereof, together with all building(s) and other improvements now or hereafter constructed thereon, along with fixtures, furnishings and equipment therein, together with all rights and privileges appurtenant thereto and all future additions thereto or alterations and replacements thereof (collectively, the “**Premises**”).

B. This Memorandum of Land and Improvements Lease (“**Memorandum**”) is now executed and entered into for the purpose of recording the same and thereby giving notice of the Lease and this Memorandum.

COVENANTS:

For valuable consideration, receipt of which is hereby acknowledged, Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Premises, upon all of the terms, covenants and provisions contained in the Lease and in this Memorandum, including without limitation the following:

1. **Term.** The term of the Lease and this Memorandum (the “**Term**” or “**Lease Term**”) shall be for a period of eight (8) years, commencing on the date which is the later to occur of the date on which, (i) the Certificate of Occupancy for the Improvements is issued by the City for Improvements which are subject to the government property lease excise tax under A.R.S. § 42-6201 through § 42-6210; and (ii) fee title to the Premises is conveyed from Tenant to the Landlord (the “**Commencement Date**”), and ending at midnight on eighth (8th) anniversary of the Commencement Date, subject to the terms and conditions set forth in this Lease which may permit or provide for an earlier termination.

2. **Rent.** Tenant shall pay to Landlord rents and other amounts as set forth in the Lease.

3. **Lease.** All of the covenants, conditions, defined terms and provisions of the Lease are, by this reference to the Lease, incorporated herein and made a part hereof, the same as though expressly set forth herein. If a conflict arises between the provisions of this Memorandum and the

provisions of the Lease, the provisions of the Lease shall prevail.

IN WITNESS WHEREOF, Landlord and Tenant have executed this instrument to be effective as of the day and year first written above.

TENANT:

LANDLORD:

SPENCRAZI, L.L.C., an Arizona limited liability company

CITY OF YUMA, ARIZONA, an Arizona municipal corporation

By: _____
Thomas J. Pancrazi, Manager

By: _____
John D. Simonton, City Administrator

ATTEST:

By: _____
Lynda L. Bushong, City Clerk

APPROVED AS TO FORM:

Richard Files, City Attorney

EXHIBIT A TO MEMORANDUM OF LEASE

LEGAL DESCRIPTION OF PROPERTY

Parcel A, Center Pointe Commons Lot Tie/Lot Split, recorded in Book 34 of Plats, page 93, records of Yuma County, Arizona.

EXHIBIT D

FORM OF SPECIAL WARRANTY DEED

**RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:**

City of Yuma
Attn: City Attorney
One City Plaza
Yuma, Arizona 85364

SPECIAL WARRANTY DEED

FOR THE CONSIDERATION of Ten Dollars (\$10.00), and other valuable consideration, Spencrazi, L.L.C., an Arizona limited liability company ("Grantor"), hereby conveys to the City of Yuma, an Arizona municipal corporation ("Grantee"), the real property ("Property") situated in Yuma County, Arizona, and more particularly described on Exhibit "A" attached hereto and made a part hereof, together with the building(s) and other improvements thereon, the fixtures, furnishings and equipment therein, and all rights and privileges appurtenant thereto but excluding, and reserving unto Grantor, all right, title, and interest of Grantor in and to that certain Ground Lease dated March 17, 2023, and the First Amendment to Ground Lease dated September 16, 2024, by and between Grantor, as Landlord, and AZ Slims Real Estate, LLC, an Arizona limited liability company, as Tenant.

SUBJECT to current taxes and assessments, reservations in patents, all easements, rights-of-way, encumbrances, liens, covenants, conditions, restrictions, obligations, and liabilities as may appear of record and to all matters which an accurate survey or inspection of the Property would disclose.

PROVIDED, that water rights, if any, appurtenant to the Property are excluded from the coverage of the warranties contained herein, and Grantor hereby quitclaims to Grantee all of the Grantor's right, title and interest in and to such water rights, if any, appurtenant to the Property.

And Grantor hereby binds itself and its successors to warrant and defend the title, as against all acts of Grantor herein and none other, subject to the matters above set forth.

Dated this _____ day of _____, 202__.

GRANTOR:

SPENCRAZI, L.L.C., an Arizona
limited liability company

By: _____
Thomas J. Pancrazi, Manager

STATE OF ARIZONA)
) ss.
County of Yuma)

On this, the _____ day of _____, 202__, before me, the undersigned Notary Public, personally appeared Thomas J. Pancrazi, who acknowledges himself to be the Manager of Spencrazi, L.L.C., an Arizona limited liability company, who acknowledged to me that he executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My Commission Expires:

Notary Public

EXHIBIT A TO SPECIAL WARRANTY DEED

LEGAL DESCRIPTION OF PROPERTY

Parcel A, Center Pointe Commons Lot Tie/Lot Split, recorded in Book 34 of Plats, page 93, records of Yuma County, Arizona.