

TERM SHEET
COMMERCIAL LEASE

Parties:	Landlord:	State Land Department (SLD)
	Tenant:	Successful Bidder at Public Auction
Parcels:	Lease:	Property Area
	ROWs:	Roadways to be identified and payment therefor to be negotiated
Transactions:	Lease Structure:	<p>Commercial Ground Lease</p> <ul style="list-style-type: none"> • Primary Term: • Renewal Options: Up to 99 years with advance notice from Tenant to SLD. • Rent = (1) Base Rent + (2) Bonus Rent. • Standard lease form.
	Improvement Amortization:	<p><u>Installed During Primary Term:</u></p> <ul style="list-style-type: none"> • All improvements amortized over a ___-year period. <p><u>Installed During Renewal Term:</u></p> <ul style="list-style-type: none"> • Any improvements amortized over the remaining length of then-existing renewal term. <p><u>Cancellation Resulting from Default:</u></p> <ul style="list-style-type: none"> • Unamortized value of improvements as of cancellation date will be based on the lesser of (a) two years or (b) the then remaining initial term (or applicable renewal term).
	ROW Structure:	SLD to discuss if there are any further ROWs that would qualify under A.R.S. § 37-335(N).
	Partial Assignments (Assignment Leases):	<p><u>Initial Partial Assignments:</u></p> <ul style="list-style-type: none"> • SLD will allow initial partial assignments of 10 or more Net Acres. • SLD will allow up to 3 initial partial assignments of 7 to 10 Net Acres (each, a “Mini Parcel”). • None of these initial partial assignments will have the 25% increase in Base Rent discussed below. <p><u>Subsequent Partial Assignments:</u></p> <ul style="list-style-type: none"> • <i>Partial Assignment from a Mini Parcel:</i> Both the premises partially assigned and the remainder premises will have a 25% increase in Base Rent for the remainder of the term. • <i>Partial Assignment from Any Other Initial Partial Assignment:</i> If subsequent partial assignments are less than 10 Net Acres, they will also have a 25% increase in Base Rent

		for the remainder of the term. If the remainder premises from which any of these subsequent partial assignments are made becomes less than 10 Net Acres as a result of any such subsequent partial assignments, the remainder premises will also be subject to a 25% increase in Base Rent.
Application Process:	Infrastructure Construction Requirements:	To Be Determined (e.g.: road, water, sewer, drainage/404, etc.)
	Application Due Diligence Reimbursements:	As authorized by SLD by letter
	Minimum Bid/Auction Land Value:	<ul style="list-style-type: none"> Bidding at the public auction of the lease will be based on SLD’s appraised value of the leased land, as established by an outside fee appraiser chosen by SLD. The successful bid amount at public auction will set the “Auction Land Value” on which the base rent percentage in the draft lease instrument will be applied.
	Auction Costs and Fees:	At auction, the successful bidder will be responsible for fees, such as the sales and administrative fees, appraisal fees, planning permit reimbursement, and title insurance costs.
	Security Deposit:	Upon the successful auction, the Tenant will pay an initial security deposit of \$_____ into a segregated fund held by the State. This amount will be increased to \$_____ as certificates of occupancy are obtained on the lease property by a rate of \$_____ per Net Acre of the leased premises upon which the applicable certificates of occupancy are obtained. If the balance subsequently falls below \$_____, the remaining undefaulting Tenant is responsible for replenishing the security deposit back to the target level. At the end of the lease term, any remaining security deposit will be refunded to the remaining tenants on a pro rata basis.
Lease Rent/ Other Terms:	Auction Land Value Adjustments:	The Auction Land Value will be adjusted upwards beginning in Lease Year 6 and every 5th Lease Year thereafter by 5% of the then-current Auction Land Value.
	Base Rent Payment:	Base Rent will be paid as follows:
		Lease Year 1
	Lease Year 2 through Lease Year 6	1% of the Auction Land Value

		Lease Year 6 through Lease Year 10	4% of the Auction Land Value
		Lease Year 11 through Lease Year 20	8% of the Auction Land Value
		Lease Year 21 through Lease Year 99	10% of the Auction Land Value
	Extension Options:	Upon Notice to the SLD, Tenant will have the option to extend the lease for two (2) 12 year increments and one 10 year increment for a maximum total term of 99 years.	
	Net Rent:	<p>With respect to all Separate Leases arising pursuant to partial assignments, the Base Rent shall be reallocated between the Wash Acres (Necessary?) and remaining Net Acres in the partial assignment as follows:</p> <p>The Master Lease shall contain as an exhibit a Net Base Rent Schedule which identifies the per acre Net Current Appraised Land Value to be assigned to the Net Acres of this Lease. "Net Acres" means the ___ acres of the Original Premises net of the Wash Acres; "Wash Acres" means the ___ acres of 404 Washes contained within the Original Premises as of the auction date.</p> <p>If any partial assignment abuts a Wash, that partial assignment shall include the entire Wash. In the event two partial assignments occur concurrently and each partial assignment abuts a Wash, SLD shall have the right to determine which partial assignment shall include the Wash.</p> <p>Separate Leases shall pay as Base Rent the product of the Net Current Appraised Land Value per acre multiplied by the Net Acres contained in the Separate Lease, which product is then multiplied by the Rental Rate applicable for each Lease Year. If any Separate Lease contains Wash Acres (as partial assignment parcels bordering a Wash shall include the full Wash), the Wash acres shall be excluded for purposes of calculating Base Rent.</p> <p>If at any time a Separate Lease does not contain any Wash Acres, the Net Base Rent Schedule shall apply to all Net Acres in the Separate Lease. To the extent the acreage of a Wash attached to a Separate Lease are reduced, the acreage eliminated from the Wash shall be treated as Net Acres subject to the Net Base Rent Schedule.</p>	

	<p>If at any time as a result of partial assignment(s) the original ground lease does not contain any Wash Acres, the Net Base Rent Schedule shall apply to all remaining acres in the original ground lease. Furthermore, f at any time the acreage of a Wash remaining in the original ground lease are reduced, the acreage eliminated from the Wash shall be treated as Net Acres subject to the Net Base Rent Schedule.</p>
Bonus Rent:	<p>Tenant will pay “Bonus Rent” at a percentage to be determined by SLD after further review. % of the amount by which the Assessor’s value of the improvements exceeds the natural breakpoint. The natural breakpoint is calculated by dividing the current annual base rent by ___%. No Bonus Rent will be due in the first 10 lease years.</p>
Pre-Paid Rent:	<p>Pre-paid rent will be calculated pursuant to a TBD formula.</p>
Joint Development Agreement:	<p>Prepare for SLD’s review and approval for insertion into the auction package.</p> <p>A joint agreement to address the development of shared infrastructure. Interest will accrue on the unpaid balance at an annual rate of __%, for a period of not more than __ years. Thereafter, the interest will be capped at the amount already accrued. The joint development agreement will be an encumbrance on the lease or sale instrument, not on SLD’s fee interest in the land. The repayment obligation will pass to the succeeding purchaser or lessee tapping into the infrastructure.</p> <p>Financial assurances for the infrastructure (e.g. escrow funds or letters of credit) will be posted within ___ days after the first party gives notice of its intent to commence with the infrastructure.</p>
404 Permit / 404 Wash Dedication	<p>SLD will give right to Lessee to negotiate with ACOE to delete or reduce the washes.</p> <p>Concurrently with the development of improvements adjacent to a 404 wash, and in accordance with ACOE requirements, the developing party will also install the required improvements for the full width and length of the wash.</p> <p>SLD will reserve the right to require security for the completion of the required improvements.</p>

	Meeting; Auction Schedule:	Parties commit to meeting at least biweekly. The parties will use good faith efforts to get the property to auction by _____ ? _____ .
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