LEASE WITH OPTION TO PURCHASE

This Lease with option to purchase is entered into by
and between the COLETA UNION SCHOOL DISTRICT, sometimes hereinafter
referred to as "LESSOR" and the SANTA BARBARA COMMUNITY COLLEGE
DISTRICT, sometimes (hereinafter) referred to as "LESSEE".

WITNESSETH:

WHEREAS, LESSEE is the owner of the Cathedral Oaks School
site, hereinafter sometimes referred to as the premises; and

WHEREAS, LESSEE has determined that the premises are not
and will not be needed by LESSEE for school classroom buildings; and

WHEREAS, pursuant to the provisions of Section 39363.5 of
the Education Code LESSEE has offered the property for sale to the
entities specified in that section and LESSEE has within the time
period prescribed by that section notified LESSEE of its intent to
lease the premises with an option to purchase the same; and

NOW, THEREFORE, it is agreed by and between the parties
as follows:

1. LESSEE does hereby lease to LESSEE that certain
property known as the Cathedral Oaks School site which property is
more particularly described in EXHIBIT "A" attached hereto and hereby
made a part hereof.

2. The term of the lease shall be eighty two months
commencing on October 1, 1978 and terminating on July 31, 1985.

3. As rental for the premises LESSEE shall pay LESSEE the
sum of $19,583.33 per month for the first eighty-one (81) months
of the term and $15,541.05 for the 82nd month of the term. Rental
payments shall be due on the first day of each month in advance.

4. LESSEE shall have the option to terminate the lease at
the end of any fiscal year provided that it has given LESSEE written
notice of termination at least ninety (90) days prior to the termina-
tion date.

5. During the lease term LESSEE shall have the option to
purchase the premises effective as of the first day of a fiscal year.
provided that it has given LESSOR written notice of exercising of its option at least ninety (90) days in advance. It is agreed that the purchase price of the property shall be $1,400,000 provided that a portion of the previously paid rentals shall be applied to the purchase price so that the unpaid balance of the purchase price at the time of purchase shall be as set forth below:

<table>
<thead>
<tr>
<th>DATE OF PURCHASE</th>
<th>BALANCE DUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1979</td>
<td>$1,248,575.99</td>
</tr>
<tr>
<td>July 1, 1980</td>
<td>1,060,088.38</td>
</tr>
<tr>
<td>July 1, 1981</td>
<td>863,921.49</td>
</tr>
<tr>
<td>July 1, 1982</td>
<td>659,762.46</td>
</tr>
<tr>
<td>July 1, 1983</td>
<td>447,285.68</td>
</tr>
<tr>
<td>July 1, 1984</td>
<td>226,152.26</td>
</tr>
</tbody>
</table>

6. Upon payment of the 82nd monthly rental LESSEE shall be deemed to have paid the purchase price in full and title to the premises shall be transferred to LESSEE.

7. Costs of the transfer, including costs of escrow and title insurance shall be equally shared by the parties in any purchase by one party from the other pursuant to this Agreement.

8. During the term of the lease, LESSEE shall maintain the premises at its own expense, insure the improvements for their replacement value against loss from fire. Proceeds from such insurance shall be used for repairs or replacement of the property damaged.

9. During the lease term LESSEE shall pay the costs of all utilities used in connection with the premises.

10. LESSEE agrees to defend, indemnify and hold harmless LESSOR, its officers, agents and employees from and against any and all claims and liability for damages or injury to persons or property resulting from the activities or omissions of LESSEE, its officers, agents and employees in connection with the use of the premises.

11. LESSEE shall take out and maintain in effect during the term of the lease such public liability insurance as shall protect LESSOR and LESSEE, their agents and employees from all claims for personal injury including accidental death as well as from all
claims for property damage arising out of or connected in any way with the use of the premises, with coverage of not less than $3,000,000 combined single limit personal liability and property damage. LESSOR shall be named as an insured on said policy or policies. The provisions of this paragraph shall not be deemed a limitation upon the obligations of LESSEE under Paragraph 10.

12. During the term of the lease LESSEE may use the property for all purposes for which school buildings and premises may lawfully be used, including but not limited to continuing education.

13. During the term of the lease, LESSEE will make no alterations nor construct new buildings on the site without the approval of LESSOR.

14. During the terms of the lease, LESSEE will not assign the lease nor sublet any portion of the premises without prior approval of LESSOR.

15. In the event that more than 20% of the floor space of the premises is, without fault on the part of LESSEE, destroyed or damaged to the extent it is rendered unusable by LESSEE and the repair or replacement of said space is not funded by insurance LESSOR shall have the right to terminate the lease. Unless terminated hereunder the obligation of LESSEE to make rental payments shall continue whether or not LESSEE is able to use the premises.

16. Representatives of LESSOR shall have reasonable access to the premises to determine if the terms and conditions of the lease are being met.

17. Upon termination of the lease LESSEE will immediately surrender the premises to LESSOR in as good condition as when received, reasonable wear and tear by the elements being excepted.

18. Subject to the provisions of Paragraph 19 LESSEE agrees that if default be made in the payment of rent in the manner herein provided or in any of the covenants or agreements herein contained on the part of LESSEE to be kept and performed it shall be lawful for LESSOR to declare said terms ended and terminate the lease. In addition thereto, LESSOR shall have such other rights or remedies as may be provided by law.
19. If LESSEE shall default in fulfilling any of the covenants herein contained, LESSOR shall give to LESSEE written notice of said default and if, after the expiration of sixty (60) days after service of such notice, the contingency upon which such notice was based continues to exist, LESSOR shall have the right and remedies provided in Paragraph 18 of this lease.

20. In the event LESSEE acquires the premises LESSOR may at its option reacquire the property during the 1988-89 fiscal year upon payment to LESSEE, or to the owners of record of the premises at the time it reacquires the property, an amount equal to all of rental payments paid by LESSEE plus the balance due paid by LESSEE as specified in Paragraph 5 hereof.

21. In the event the Engineering News-Record Building Cost Index increases at an annual rate of more than 2.75% from October 1978 to the date of reacquisition then the amount paid by LESSOR(2) to LESSEE(3) under Paragraph 20 shall be increased by 2.75% per year or fraction thereof from the period from October 1, 1978 to the date of reacquisition. Said percentage increase shall be compounded annually as of the end of each fiscal year.

22. In the event LESSOR exercises its option to reacquire the premises pursuant to the provisions of Paragraph 20 it shall use the property for school purposes for a period of at least five (5) years from the date of reacquisition. School purposes shall not necessarily be limited to classroom usage but may include administration, warehouse or any otherwise incidental to the operation of LESSOR's public schools. During the said five-year period LESSEE shall have the right to use space in the premises for LESSEE's educational purposes free of charge at such times that such use does not interfere with use of the property by LESSOR.

23. If LESSEE purchases the premises it shall not sell the property without giving LESSOR the right of first refusal to acquire the property. The purchase price and other terms and conditions of the sale shall be negotiated by the parties. If Agreement is not reached within sixty (60) days of LESSEE's notification of LESSOR of its intention to sell the premises LESSEE may proceed to dispose of the property as authorized by law.
24. This Agreement is subject to the approval of the Office of Chancellor of the California Community Colleges and shall be of no force or effect without such approval.

25. All rents or other sums, notices, demands or requests from one party to another may be personally delivered to the main administrative offices of the receiving party or sent by mail postage prepaid, to the address stated in this paragraph and shall be deemed to have been given at the time of personal delivery or at the end of the second full day following the date of mailing. The address of LESSOR is 5689 Hollister Avenue, Goleta, California 93017. The address of LESSEE is 721 Cliff Drive, Santa Barbara, California 93019. Each party shall have the right from time to time to designate a different address by notice given in conformity with this paragraph.

IN WITNESS WHEREOF the parties have executed this Agreement.

DATED: ___________________________ GOLETA UNION SCHOOL DISTRICT

By_____________________________

DATED: ___________________________ SANTA BARBARA COMMUNITY COLLEGE DISTRICT

By_____________________________

26. This agreement will be recorded in the official records of Santa Barbara County.