

interruption or use and occupancy insurance against perils covered in (3)g. above;

- i. In the event of default by The Regents, the Board may maintain the lease whether or not The Regents abandon the facility and shall have the right to relet the facility, or the Board may terminate the lease and recover any damages available at law;
- j. The Regents shall be in default if the lease is assigned, sublet, or transferred without approval of the Board, if The Regents file any petition or institute any proceedings for bankruptcy, or if The Regents abandon the facility;
- k. The Regents shall cure any mechanics' or materialmen or other liens against the facility and, to the extent permitted by law, shall indemnify the Board in that respect;
- l. The Regents, to the extent permitted by law, shall indemnify the Board from any claims for death, injury, or damage to persons or property in or around the facility; and
- m. Upon termination or expiration of the lease, other than for breach or because of eminent domain, title to the facility shall vest in The Regents.

E. *Authorization for Write-Off of Hospital Bad Debts, Davis, Irvine, and San Diego Campuses*

The Committee recommends that the President be authorized to write off patient accounts at the Davis Medical Center totaling \$1,192,384.74, at the Irvine Medical Center totaling \$154,186.07, and at the San Diego Medical Center totaling \$229,585.15 against the Reserve for Uncollectible Receivables.

F. *Amendment of Preliminary Agreement and Operating Agreement with Armand Hammer Museum of Art and Cultural Center, Los Angeles Campus*

The Committee recommends that the actions approved by The Regents in July 1992 regarding preliminary and operating agreements with the Armand Hammer Museum of Art and Cultural Center for the benefit of the Los Angeles campus be amended as shown below, with the understanding that all other actions approved by The Regents in July 1992 in connection with said Agreements remain unchanged:

deletions shown by ~~strikeout~~, additions by underscore

- (1) The President be authorized to execute a preliminary agreement between The Regents and the Armand Hammer Museum of Art and Cultural Center, a Delaware corporation (AHMACC or Museum), which agreement specifies the conditions AHMACC must meet before execution of the proposed Operating Agreement, noted in (2) below, said conditions to include the settlement of certain existing litigation, ~~the generation of a cash reserve~~ the deposit into escrow of art with an estimated value sufficient to satisfy known liabilities and obligations and to fund a reserve for unknown liabilities, and the amendment of existing contractual obligations related to naming of Museum spaces.
- (2) Subject to completion of the conditions contained in the preliminary agreement noted in (1) above, the President be authorized to execute an Operating Agreement...to include or be subject to the following provisions:

* * *

- b. Funds to cover the financial obligations of the Museum shall be provided as follows:
 - i. for the period ~~1992~~ 1993 through 2020, AHMACC shall commit income from its bond portfolio in the following amounts: (1) ~~1992—\$4 million;~~ (2) 1993 and 1994 - \$3 million each year; and (3) ~~1995~~ through 2020 - \$2.5 million each year;

* * *

- iii. once acquired, net rental income from Occidental Tower shall flow to the Museum for support of its operations;
- iv. income from ancillary sources such as memberships, admissions, and the operation of the Museum's bookstore;
- v. to the extent revenues from i., iii., and iv. above are insufficient, the shortfall shall be paid from funds available to the Chancellor of the Los Angeles campus, subject to the limitation that the campus shall not be required to provide funds in any fiscal year of more than \$898,000 [the fiscal year 1992-93 operating budget of the Wight Gallery and Grunwald Graphic Arts Collection], adjusted for the cost of living for years after 1993.

* * *

- d. The term of the Operating Agreement shall be 99 years, subject to the right of either party to terminate for uncured material breach of the Operating Agreement and subject to the unilateral right of The Regents to terminate for additional specific reasons, including:
- i. the Museum becomes substantially unusable at any time during ~~the first five years~~ of the Operating Agreement;
 - ii. the reserve for liabilities (see (2)e. below) is exhausted; or;
 - iii. AHMACC fails to meet the financial commitments noted in (2)b. above during the period 1997 through 2020; ~~or~~.
 - iv. ~~the Los Angeles campus determines, following the first five years, that its financial commitment to the Museum is no longer feasible.~~
- e. ~~A reserve for liabilities shall be established by AHMACC~~ Art with an estimated value sufficient to provide for known liabilities plus a generous allowance for unknown liabilities relating to events prior to execution of the Operating Agreement shall be set aside in an escrow account, with the understanding that if this reserve is exhausted, the Armand Hammer Foundation shall be liable for the next \$2 million of expenses, with Occidental Petroleum Corporation standing behind the Foundation's contingent obligation;

* * *

- h. Prior to execution of the Operating Agreement, AHMACC shall obtain all necessary approvals to enter into the Operating Agreement and to set aside in an escrow and, if necessary, sell a portion of its existing collections to provide revenues in an amount sufficient to satisfy known liabilities and obligations of AHMACC, ...and ~~to create the reserve for~~ satisfy unknown liabilities and obligations referred to in (2)e. above.

G. *Special Allocation, Group A Housing System Net Revenue Fund, Santa Cruz Campus*

The Committee recommends that the President be authorized to allocate \$500,000 from the Group A Housing System Net Revenue Fund to the Santa Cruz campus to finance construction for the Crown-Merrill Apartments water line replacement