

SETTLEMENT AGREEMENT AND AMENDMENT TO SUBLEASE

This SETTLEMENT AGREEMENT AND AMENDMENT TO SUBLEASE, which shall be referred to as this "Amendment", amends in its entirety that certain Sublease Of Condominium And Grant Deed Of Improvements (the "Sublease") described below and is made as of April 15, 1995 by and between CAL FED ENTERPRISES, a California corporation ("Sublessor") as sublessor and grantor, and MARCUS P. YOUNIS ("Sublessee") as sublessee and grantee, and relating to premises at 16521 Grunion Lane, No. 302, Huntington Beach, California 92649, APN 938-87-020 (the "Premises"). This Amendment is made in settlement of a dispute as recited below.

All capitalized terms used in this Amendment shall have the same meaning as in the Sublease.

RECITALS

- I. Sublessee and others (collectively the "Harbour Vista Homeowners") sublease the land and own the improvements in Harbour Vista, and have been paying Basic Rental thereon. Harbour Vista is a condominium project consisting of 180 condominium units, established in 1981. Harbour Vista is governed by the Harbour Vista Homeowners' Association, Inc. (the "Association").
- II. The Sublease under which Sublessee is the sublessee and grantee of the Premises (a legal description of which is attached to the Sublease) was made as of April 28, 1982 and a memorandum thereof was recorded June 18, 1982, as Instrument Number 82-208674, in the Official Records of the County of Orange, State of California. A copy of a blank form of the Sublease (except for the exhibits attached thereto) containing its terms, is attached hereto, marked Exhibit A, and by this reference made a part hereof.
- III. The Sublease was made pursuant to a ground lease, dated August 1, 1979, and made by and between Jessie M. Duc, Eugene Duc and Charlotte Kirchen as lessor and Sublessor's predecessor in interest as lessee (the "Ground Lease"). A memorandum of the Ground Lease was recorded August 8, 1979, in Book 13261, Pages 1477 et seq. in the Official Records of the County of Orange, State of California.
- IV. Under the terms of the Sublease and the other subleases the Basic Rent increases in the 15th year of the Sublease and every five years thereafter. Certain of the Harbour Vista Homeowners have contended (1) the provisions for adjustment of the Basic Rent were fraudulently concealed or not properly disclosed; and/or (2) the provisions for the adjustment of Basic Rental are unconscionable; and/or (3) the provisions for adjustment of Basic Rental are otherwise unenforceable. Certain of these contentions are part of the allegations of the Association as plaintiff in litigation captioned Harbour Vista Homeowners' Association, Inc. vs Cal Fed Enterprises, Orange County Superior Court Docket #734447 (the "Litigation"). Sublessor denies each of the contentions as to each person so contending.
- V. Sublessor and Sublessee now wish to settle all claims of Sublessee against Sublessor resulting from the contentions recited in Paragraph IV above or raised in the Litigation. They are willing to settle those claims by amending the Sublease to change the rent provisions as set forth below.

J.P. T.P.

AGREEMENT

NOW, THEREFORE, in recognition of the facts recited above, and for other valuable consideration, Sublessor and Sublessee agree that the Sublease is amended as follows:

- A. Section 4, "Rental", is deleted.
- B. Section 22, "Rental Adjustment", is deleted.
- C. A new Section 4, "Monthly Rent" is added as follows:

4 MONTHLY RENT.

4.1 Sublessee agrees to pay rent ("Monthly Rent") to Sublessor each month, in advance, on the date of execution of this sublease, and after the effective date of this Sublease, on the first day of each calendar month, without deduction and without notice or demand, net over and above any and all taxes, assessments and other charges payable by Sublessee under this Sublease. Monthly Rent is payable for the use and occupancy of the Subleased Property, during the entire term of this Sublease. Monthly Rent shall be payable in the amount of \$50.00 per month for the period from the effective date of this Sublease to December 31, 1995. During the following calendar years Monthly Rent shall be in the following amounts, payable beginning on January 1 of each year and the first of each month thereafter:

1996	\$125.00	2019	\$220.00
1997	\$133.00	2020	\$220.00
1998	\$136.00	2021	\$230.00
1999	\$140.00	2022	\$230.00
2000	\$145.00	2023	\$230.00
2001	\$150.00	2024	\$230.00
2002	\$156.00	2025	\$230.00
2003	\$164.00	2026	\$240.00
2004	\$170.00	2027	\$240.00
2005	\$176.00	2028	\$240.00
2006	\$183.00	2029	\$240.00
2007	\$191.00	2030	\$240.00
2008	\$198.00	2031	\$250.00
2009	\$210.00	2032	\$250.00
2010	\$210.00	2033	\$250.00
2011	\$210.00	2034	\$250.00
2012	\$210.00	2035	\$250.00
2013	\$210.00	2036	\$260.00
2014	\$220.00	2037	\$260.00
2015	\$220.00	2038	\$260.00
2016	\$220.00	2039	\$260.00
2017	\$220.00	2040	\$260.00
2018	\$220.00	2041	\$260.00

[Handwritten signature]

4.2 Monthly Rent for any partial calendar month shall be prorated. The payment paid on execution of this Sublease shall be for the period from the effective date of this Sublease to the end of the calendar month in which the effective date occurs.

4.3 Subtenant acknowledges that late payments will cause Sublessor to incur costs not contemplated by this Sublease, the exact amount of which will be extremely difficult to ascertain. Accordingly, any installment of Monthly Rent which is not paid by the fifteenth day of the month in which it is due shall be subject to a late charge of \$25.00. Any installment of Monthly Rent which has not been paid by the last day of the month in which it is due shall thereafter bear interest at the rate of one percent (1%) per month until paid.

4.4 Sublessor hereby appoints the Association to be its agent for the collection of Monthly Rent (and for no other purpose). Sublessee agrees that, until Sublessor gives Sublessee notice to the contrary, Sublessee will pay the Monthly Rental payable under this Sublease to the Association concurrently with Sublessee's payment of any other sums payable monthly to the Association.

- D. Upon execution of this Amendment by Sublessee, Sublessee shall deliver it to Sublessor as an irrevocable offer to amend the Sublease. Upon execution by Sublessor on or before April 15, 1995, this Amendment shall be fully effective.
- D-1 If Sublessor has not executed this Amendment by the close of business April 15, 1995, it shall be of no force or effect.
- D-2 Sublessor has been advised and acknowledges that the offer to amend the Sublease is made as part of a general settlement with the Homeowners. Therefore, Sublessor will not execute this Amendment until 160 Homeowners have executed amendments to their subleases with the same provisions as this Sublease.
- D-3 Sublessor has been advised and acknowledges that the agreement by Sublessee to pay Monthly Rental to the Association as agent concurrently with Sublessee's Homeowners' assessment and the acceptance by the Association of such agency by a separate written agreement are an integral part of this Amendment and Sublessor's agreements herein, and until the Association has accepted the agency given hereunder Sublessor shall not execute this Sublease.
- D-4 The above conditions are for the benefit of Sublessor and may be waived by Sublessor, except that Sublessor cannot require more than 160 signatures as a condition of executing this Sublease.
- E. The terms of this Sublease, other than those recited above, are contained in Exhibit A.
- F. Sublessor represents, warrants and certifies (a) the Ground Lease is in full force and effect in accordance with its terms and; (b) Sublessor is not in default under the Ground Lease; and (c) to the best of knowledge of Sublessor, the lessor under the Ground Lease is not in default, nor is there any event which, with the passage of time or with notice and the expiration of any grace or cure period, would constitute a default.

- G. Sublessee, individually and on behalf of Sublessee's agents, executors, administrators, heirs, successors and assigns, hereby fully and forever releases and discharges Sublessor, and its partners, predecessors, assigns, successors, directors, officers, employees, agents, insurers, attorneys, subsidiaries, parent corporations and shareholders, past and present, releases and discharges Sublessor and its employees, agents, representatives and attorneys from all claims, obligations, debts and causes of action of any kind or nature whatsoever, known or unknown, arising out of or relating in any way to the rent or rent increase provisions of the Sublease, including, without limitation, any claim of unconscionability of contract or of fraudulent concealment or misstatement of such provisions; and any other claim set forth in the Litigation.
- H. The provisions of California Civil Code Section 1542 provide as follows:
- A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.
- Sublessee expressly waives all rights and benefits which Sublessee may have under that Code Section or under any other statute or common law principle of similar effect.
- I. This Amendment has been prepared in good faith to settle all claims regarding the rent and rent increase provisions of the Sublease, and the claims made in the Litigation. Neither this Amendment or any of the its terms, whether or not the Amendment is fully executed, are admissible in any proceeding between the parties, except a proceeding to interpret or enforce its terms. This Amendment effects the settlement of claims which are denied and contested, and nothing contained herein shall be construed as an admission of liability by either party, all of which liability is expressly denied.
- J. If suit is instituted to enforce or construe the terms of this Amendment, the prevailing party shall be entitled to recover that party's costs and attorneys' fees in connection therewith in addition to any other remedy to which it may be entitled.
- K. This Amendment, together with Exhibit A, hereafter constitutes the original and entire Sublease, and constitutes the entire understanding between the parties as to rent and other provisions, and all previous conversations and writings pertaining to the terms of the Sublease or the contentions and claims set forth in the Recitals are superseded. Any modification to this Amendment must be made by a separate written instrument. Each party further covenants that the consideration recited herein is the only consideration for entering into this Amendment, and that no promises or representations of other or further consideration have been made by any person.
- L. Sublessor and Sublessee each acknowledges and agrees that nothing contained in this Amendment shall release or discharge that party from the rights, duties and obligations under the Sublease, and that all provisions of the Sublease as amended by this Amendment are and remain in full force and effect.
- M. Sublessor and Sublessee agree to perform all acts and execute all supplementary instruments or documents which may be necessary or desirable to carry out the provisions of this

Amendment including, if Sublessor elects, a re-execution of the Sublease, and the execution and acknowledgement of a memorandum of this Amendment for recordation.

N The undersigned are all the persons holding any interest as Sublessee under the Sublease and have the full right and authority, subject to no interest of, or agreement with, any other party, to execute this Amendment.

CAL FED ENTERPRISES,
a California corporation

("Sublessee")

By:

Robert Harwood

Title: EXEC. V.P.

Marcus P. Younis
MARCUS P. YOUNIS

8.07.19

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SUBLEASE OF CONDO
AND
GRANT DEED OF IMPROVEMENTS

THIS CONDOMINIUM SUBLEASE is made this _____ day of _____, 19____, by and between
Cal Fed Enterprises, a California Corporation, ("Sublessor")

("Sublessee") and Cal Fed Enterprises, a California Corporation ("Grantor").

1. SUBLEASED PROPERTY.

Sublessor is the Lessee under that certain Ground Lease (the "Lease"), dated August 1, 1979, and amended by that certain Addendum to Lease (the "Addendum"), dated September 25, 1979, and the Second Amendment of Lease ("Second Amendment"), dated _____, 19____, under which Sublessor acquired a leasehold estate in the land which is the subject of this Sublease. The Lease, the Addendum, and the Second Amendment are hereinafter collectively referred to as the "Master Lease." The Master Lease is attached as Exhibit "A" and is incorporated herein by this reference. For and in consideration of the payment of the rents hereinafter reserved and taxes and other charges, and the performance of all of the covenants and conditions of this Sublease by Sublessee, Sublessor hereby leases and conveys to Sublessee, and Sublessee hereby rents and accepts from Sublessor, that certain real property ("Subleased Property") situated in the City of Huntington Beach, County of Orange, State of California, described as follows:

PARCEL NO. 1

Unit _____, in Building _____, on Lot A and Lot 1 of Tract No. 10736, as shown and described in the Condominium Plan ("Plan"), which Plan was recorded on June 18, 1981, in Book 14108, Page 18 et seq. of Official Records of Orange County, California.

PARCEL NO. 2

An undivided one-sixteenth (1/60) interest as a tenant in common in a subleasehold estate in and to all of the real property, including without limitation the Common Areas defined in the Declaration, on Lot A and Lot 1 of Tract No. 10736, as shown on a Map recorded on February 18, 1981, in Book 484, Pages 29 to 30, inclusive, of Miscellaneous Maps in the Office of the Orange County Recorder.

EXCEPTING THEREFROM, Units 1 through 20, inclusive, in Buildings I through III, inclusive, on Lot A and Lot 1 of Tract No. 10736, as shown on the Plan.

EXCEPTING FURTHER THEREFROM, all improvements and appurtenances located or to be located on said Lot A and Lot 1 of Tract 10736.

RESERVING THEREFROM, for the benefit of Grantor and Sublessor, and their respective successors in interest and others, easements for access, ingress, egress, encroachment, support, maintenance, drainage, use, enjoyment, repairs, and for other purposes, all as shown in the Plan, and as described in the Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Harbour Vista Condominiums ("Declaration"), which was recorded on August 22, 1980, as Instrument No. 28859, in Book 10713, Pages 1046 et seq. and in the Notice of Addition of Territory and Supplemental Declaration of Covenants, Conditions and Restrictions ("Notice") which was recorded on June 19, 1981, in Book 14108, Pages 1744 et seq. all in Official Records of Orange County, California.

ALSO RESERVING THEREFROM, all minerals, oil, gas, petroleum, other hydrocarbon substances and all underground water in or under or which may be produced from said Lots which underlie a plane parallel to and 500 feet below the present surface of said Lots for the purpose of prospecting for, the exploration, development, production, extraction and taking of said minerals, oil, gas, petroleum, other hydrocarbon substances and water from said Lots by means of mines, wells, ditches or other equipment from surface locations on adjoining or neighboring land or lying outside of the above described Lots. It being understood that the owner of such minerals, oil, gas, petroleum, other hydrocarbon substances and water, as set forth above, shall have no right to enter upon the surface or any portion thereof above said plane parallel to and 500 feet below the present surface of the said Lots for any purpose whatsoever.

FURTHER RESERVING THEREFROM, for the benefit of certain Unit Owners of Condominiums in said Lot A and Lot 1 of Tract No. 10736, exclusive easements appurtenant to Parcels No. 1 and No. 2 described above, for use and occupancy for patios and decks, in, to and over the areas defined as Restricted Common Areas in the Declaration, as described and assigned in the Plan.

PARCEL NO. 3

Nonexclusive easements for access, ingress, egress, use, enjoyment, drainage, encroachment, support, maintenance, repairs, and for other purposes, all as shown in the Plan, and as described in the Declaration and in the Notice.

PARCEL NO. 4

Exclusive easements appurtenant to Parcels No. 1 and No. 2 described above, for use and occupancy for patios and decks, in, to and over those portions of Lot A and Lot 1 of Tract No. 10736, defined as Restricted Common Areas in the Declaration, as described and assigned in the Plan.

RESERVING FROM PARCELS NO. 1 AND NO. 2 ABOVE UNTO SUBLESSOR, its successors and assigns, along with the right to grant and convey said easements, in, under, across and along the Subleased Property, or any part thereof, for the purposes of installation, repair, maintenance, reconstruction and operation of facilities for the transmission of gas, electricity, water, telephone, sewers, storm drains and other utility and public services, including all facilities Television System, to and within the Subleased Property; provided, however, that the exercise of such rights does not unreasonably interfere with Sublessee's reasonable use and enjoyment thereof.

AND RESERVING FROM PARCELS NO. 1 AND NO. 2 ABOVE UNTO SUBLESSOR, its successors and assigns, a license to enter upon the Subleased Property for the purpose of maintaining and inspecting the Subleased Property, in accordance with the terms of the Declaration.

SUBJECT TO:

(a) All real property taxes and assessments for the current fiscal year;

(b) Covenants, conditions, restrictions, reservations, rights, rights-of-way and easements of record.

Sublessee, by acceptance and recordation of this Sublease, expressly accepts, covenants and agrees to be bound by all of the provisions of, and specifically agrees to assume performance of, all requirements set forth in the Declaration and in the Notice, which provisions are acknowledged to be reasonable and which provisions are incorporated herein by this reference. The Subleased Property is intended for the uses described in the Declaration and restrictions on its use are set forth in the Declaration and in the Notice. The terms of this Sublease are subject to the provisions of the Master Lease and the Declaration and shall be construed in accordance with the definitions as set forth in the Master Lease and the Declaration. This Sublease is conditioned upon the performance of such provisions as are required to be performed by Sublessee under the Declaration and in the Notice.

Following execution of this Sublease and close of escrow, Grantor shall cause to be delivered to Sublessee, at Grantor's expense, a CLTA policy of title insurance, insuring title to the interest of Sublessee in the Subleased Property and the improvements granted hereunder, subject only to the exceptions and reservations referred to in this Paragraph.

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or hereby covenants with Sublessee that upon payment of the Rent as set forth in this Sublease, and upon observance and performance of the covenants by Sublessee herein contained, Sublessee shall lawfully hold and enjoy the Subleased Property for the term of this Sublease without hindrance or interruption by Sublessor or any other person or persons lawfully claiming by, through, or under Sublessor, except as may be herein expressly provided.

2. GRANT OF IMPROVEMENTS.

In consideration of the covenants, agreements and representations of Sublessee contained in this instrument, Grantor does hereby Grant to Sublessee an undivided one-sixtieth (1/60) fee simple interest in the Improvements and appurtenances on Lot A and Lot 1 of Tract No. 10736 ("Improvements"), of which the Subleased Property is a part, together with those easements described as Parcels No. 3 and No. 4 in Paragraph 1 above to the extent that such easements are located, in whole or in part, on the Improvements, subject to the reservations therein; such interests shall be held by Sublessee as a tenant in common with all other Sublessees of Condominiums in the Project, as such term is defined in the Declaration. The Subleased Property and that portion of the Improvements conveyed herewith may sometimes hereinafter be collectively referred to as the "Condominium." The foregoing Grant is hereby expressly conditioned upon and made subject to the Master Lease and to all reservations, exceptions and other matters set forth in Paragraph 1 of this instrument. Sublessee, by acceptance and recordation of this instrument, expressly covenants, accepts and agrees to be bound by, and to assume performance of, all of the provisions and requirements set forth in this instrument and in the Declaration and in the Notice, which provisions and requirements are acknowledged to be reasonable, and which provisions are incorporated herein by this reference.

This Grant of Improvements is being made as an incident to and an appurtenant part of the within Sublease to Sublessee of the Condominium arising under this instrument, with the intent and to the effect that the interest in the Improvements hereby granted and transferred and the interest in the Subleased Property shall continue to be and remain one interest in the Condominium, consisting of a Unit and an interest in the Common Areas, as such terms are defined in the Declaration.

3. TERM OF LEASE.

The Condominium created by this Sublease is leased for a term of approximately sixty-one (61) years, commencing the date first written above ("Commencement Date"), and ending on August 31, 2041.

4. RENTAL.

Sublessee agrees to pay to Sublessor, without any deduction and without notice or demand, as basic rental, net over and above all taxes, assessments and other charges hereunder payable by Sublessee, for the use and occupancy of the Subleased Property during the term of this Sublease, from the effective date of this instrument, the sum of Six Hundred Dollars (\$600) per year ("Basic Rental"), in advance, payable in equal monthly installments of Fifty Dollars (\$50), prorated for any portion of a month during the term of this Sublease, provided that the first payment thereof shall be paid upon the execution hereof and prorated to the next rental due date, subject, however, to adjustment at the time and in the manner provided in Paragraph 22 of this Sublease. Any installment of rent accruing under the provisions of this Sublease which shall not be paid when due shall be subject to a late charge of Twenty-five Dollars (\$25.00), plus one percent (1%) per month from the date when due and payable by the terms of this Sublease until the same shall be paid. All rentals hereunder and charges with respect thereto shall be paid in lawful money of the United States.

5. TAXES AND ASSESSMENTS.

In addition to the rents provided above, Sublessee shall pay or cause to be paid, no later than fifteen (15) days prior to the delinquency date thereof, all taxes and general and special assessments of every description which during the term of this Sublease may be levied upon or assessed against all or any portion of the Condominium of Sublessee, and any interest therein, and other personal or real property in the Subleased Property, whether belonging to Sublessor or Sublessee, and Sublessee's portion of such taxes and assessments which are assessed or levied against all or any portion of the Common Areas as defined in the Declaration; and Sublessee agrees to protect and hold harmless Sublessor and the Condominium of Sublessee, and all interests therein, from any and all such taxes and assessments, including any interest, penalties, costs of tax lien service and other expenses which may be thereby imposed, and from any lien therefor or sale or other proceedings to enforce payment thereof. Notwithstanding the foregoing, with respect to any assessment made under any betterment or improvement law which may be payable in installments, Sublessee shall be required to pay only such installments together with interest as shall become due and payable during the term of this Sublease. The fact that all or any portion of Sublessee's interest in his Condominium and the Common Areas may not be separately assessed, but combined with the interest therein of other Unit Owners in the Project, as such terms are defined in the Declaration, and that the Unit Owners or board of directors of Harbour Vista Homeowners' Association, Incorporated ("Association") pursuant to the Declaration may elect to assess each Unit Owner for his proportionate share of such taxes or assessments, for and on behalf of Sublessee hereunder, shall not relieve or discharge Sublessee from its duty and obligation to pay such taxes and assessments as herein provided in the event the board of directors refuses or otherwise fails to make timely payment thereof.

6. USE OF CONDOMINIUM.

Sublessee shall use his Condominium solely for private single-family residential purposes, and Sublessee shall not use or permit any person to use his Condominium, or any portion thereof, in such manner as to disturb other Unit Owners or occupants of adjoining property, or to constitute a nuisance, offensive use of his Condominium, waste, or a violation of any applicable public law, ordinance or regulation.

7. MAINTENANCE OF CONDOMINIUM.

Except as otherwise herein provided, Sublessor shall not be personally obligated to make any repairs, alterations, additions or improvements in, to, upon, or adjoining the Condominium of Sublessee or any other structure or other improvements that may be constructed or installed on the Project. Sublessee shall, at all times during the full term of this Sublease and at its sole cost and expense, keep, repair and maintain, in clean and sanitary condition and in good order and repair, his Unit and those other portions of the Common Areas the maintenance and repair of which are the responsibility of Sublessee under the provisions of the Declaration. Sublessee shall pay, or cause to be paid, all expenses for water, gas, heat, light, power, telephone and all other utilities and services furnished the Condominium of Sublessee, together with any taxes thereon. Sublessee shall make payment directly to the utility involved for all separately metered services and shall pay to the board of directors of the Association Sublessee's proportionate share of all centrally metered utilities, such proportion to be determined by said board of directors.

Sublessee shall at all times fully comply with and abide by the terms, covenants, restrictions, provisions and conditions of the Declaration and any amendments thereof, and any By-laws, rules, regulations, agreements, decisions and determinations duly made by the board of directors of the Association established pursuant to the Declaration, respecting the maintenance, use and occupation of the Project and the Condominium and the payment of all assessments and charges of every type levied by the board of directors in connection therewith. In addition to the foregoing, Sublessee hereby covenants and agrees to promptly pay to the board of directors at all times during the term hereof, before the same shall become delinquent, Sublessee's share of the Common Expenses of the Association and any and all assessments, charges, duties and other outgoings of every description, levied under the provisions of the Declaration, without cost, expenses or liability to Sublessor. Sublessee shall further, during the whole term of this Sublease, by paying his proportionate share of the Common Expenses of the Association, make, build, maintain and repair all fences, sewers, drains, curbs, roads, sidewalks and parking areas which may be required by law to be made, built, maintained and repaired upon or adjoining or in connection with or for the use of the Project. Should the board of directors of the Association at any time during the term of this Sublease fail to fully perform all of its obligations under the Declaration, Sublessor may perform such obligations pursuant to Paragraph 23 of this Sublease, and Sublessee shall pay to Sublessor an amount equal to Sublessee's share of the aggregate cost of performing the same, as determined under the Declaration, within thirty (30) days after receipt of notice from Sublessor demanding the payment of said amount. Sublessee shall permit Sublessor, its agents and employees, at all reasonable times during the term of this Sublease to enter the Subleased Property and examine the state of repair and condition thereof, and Sublessee shall at his own expense repair and make good all defects in the Unit within thirty (30) days after receipt of notice of such defects from Sublessor, to the extent that such repair is the responsibility of Sublessee under the Declaration. Sublessee further agrees to otherwise observe and comply with any and all laws, ordinances, rules and regulations now or hereafter made by any governmental authority applicable to the Project, the Subleased Property, that portion of the Improvements granted to Sublessee herewith, or to the use thereof. Sublessee agrees to indemnify and save harmless Sublessor against all actions, suits, claims, loss, liability, cost and damage by reason of the

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nonobservance or nonperformance by Sublessee or any person under him of the provisions and requirements of this Paragraph, whether or not such defaults, actions and the like are meritorious. Sublessee hereby waives any and all rights to make repairs at the expense of Sublessor as provided in Section 1942 of the Civil Code of the State of California, and any and all rights provided by section 1941 of said Civil Code, to the extent such rights may be legally waived.

8. FIRE INSURANCE.

A. Sublessee shall, by paying his proportionate share of the Common Expenses of the Association, which share is set forth in the Declaration, at all times during the term of this Sublease, keep all buildings and other improvements on the Project insured against loss or damage by fire, with extended coverage in an insurance company authorized to do business in the State of California, in an amount as near as possible to the full replacement cost thereof, without deduction for depreciation, by blanket policy or policies, written in accordance with the terms of the Declaration in the name of the board of directors of the Association, as trustee, for the Lessor under the Master Lease, Sublessor, all Unit Owners and their mortgagees. Sublessee shall provide insurance on his personal property and fixtures within his Unit to protect against fire, vandalism, malicious mischief and the perils of the extended coverage endorsement to the California standard policy of fire insurance, or any form of coverage providing equal or greater protection, in the amount of the full insurable value of such property insured in accordance with the provisions of the Declaration.

B. Sublessee hereby expressly waives on behalf of its insurers hereunder any right of subrogation against Sublessor, and Sublessor likewise waives on behalf of its insurers any right of subrogation against Sublessee, which any such insurers may have against Sublessor or Sublessee by reason of any claim, liability, loss, or expense arising under this Sublease. Sublessor and Sublessee agree that any and all insurance policies required to be carried by Sublessee shall contain a standard mortgage protection clause in favor of Sublessee's mortgagee, if any, ("Lender"). All such policies issued by the respective insurers shall contain an agreement by the insurers that such policies shall not be cancelled or modified to reduce or eliminate coverage or insured risks without at least thirty (30) days' prior written notice to the named insureds. Lender shall be entitled to participate in the settlement or adjustment of any losses covered by such policies of insurance and no such settlement or adjustment shall be accepted or approved without the specific consent in writing of Lender. Notwithstanding anything contained in the copy of this Sublease, the proceeds from any insurance policy are to be held and distributed pursuant to the provisions of the Declaration.

9. RESTORATION OF IMPROVEMENTS.

If, during the term hereof, any portion of the Condominium of Sublessee or other improvements, if any, situated in the Project, or any portion thereof, are damaged or destroyed by fire or other casualty, Sublessee shall promptly and punctually pay any and all assessments levied by the board of directors pursuant to the provisions of the Declaration, for the purpose of defraying the cost of refurbishing, rebuilding or replacing any portion of the improvements so damaged or destroyed by fire or other casualty. Any failure on the part of the board of directors to cause any such damaged or destroyed improvements in the Project of which the Subleased Property is a part to be fully refurbished, rebuilt or replaced, as the case may be, in accordance with the requirements of the Declaration, shall be deemed to constitute a breach in and under this Sublease and all insurance proceeds shall then be paid to Sublessor subject to the rights of the Mortgagees, if any, of Sublessor and Sublessee; provided, however, that should there be an election in accordance with Section 10.02 of the Declaration, not to repair or restore the Project, then no breach of the covenants and conditions of this Sublease shall arise. If the board of directors of the Association shall elect not to repair or restore as aforesaid, this Sublease shall cease and terminate upon completion of the clean-up operation referred to in Section 10.02 of the Declaration. In such event, the insurance proceeds shall be distributed in accordance with the Declaration and Sublessee shall be relieved of any further obligations hereunder, subject to payment to Sublessor of all rent, taxes, assessments and other charges hereunder payable by Sublessee, prorated to the date on which the Sublease is so terminated.

10. LIENS AND CLAIMS.

Sublessee shall not suffer or permit to be enforced against Sublessor, the Condominium, or any portion of the Project any lien, claim or demand arising from any work of construction, repair, restoration, maintenance, alteration, addition or removal performed by, or on behalf of Sublessee. Sublessee shall pay all such liens, claims and demands before any action is brought to enforce the same against Sublessor, the Condominium of Sublessee or any portion of the Project. Sublessee agrees to hold Sublessor, the Condominium of Sublessee and the Project free and harmless from all liability for any and all such liens, claims or demands, together with all costs and expenses, including, but not limited to, reasonable attorneys' fees and court costs incurred by Sublessor in connection therewith. Sublessee shall give Sublessor at least fifteen (15) days prior written notice before commencing any such construction, repair, restoration, maintenance, alteration, addition or removal. Sublessor shall have the right at any time to post and maintain on the Condominium of Sublessee and on any portion of the Project such notices as may be necessary to protect Sublessor against liability for all such liens or to otherwise protect Sublessor's interest in the Subleased Property. Notwithstanding anything to the contrary contained in this Paragraph, if Sublessee shall in good faith contest the validity of any such lien, claim or demand, then Sublessee shall, at its expense, defend itself and Sublessor against the same and shall pay and satisfy any adverse judgment that may be rendered thereon before the enforcement thereof against Sublessor, the Condominium of Sublessee or any portion of the Project. If Sublessor shall require, Sublessee shall furnish to Sublessor a surety bond satisfactory to Sublessor in an amount equal to such contested lien, claim or demand indemnifying Sublessor against liability for same, or if Sublessor shall request, Sublessee shall procure and record the bond provided for in Section 3134 of the California Civil Code, or any comparable statute hereafter enacted providing for a bond freeing the Condominium of Sublessee from the effect of such lien or claim or action thereon.

11. LIABILITIES.

Sublessor shall not be liable for any loss, damage or injury of any kind whatsoever to the person or property of Sublessee, or any of Sublessee's employees, guests, tenants or invitees or of any other person whomsoever, caused by any use of the Condominium or the Project, or by any defect in any such property, or arising from any accident anywhere on the Project, or any fire or other casualty, or occasioned by the failure on the part of Sublessee to maintain his Condominium in safe condition, or by any nuisance made or suffered anywhere on the Project, or by any act or omission of Sublessee, or of any member of Sublessee's family, or of Sublessee's employees, guests, tenants or invitees, or arising from any other cause whatsoever in connection with any portion of the Project and Sublessee hereby waives on its behalf all claims and demands against Sublessor for any such loss, damage or injury of Sublessee, and hereby agrees to indemnify and hold Sublessor free and harmless from any claims, demands or liability for any such loss, damage or injury of other persons claiming by, through or under Sublessee, or other damage (including property damage) and from costs, expenses and other charges arising therefrom and in connection therewith. Sublessee will hold all goods, materials, furniture, fixtures and other property whatsoever within the Unit comprising a portion of the Subleased Property or within any portion of the Project at the sole risk of Sublessee and shall and does hereby hold Sublessor harmless for any loss or damage thereto by any cause whatsoever. Sublessee shall, by paying his proportionate share of the Common Expenses of the Association, cause to be kept and maintained during the whole term of this Sublease a policy of comprehensive general liability insurance in accordance with the terms of the Declaration. When and if requested by Sublessor, Sublessee agrees to obtain additional liability insurance covering such risks and in amounts as may be reasonably required by Sublessor.

12. SUBLESSOR PAYING CLAIMS.

Should Sublessee fail or refuse to pay any tax, assessment or other charge upon any portion of the Condominium of Sublessee, when due and payable as provided herein, or any lien or claim arising out of the construction, repair, restoration, maintenance and use of said Condominium, or any other claim, charge or demand which Sublessee has agreed to pay under the covenants of this Sublease, and if after ten (10) days written notice from Sublessor to Sublessee and to his authorized encumbrancer, if any, Sublessee or said encumbrancer shall fail or refuse to pay and discharge the same, then Sublessor may, at its option, pay such tax, assessment, lien, claim, charge or demand, or settle or discharge any action therefor or judgment thereon. All costs, expenses and other sums incurred or paid by Sublessor in connection therewith shall be repaid to Sublessor by Sublessee upon written demand, together with interest thereon at the rate of ten percent (10%) per annum from the date of payment until repaid, and any default in such repayment shall constitute a breach of the covenants and conditions of this Sublease.

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13. ASSIGNMENT.

In the limitations herein expressed, Sublessee is hereby given the right to assign Sublessee's interest in and to this Sublease as a whole to a bona fide assignee without the prior written consent of Sublessor. No assignment shall be valid and effective if Sublessee or any of his successors or assigns shall at the time of assignment be in default hereunder. In no event shall this Sublease or any right hereunder be assigned separate and apart from Sublessee's interest in the improvements conveyed herewith. Any attempt at such assignment whether voluntary or involuntary, shall be void and of no effect whatsoever. Provided that the foregoing provisions of this Paragraph have been complied with, Sublessee may assign this Sublease as a whole, so long as: (a) Sublessee or any of Sublessee's successors or assigns shall not be in default hereunder at the time of the proposed assignment; (b) the proposed transferee shall covenant with Sublessor in writing to keep, perform and be bound by each and all of the covenants and conditions of this Sublease to be kept and performed herein by Sublessee; (c) there shall have first been delivered to Sublessor a copy of a proposed Assignment and Assumption of Sublease and Grant Deed of Improvements, executed by the Sublessee and the proposed assignee, in a form substantially as set forth in Exhibit "B" attached hereto and incorporated herein by this reference; (d) the Sublessee or assignee shall pay to Sublessor a transfer fee of Fifty Dollars (\$50.00); and (e) the transferor or transferee shall furnish to Sublessor free of expense to Sublessor a copy of a policy of title insurance showing that all interests so assigned (including Sublessor's interest therein) are free and clear of all mechanics' and materialmen's liens as of the date of said assignment.

Notwithstanding any of the foregoing provisions of this Paragraph there shall be no assignment of this Sublease without the prior written consent and approval of Sublessor, until such time as the structure housing the Unit comprising a portion of the Subleased Property has been constructed on the Project or until an encumbrancer has made a Subleasehold loan on the Condominium and taken an assignment of Sublessee's interest under this Sublease pursuant to the provisions of Paragraph 14 hereof, as the case may be. There shall be no assignment of this Sublease except in accordance with the provisions of this Paragraph, and any attempted assignment not in accordance with these provisions shall be ineffective for all purposes and confer no rights on any person. Upon the occurrence and compliance by Sublessee or waiver by Sublessor of each and every one of the foregoing conditions, Sublessee shall have no further rights, interests, duties or obligations under or with respect to this Sublease arising after the effective date of such assignment, and the assignee under said assignment shall be entitled to all of the rights provided for hereunder. The provisions of this Paragraph 13 shall be binding upon Sublessee and its successors and assigns.

14. ENCUMBRANCES.

A. Encumbrance of Sublessee's Estate by Sublessee.

(1) Sublessee shall have the right, without Sublessor's prior written consent, to encumber the subleasehold estate created by this Sublease by a mortgage, deed of trust or other security instrument, including, without limitation, an assignment of the rents, issues and profits from the Subleased Property and improvements thereon, to secure repayment of any loan, and associated obligations to Sublessee from an institutional lender (which, for purposes hereof, shall mean any national or state bank, foreign bank agency licensed in California, federal or state savings and loan association, trust company, insurance company, educational institution, pension, retirement, or welfare fund, charitable foundation, or real estate investment trust), upon the condition that all rights acquired under any such Subleasehold Mortgage shall be subject to each and all of the covenants, conditions and restrictions set forth in this Sublease, and to all rights and interests of Sublessor herein, except as expressly provided herein. If Sublessee shall mortgage this subleasehold, or any part or parts thereof, any holder of a Subleasehold Mortgage shall send to Sublessor a true copy thereof, together with written notice specifying the name and address of any such holder and the pertinent recording date with respect to such Subleasehold Mortgage.

(2) As used herein, "Subleasehold Mortgage" shall mean any mortgage, deed of trust or other security instrument, including, without limitation, an assignment of the rents, issues and profits from the Subleased Property and the improvements thereon, which constitutes a lien on the subleasehold estate created by this Sublease and "Lender" shall mean the owner and holder of a Subleasehold Mortgage.

(3) In the event of any conflict between the provisions of this Sublease and the provisions of any Subleasehold Mortgage, the provisions of this Sublease shall control.

(4) Upon and immediately after the recording of a Subleasehold Mortgage, Sublessee, at Sublessee's expense, shall cause to be recorded in the office of the Recorder of Orange County, California, a written request of Sublessor (Sublessee agreeing to execute and acknowledge such a request for a copy of any notice of default and of any notice of sale under the Subleasehold Mortgage as provided by the statutes of the State of California relating thereto).

(5) If Sublessee, or Sublessee's successors or assigns, shall mortgage this Sublease in compliance with the provisions herein, then so long as any such mortgage shall remain unsatisfied of record, Sublessor, upon serving upon Sublessee any notice of default pursuant to the provisions hereof, or any other notice under the provisions of or with respect to this Sublease, shall also serve simultaneously, in the same manner provided herein for the service of notice on Sublessee, a copy of such notice upon Lender at the address specified in the notice submitted to Sublessor pursuant to subparagraph (1) above, and no notice by Sublessor to Sublessee hereunder shall be deemed to have been duly given unless and until a copy thereof has been so served upon Lender.

(6) During the continuance of any Subleasehold Mortgage and until such time as the lien of any Subleasehold Mortgage has been extinguished:

(a) Sublessor shall not agree to any mutual termination nor accept any surrender of this Sublease, nor shall Sublessor consent to any amendment or modification of this Sublease, without the prior written consent of Encumbrancer;

(b) Notwithstanding any default by Sublessee in the performance or observance of any agreement, covenant or condition of this Sublease on the part of Sublessee to be performed or observed, Sublessor shall have no right to terminate this Sublease or to re-enter without termination unless an event of default shall have occurred and be continuing. Sublessor shall have given Lender written notice of such event of default, and Lender shall have failed to remedy such default or acquire Sublessee's subleasehold estate created hereby or commence foreclosure or other appropriate proceedings in the nature thereof, all as set forth in, and within the time specified by, this Sublease;

(c) Lender shall have the right, but not the obligation, at any time prior to termination of this Sublease and without payment of any penalty, to pay all of the rents due hereunder, to effect any insurance, to pay any taxes and assessments, to make any repairs and improvements, to do any other act or thing required of Sublessee hereunder, and to do any act or thing which may be necessary and proper to be done in the performance and observance of the agreements, covenants and conditions hereof to prevent termination of this Sublease. All payments so made and all things so done and performed by Lender shall be as effective to prevent a termination of this Sublease as the same would have been if made, done and performed by Sublessee instead of by Lender.

(d) Should any event of default under this Sublease occur, Lender shall have sixty (60) days after receipt of notice from Sublessor setting forth the nature of such event of default and, if the default is such that possession of the Subleased Property and the improvements thereon may be reasonably necessary to remedy the default, a reasonable time after the expiration of such sixty (60) day period, within which to remedy such default, provided that (i) Lender shall have fully cured any default in the payment of any monetary obligations of Sublessee under this Sublease within such sixty (60) day period and shall continue to pay currently such monetary obligations as and when the same are due and (ii) Lender shall have acquired Sublessee's subleasehold estate created hereby or commenced foreclosure or other appropriate proceedings in the nature thereof within such period, or prior thereto, and is diligently prosecuting any such proceedings. All rights of Sublessor to terminate this Sublease, or to re-enter the Subleased Property without termination of this Sublease, as the result of the occurrence of any such event of default shall be subject to, and conditioned upon such event of default and Lender having failed to remedy such default or acquire Sublessee's leasehold estate created hereby or commence foreclosure or other appropriate proceedings in the nature thereof as set forth in and within the time specified by this subparagraph.

(e) Any event of default under this Sublease which in the nature thereof cannot be remedied by Lender, including but not limited to the bankruptcy or insolvency of, or appointment of a receiver for, the Sublessee, shall be deemed to be remedied if (i) within sixty (60) days after receiving written notice from Sublessor setting forth the nature of such event of default or prior thereto, Lender shall have acquired Sublessee's subleasehold estate created hereby or shall have commenced foreclosure or other appropriate proceedings in the nature thereof, (ii) Lender shall diligently prosecute any such proceedings to completion, and (iii) Lender shall have fully cured any default in the

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payment of any monetary obligations of Sublessee hereunder which do not require possession of the Subleased Property within such sixty (60) day period shall thereafter continue to faithfully perform all monetary obligations which do not require possession of the Subleased Property, and after gaining possession of the Subleased Property Lender performs all other obligations of Sublessee hereunder as and when the same are due;

(f) If Lender is prohibited by any process or injunction issued by any court or by reason of any action by any court having jurisdiction of any bankruptcy or insolvency proceeding involving Sublessee from commencing or prosecuting foreclosure or other appropriate proceedings in the nature thereof, the times specified in subparagraphs (b) (4) and (6) (a) above for commencing or prosecuting such foreclosure or other proceedings shall be extended for the period of such prohibition; provided that Lender shall have fully cured any default in the payment of any monetary obligations of Sublessee under this Sublease and shall continue to pay currently such monetary obligations as and when the same fall due;

(g) Foreclosure of a Subleasehold Mortgage, or any sale thereunder, whether by judicial proceedings or by virtue of any power contained in the Subleasehold Mortgage, or any conveyance of the subleasehold estate created hereby from Sublessee to Lender through, or in lieu of, foreclosure or other appropriate proceedings in the nature thereof shall not require the consent of Sublessor or constitute a breach of any provision of or a default under this Sublease, and upon such foreclosure, sale or conveyance Sublessor shall recognize Lender, or any other foreclosure sale purchaser, as Sublessee hereunder. In the event Lender becomes Sublessee under this Sublease or under any new sublease obtained pursuant to subparagraph (h) below, Lender shall be personally liable for the obligations of Sublessee under this Sublease or such new sublease only for the period of time that Lender remains Sublessee thereunder. Notwithstanding anything contained in the body of this Sublease, Lender's right thereafter to assign this Sublease or such new sublease or to sublease the Subleased Property and the Improvements thereon under this Sublease or such new sublease shall not be subject to any restriction; provided that any assignee shall take the subleasehold estate subject to all the covenants and conditions herein contained in the part of Sublessee to be kept observed and performed, and shall, as a condition of such assignment, assume and agree to perform all such obligations, covenants and conditions of Sublessee hereunder. In the event Lender subsequently assigns or transfers its interest under this Sublease after acquiring the same by foreclosure or deed in lieu of foreclosure or subsequently assigns or transfers its interest under any new sublease obtained pursuant to subparagraph (h), and in connection with any such assignment or transfer Lender takes back a mortgage or deed of trust encumbering such subleasehold interest to secure a portion of the purchase price given to Lender for such assignment or transfer, then such mortgage or deed of trust shall be considered a Subleasehold Mortgage as contemplated under this Sublease and Lender shall be entitled to receive the benefit of and enforce the provisions of this Sublease intended for the benefit of the holder of a Subleasehold Mortgage;

(h) Should Sublessor terminate this Sublease by reason of any default by Sublessee hereunder, Sublessor shall, upon written request by Lender given within sixty (60) days after such termination, immediately execute and deliver a new sublease of the Subleased Property to Lender, or its nominee, purchaser, assignee or transferee, for the remainder of the term of this Sublease with the same agreements, covenants and conditions (except for any requirements which have been fulfilled by Sublessee prior to termination) as are contained herein and with priority equal to that heretofore provided, however, that Lender shall promptly cure any defaults of Sublessee susceptible to cure by Lender, and provided further that if more than one Lender requests such new sublease, the Lender holding the most senior Subleasehold Mortgage shall prevail. Upon execution and delivery of such new sublease, title to the improvements on the Subleased Property shall vest in the new sublessee, and Sublessor, at the expense of the new sublessee, shall take such action as shall be necessary to cancel and discharge this Sublease and to remove Sublessee named herein from the Subleased Property.

(i) Notwithstanding anything contained herein, if for any reason this Sublease and the subleasehold estate of Sublessee hereunder is terminated by Sublessor by summary proceedings or otherwise in accordance with the terms of this Sublease, Sublessor covenants and agrees that:

(a) Such termination of this Sublease shall not result in a termination of any sublease affecting the Subleased Property;

(b) All subleases shall continue for the duration of their respective terms and any extensions thereof as a direct sublease between Sublessor hereunder and the sublessee thereunder, with the same force and effect as if Sublessor hereunder had originally entered into such sublease as Sublessor thereunder (subject, however, to the prior right of the holder of any Subleasehold Mortgage);

(c) Any sublessee shall not be named or joined in any action or proceeding by Sublessor under this Sublease to recover possession of the Subleased Property or for any other relief. Sublessor shall, upon request, execute, acknowledge and deliver such agreements evidencing and agreeing to the foregoing as each sublessee shall require.

(6) If Sublessor shall become the holder of any mortgage or deed of trust on any portion of the Condominium granted by this Sublease, or if Sublessor shall acquire said Condominium or any part thereof, or if Sublessee shall acquire the fee simple title or any other fee simple estate in the Subleased Property, or if the holder of any mortgage or deed of trust on the Condominium of Sublessee acquires the fee simple title to any portion of the Subleased Property (while such mortgage or deed of trust is in existence and operative on said Condominium), no merger of any estates in said Condominium shall occur and all estates shall always be kept separate and distinct throughout the term of this Sublease.

B. Encumbrance of Sublessor's Estate by Sublessor.

During the term of this Sublease, Sublessor shall have the right or power to mortgage or otherwise create a security interest affecting the Sublessor's interest in the Subleased Property, and to renew, modify, replace, extend or refinance such mortgage, subject, however, to the following:

(1) All rights acquired under any such mortgage shall be subject and subordinate to (i) the rights and interest of Sublessee under this Sublease, the covenants, conditions and restrictions set forth herein and the subleasehold estate created by this Sublease; (ii) the rights and interests of any sublessee or assignee permitted hereunder; and (iii) the rights of any Lender.

(2) The holder of such mortgage shall not be deemed a "Lender," and such mortgage shall not be deemed a "Subleasehold Mortgage," as such terms are defined in this Sublease. The holder of such mortgage shall not in the exercise of any of its rights arising or which may arise out of such mortgage, or any instrument modifying or amending the same or entered into in substitution or replacement thereof, disturb or deprive Sublessee or any sublessee or assignee permitted hereunder in or of its possession or its right to possession of the Subleased Property or of any part thereof under this Sublease or any permitted sublease, or any right or privilege created for or accruing, provided this Sublease is then in full force and effect.

(3) In the event of a default under such mortgage, and if this Sublease shall immediately prior to such default be in full force and effect, then, and in such event, Sublessee shall not be made a party in any action or proceeding to foreclose said mortgage, nor shall Sublessee or any sublessee or assignee permitted hereunder be evicted or removed or its possession or right to possession be disturbed or in any manner interfered with, and this Sublease shall continue in full force and effect as a direct sublease from the holder of the said mortgage to Sublessee under the terms and provisions of this Sublease.

(4) Any such mortgage shall provide that the holder of such mortgage, upon serving Sublessor with any notice under such mortgage will simultaneously serve a copy of such notice upon Sublessee, and no notice by the holder of such mortgage to Sublessor shall be deemed to have been duly given unless and until a copy thereof has been so served upon Sublessee.

(5) Sublessor shall, upon request, execute, acknowledge and deliver to Sublessee, an agreement, prepared at the sole cost and expense of Sublessor and in a form satisfactory to Sublessee, between Sublessor, Sublessee and the holder of such mortgage, agreeing to all of the provisions of this subparagraph.

15. NONREMOVAL AND REVERSION OF IMPROVEMENTS.

Sublessee and Sublessor hereby acknowledge that legal title to the improvements, including without limitation the residential structures situated upon the Project, is vested in and held by Sublessee and other Unit Owners in the Project. Notwithstanding the foregoing, all improvements, excluding removable personal property, if any, on the Subleased Property shall remain on the Subleased Property after the termination of this Sublease and shall thereupon become the property of Sublessor without the payment of any consideration therefor. The term "removable personal property" as used in this Paragraph shall not include property which normally would be attached or fixed to the improvements or any portion of the Subleased Property in such a way that it would become a part of the realty, regardless of whether such

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property is to be placed in or on or affixed or attached to the improvements on any portion of the Subleased Property in such a way as to legally retain the characteristics of personal property. Sublessee expressly waives the provisions of Section 1013.5 of the California Civil Code, pertaining to improvements affixed to land by any person acting in good faith, under mistake of law or fact. Upon the expiration of the term hereof, or any sooner termination of this Sublease, Sublessee shall execute, acknowledge and deliver to Sublessor, upon request, a proper instrument in writing releasing and quitclaiming to Sublessor all right, title and interest of Sublessee in and to any and all portions of the Subleased Property and the Improvements. Sublessee shall not remove any property from, upon, or within the Condominium of Sublessee or upon the Project contrary to the provisions of the Declaration.

16. PLACE OF PAYMENTS AND NOTICES.

All rents and other sums payable by Sublessee to Sublessor hereunder shall be paid to _____ Whenever either party hereto desires to give written notice to the other respecting this Sublease, such notice, if not personally delivered to Sublessor, or to Sublessee, shall be sent by certified or registered mail, with postage prepaid and directed to Sublessor at its business address at _____, and directed to Sublessee at _____ or such other address designated by Sublessee to Sublessor in writing. The service of any such written notice shall be deemed complete at the time of such personal delivery or within three(3) days after the mailing thereof as herein provided. Should Sublessee consist of more than one person, the personal delivery or mailing of such notice to any one of such persons shall constitute complete service upon all such persons. Any notice provided herein to be given by Sublessor to any Lender shall be served in the same manner as provided in this Paragraph 16, and shall be delivered to Lender or sent to its address as last shown on the records of Sublessor.

17. REMEDIES UPON DEFAULT.

Should Sublessee default in the payment of any installment of rent, tax, assessment, lien, claim, expense or any other sum provided in this Sublease to be paid by Sublessee at the time and in the manner herein specified, or should Sublessee default in the performance of or breach any other covenant, condition or restriction provided in this Sublease to be kept or performed by Sublessee, and should such default or breach continue uncured for a period of ninety(90) days from and after service of written notice thereof by Sublessor to Sublessee, then and in any such event, Sublessor, at its option, subject to the rights of any Lender as set forth in Paragraph 14 hereof, shall have the following remedies:

A. Without barring later election of any other remedy, Sublessor without taking possession of Sublessee's interest in the Condominium of Sublessee may require strict performance of all covenants and obligations hereof as the same shall respectively accrue and shall have the right of action therefor.

B. Sublessor may at its option terminate or cancel this Sublease by giving Sublessee written notice of such termination or cancellation. Upon such termination or cancellation of this Sublease, Sublessor shall thereafter, pursuant to the provisions of this Paragraph, offer for sale such Condominium for a term equivalent to the balance of the unexpired term of this Sublease, subject to the same terms and conditions as set forth in this Sublease and subject to the same rights of any Lender as set forth in Paragraph 14 hereof. Upon such termination or cancellation of this Sublease the portion of the improvements conveyed to Sublessee herein shall automatically and immediately become the property of Sublessor without payment of any consideration therefor. Prior to such sale, Sublessor shall give to Sublessee twenty (20) days prior, written notice of the time and place of sale in the manner provided in Paragraph 16 of this Sublease. Sublessor will post a notice of sale on the Condominium setting forth the time and place of sale at least twenty(20) days prior to such sale. Sublessor shall further cause a notice setting forth the time and place of such sale to be published at least once, not less than ten(10) days prior to the sale, in a newspaper of general circulation in Orange County, California. Thereafter, the sale of said Condominium shall be held in conformance with the notice of time and place of sale and the sale shall be confirmed to the highest bidder. Sublessor shall have the right to bid at such sale. Upon any such sale, Sublessor shall deduct from the monies derived therefrom the following:

- (1) The cost of any alteration, repairs, maintenance or redecoration of the Unit comprising a portion of the Condominium;
 - (2) All costs of such sale including, without limitation, advertising costs, administrative overhead, commissions and reasonable attorneys' fees incurred; and
 - (3) An amount equal to all delinquent rents, taxes, assessments and other charges accruing under the Sublease to the date of sale with interest thereon and any other legitimate charges against said Condominium or due Sublessor under this Sublease.
- The then remaining balance of the proceeds from such sale, if any, shall be paid over to Sublessee or persons entitled thereto.

C. Without barring later election of any other remedy, Sublessor shall have the right, upon any abandonment of such Condominium by Sublessee, without notice to Sublessee or any subtenant, to enter into the Unit on account of Sublessee and to remove all unauthorized persons and all property therefrom. No such re-entry by Sublessor, whether with or without legal process or through unlawful detainer proceedings or otherwise, unless Sublessor shall in writing otherwise notify Sublessee, shall terminate this Sublease or release Sublessee from any of Sublessee's obligations or liabilities hereunder, whether accruing prior to or subsequent to such acts by Sublessor, but Sublessor shall have in such event all of the rights and remedies given it by law and under the provisions of this Sublease. Sublessor may, at its option, relet the Condominium or any part thereof for the account of Sublessee, and in that event may relet the Unit and Sublessee's interest in the Common Areas, or any part thereof, including the improvements, at such rental and upon such terms and conditions as it may deem proper, for any term within or beyond the then unexpired term of this Sublease. Sublessee shall be liable for any difference between the aggregate of the unpaid sums herein accrued and hereafter to accrue under the terms of this Sublease, and the net amounts actually realized through such reletting to the date of the expiration of this Sublease, after deducting brokers' commissions, taxes, insurance, maintenance and all other damages of Sublessor, including any expenses incurred for repairs, alterations or remodeling which are reasonably incurred in order to effect such reletting.

Any termination or cancellation of this Sublease as herein provided shall not relieve Sublessee from payment of any sum or sums that shall then be due and payable to Sublessor hereunder, or any claim for damages then or thereafter accruing against Sublessee hereunder and any such termination or cancellation shall not prevent Sublessor from enforcing the payment of any such sum or sums or claim for damages by any remedy provided by law. All rights, actions and remedies of Sublessor contained in this Sublease shall be construed and held to be cumulative and no one of them shall be exclusive of the other. Sublessor shall have the right to pursue any one or all of such remedies or any other remedy or relief which may be provided by law, including, without limitation, the remedies available under California Civil Code Sections 1951, 1951.2, 1951.3, 1951.4, 1951.7, 1951.8 and 1952, inclusive, whether or not stated in this Sublease. No waiver by Sublessor of a breach of any term, covenant or condition of this Sublease by Sublessee shall operate to extinguish the term, covenant or condition the breach of which was waived, or be construed or held to be a waiver of Sublessor's right to declare a forfeiture for any succeeding or preceding breach of the same or any other term, covenant or condition herein contained. In the event that any action shall be instituted by Sublessor for the enforcement of any of its rights or remedies in and under this Sublease or as granted by law, and if judgment in favor of Sublessor shall be recovered therein, Sublessee agrees to pay to Sublessor all costs incurred by Sublessor in said action, including attorneys' fees to be fixed by the Court therein, as further provided in Paragraph 23 of this Sublease.

18. RECEIVER AND INSOLVENCY.

Either (a) the appointment of a receiver to take possession of all or substantially all of the assets of Sublessee, which receiver is not removed within thirty (30) days of such appointment, except for a receiver appointed at the instance of Sublessor to take possession of Sublessee's interest in the Condominium of Sublessee, and to collect rents or profits derived therefrom; (b) a general assignment by Sublessee for the benefit of creditors; or (c) any action taken or suffered by Sublessee under any arrangement, insolvency or bankruptcy act or proceeding, which is not dismissed in Sublessee's favor within thirty(30) days after commencement thereof, shall constitute a breach of this Sublease and Sublessor may, at its option, and subject to the rights of an encumbrancer under Paragraph 14 hereof, terminate this Sublease with notice to Sublessee and proceed in accordance with the provisions of Paragraph 17 of this Sublease. No assignment of this Sublease or of any part thereof or any right or interest therein involuntarily or by bankruptcy or by operation of law shall be effective or valid, and any such attempted assignment shall constitute a breach of this Sublease for which Sublessor may, at its option, and subject to the rights of a Lender, as set forth in Paragraph 14 hereof, terminate this Sublease as provided herein.

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19. REPRESENTATION.

Sublessee covenants and agrees that it has examined the Condominium conveyed by this Sublease and that the same is delivered to it in good order and condition and that no representations as to such Condominium have been made by Sublessor, Grantor or by any person or agent acting for Sublessor or Grantor, and it is agreed that this document and the Declaration referenced herein contains the entire agreement between the parties hereto and that there are no verbal agreements, representations, warranties or other understandings affecting the same.

20. HOLDING OVER.

This Sublease shall terminate and become null and void without further notice upon the expiration of the term hereof. Any holding over shall not constitute a renewal hereof or give Sublessee any rights in or to the Project, it being understood and agreed that this Sublease cannot be renewed, extended or in any manner modified except in accordance with this instrument and by a writing signed by all parties hereto. Upon the end of said term or earlier termination of this Sublease, Sublessee shall peacefully deliver up and surrender to Sublessor possession of the Condominium conveyed herewith in accordance with the provisions of Paragraph 15 of this Sublease, in good repair, order and condition, except for reasonable wear and tear and except as otherwise expressly provided herein.

21. EMINENT DOMAIN.

A. The words "condemnation" or "condemned" as used in this Paragraph or elsewhere in this Sublease shall mean the exercise of, or intent to exercise, the power of eminent domain expressed in writing, as well as the filing of any action or proceeding for such purpose, by any person, entity, body, agency or authority having the right or power of eminent domain (the "condemning authority"), and shall include a voluntary sale to any such condemning authority, either under the threat of condemnation or while condemnation proceedings are pending, and the condemnation shall be deemed to occur in point of time upon the actual physical taking of possession by the condemning authority.

B. In the event the Condominium of Sublessee, or any part thereof, is condemned, the board of directors of the Association shall be entitled to and shall receive the total amount of any award made with respect thereto, regardless of whether the award is based on a single award or a separate award as between the respective parties. If and to the extent that any such award or awards shall be made to Sublessee or to any person claiming through or under Sublessee, Sublessee hereby irrevocably assigns to the board of directors all of its right, title and interest in and to any and all awards, for disbursement to Sublessee and its Lender, in accordance with the provisions of the Declaration. In no event shall the amount payable to or for the benefit of Sublessee exceed the appraisal of the condemning authority or judgment, if any, with respect to the value of the Condominium of Sublessee, provided, however, that such amount shall not be less than the unpaid balance (as of the effective date of the taking) of the indebtedness secured by a first Subleasehold Mortgage. For a Lender to be entitled to the benefit of this subparagraph, it shall be a bank, savings and loan association, insurance company, real estate investment trust, or pension or profit sharing trust subject to Federal or State regulations, and shall have made its loan on the basis of no more than 90% of the value of the Condominium or portion thereof which is security for the loan.

C. The rights of Sublessor, Sublessee and their mortgagees, if any, with respect to any condemnation awards shall be governed by the provisions of the Declaration.

D. Sublessee shall further have the right to claim and recover from the condemning authority, but not from Sublessor, such compensation as may be separately recoverable by Sublessee in Sublessee's own right for any damages to Sublessee for any cost or loss to Sublessee in siting any portion of the improvements on the Condominium of Sublessee or in removing and relocating Sublessee's property and fixtures from the Condominium of Sublessee by reason of such taking, so long as such action or the payment of such compensation shall not affect or diminish the compensation payable to Sublessor as hereinbefore provided. The taking or condemnation of any portion of the Condominium conveyed herewith, for a term which is less than the then remaining unexpired term of this Sublease shall not excuse Sublessee from full performance of Sublessee's covenants and obligations hereunder for the payment of money, but Sublessee, in such event, shall be entitled to claim and recover from the condemning authority for itself and for the benefit of any encumbrancer, any damage sustained by the Sublessee by reason of such taking.

E. If during the term of this Sublease there is a "total taking" or a "substantial taking" (as such terms are defined in the Master Lease) of the Project, this Sublease shall terminate as of the date actual physical possession of the Project shall be taken by the condemning authority.

F. If there is a "partial taking" (as such term is defined in the Master Lease) of a portion of the Project, which portion includes all of the Condominium of Sublessee, or so much of the Condominium of Sublessee as to prevent or substantially impair the use of the Condominium by Sublessee as a single-family residence, this Sublease shall terminate as of the date actual physical possession of all or such part of the Condominium of Sublessee is taken by the condemning authority. If such a partial taking does not include the Condominium of Sublessee but not so much as to prevent or substantially impair the use of the Condominium by Sublessee as a single-family residence, this Sublease shall remain in full force and effect.

G. If this Sublease is terminated pursuant to this Paragraph, all rentals or other payments payable by Sublessee shall be paid up to the date of termination and the parties shall thereafter be released from all further liability in relation thereto.

22. RENTAL ADJUSTMENT.

Upon expiration of the fifteenth (15th) year of the term of this Sublease, the basic monthly rental hereunder shall be increased by an amount equal to ten percent (10%) of the basic monthly rental hereunder multiplied by fifteen (15). Upon expiration of every fifth (5th) year thereafter, the basic monthly rental hereunder shall be increased by an amount equal to ten percent (10%) of the then existing basic monthly rental hereunder multiplied by five (5).

23. SUBLESSOR'S COST AND EXPENSES.

At any time during the term of this Sublease the Association shall fail or cease to maintain the Common Areas in Phase 2, or to perform its obligations as set forth in the Declaration, Sublessor may, at its option, assume the performance of all or a portion of the services of the Association in such basic rental provided for in Paragraph 4 hereof, an amount equal to one-sixtieth (1/60) of Sublessor's costs of the maintenance and operation of the Common Areas in Phase 2 and services, including the fee of a management agent or a reasonable fee charged by Sublessor for its services in management and operation of the Common Areas in Phase 2. Said costs shall be determined annually from the financial records of Sublessor, which records shall be conclusive for the purposes of this Paragraph. Sublessee's share of said annual costs shall be paid by Sublessee to Sublessor within thirty (30) days after written notice thereof by Sublessor to Sublessee, and any default in the payment thereof shall constitute a breach of the covenants herein and a default under the conditions of this Sublease. Sublessee shall further pay to Sublessor on demand all costs and expenses including reasonable attorneys' fees incurred by Sublessor in enforcing any of the covenants and conditions herein contained, in remedying any breach by Sublessee of said covenants and conditions, in recovering possession of the Condominium conveyed herewith, in collecting delinquent rent, taxes and other charges hereunder payable by Sublessee or in connection with any litigation (other than condemnation proceedings) commenced by or against Sublessee to which Sublessor without fault on its part shall be made a party.

24. ATTORNEY.

If Sublessor defaults under the provisions of the Master Lease or under the provisions of any leasehold mortgage, Sublessee shall upon receipt of notice of such default, attorney and make Sublessee's rental payments hereunder to the lessor under the Master Lease or the holder of each leasehold mortgage, as applicable.

25. CONSTRUCTION AND EFFECT.

Acceptance of rent by Sublessor or its agent shall not be deemed a waiver by Sublessor of any covenants herein contained or of Sublessor's right of re-entry for breach of condition. No approval or consent by Sublessor required by any provision of this Sublease shall be capriciously or unreasonably withheld. Any provision of this Sublease determined to be invalid by a court of competent jurisdiction shall in no way affect any other provision hereof. This is the essence of this Sublease. The paragraph headings herein are used only for the purpose of

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convenience shall not be deemed to limit the subject of the paragraphs hereof or to be considered in the construction thereof. Each and all of the covenants, conditions and restrictions of this Sublease shall be deemed as running with the land and shall inure to the benefit of the parties binding upon and enforceable against, as the case may require, the successors and assigns of Sublessor, and subject to the restrictions of Paragraphs 13 and 14 hereof, the heirs, executors, legal representatives, encumbrancers, assignees, successors and subtenants of Sublessee. Except as otherwise expressly provided herein, any amount due from Sublessee not paid when due shall bear interest at ten percent (10%) per annum from the date due. Payment of such interest shall not excuse or cure any default by Sublessee under this Sublease. If Sublessee consists of more than one person, the covenants and obligations of Sublessee hereunder shall be the joint and several covenants and obligations of such persons. Except as otherwise expressly provided herein, all capitalized terms used in this Sublease shall have the same meanings as are given such terms in the Declaration. In this Sublease the masculine gender includes the feminine and neuter, and in the singular number includes the plural, whenever the context so requires. This Sublease shall be construed according to the laws of the State of California.

26. SUBLEASE SUPERSEDED.

The Sublease dated May 2, 1981, covering the Subleased Property and other real property, between Sublessor and Grantor ("Development Sublease") a short form of which was dated May 5, 1981, and recorded on May 7, 1981, in Book 14049, Pages 1202 et seq. of Official Records of Orange County, California, and any amendments thereto, are hereby cancelled pursuant to Paragraph 23 of the Development Sublease, only insofar as the Development Sublease affects the Condominium conveyed herewith, and to that extent the Development Sublease is superseded in this Sublease.

27. INCIDENTS OF CONDOMINIUM OWNERSHIP.

Except as otherwise provided herein, Sublessee shall at all times during the term of this Sublease be deemed to be the Unit Owner of the Condominium conveyed herewith for all purposes of the Declaration and By-laws of the Association and shall have all rights, privileges, duties and obligations of such Unit Owner, including without limitation, membership and vote in the Association; provided, however, that any vote or other action of Sublessee with respect to construction or reconstruction of the improvements, partition of the Project, amendment to the Declaration or By-laws of the Association, appointment of the managing agent, or any other matter as to which this Sublease requires the approval or consent of Sublessor, shall be effective only upon such prior approval or consent in writing. In the event of the sale, voluntary or involuntary transfer, or assignment of Sublessor's interest in the Condominium conveyed herewith, the same shall operate to release Sublessor from any future obligations upon any of the covenants or conditions express or implied, herein contained in favor of Sublessee, and in such event Sublessee agrees to look solely to the responsibility of the successors in interest of Sublessor, and Sublessee will attorn to Sublessor's successor in interest and recognize such successor as the Sublessor under this Sublease.

28. ESTOPPEL CERTIFICATE.

A. A party hereto ("certifying party") shall at any time upon no less than ten (10) days' prior written notice from the other party ("requesting party") execute, acknowledge and deliver to the requesting party a statement in writing (i) certifying that this Sublease is unmodified and in full force and effect, or, if modified, stating the nature of such modifications and certifying that this Sublease, as so modified, is in full force and effect and the date to which the rent and other charges are paid in advance, if any, and (ii) acknowledging that there are not, to the knowledge of the certifying party, any uncured defaults on the part of the requesting party hereunder, or specifying such defaults if any are claimed. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the interest of the requesting party in the Subleased Property.

B. Certifying party's failure to deliver such statement within such time shall be conclusive upon the certifying party (i) that this Sublease is in full force and effect, without modification except as may be represented by the requesting party, (ii) that there are no uncured defaults in the requesting party's performance, and (iii) that not more than one month's rent has been paid in advance.

C. If Sublessor desires to finance, refinance or sell Sublessor's interest in the Subleased Property, or any part thereof, Sublessee hereby agrees to deliver to any prospective lender or purchaser designated by Sublessor such financial statements of Sublessee as may be reasonably required by such lender or purchaser. All such financial statements shall be received by Sublessor in confidence and shall be used only for the purposes herein set forth.

The parties have executed this Sublease of Condominium and Grant Deed of Improvements, to be effective as of the day and year of recording of this instrument or a short form memorandum thereof.

"Sublessor"

"Sublessee"

CAL FED ENTERPRISES, a
California Corporation

By: _____

Its _____

"Grantor"

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GROUND LEASE

This Ground Lease ("Lease") is made this 1st day of August, 1979, by and between JESSIE M. DUC, a widow, EUGENE DUC, a married man and CHARLOTTE KIRCHEN, a single woman (collectively "Lessor") and FRANK WOOLSEY and CHARLES L. HERMANSEN (collectively "Lessee").

W I T N E S S E T H

I. In consideration of the rent hereinafter to be paid by Lessee and of the performance by Lessee of all the covenants, conditions and agreements herein contained to be kept and performed by Lessee, Lessor does hereby lease unto Lessee, and Lessee leases from Lessor that certain real property (the "Property"), situated in the City of Huntington Beach, County of Orange, State of California, more particularly described as Parcel 1 on a Map filed on April 2, 1979, in Book 131, Page 34 of Parcel Maps, County of Orange, California.

II. Term

A. Initial Term.

The term of this Lease shall be for approximately forty-seven (47) years, commencing on the date hereof ("Commencement Date") and ending on August 31, 2026.

B. Option.

Lessee shall have the option and absolute right to extend the term of this Lease for an additional fifteen (15) years by giving written notice to that effect to Lessor no later than six (6) months prior to the expiration of the original term hereof.

C. Right of First Refusal to Lease on Expiration of Term.

In the event Lessor again decides to lease the Property at the expiration of the original lease term, or any extension thereof, Lessor shall give six (6) months notice ("Notice") in writing to Lessee to that effect. The Notice shall be given at least six (6) months before the expiration of the original lease term, or any extension thereof, and shall contain the terms of the new lease and the name and address of the proposed new lessee and may incorporate by reference provisions of this Lease. Lessee shall be entitled to accept the new lease on the terms contained in the Notice by giving written notice to that effect to Lessor within ninety (90) days after Lessee's receipt of the Notice. If Lessee fails to accept the new lease as provided herein, Lessor may lease the Property to any person, provided that the terms of any such lease must be no less favorable to Lessor than the terms disclosed in the Notice.

III. Rent, Other Payments, Security

A. Minimum Rent:

Lessee shall pay without abatement, deduction or off set, the following sums:

1. For the full term hereof as his minimum rent, the sum of Three Thousand and No/100 Dollars (\$3,000.00) per month, payable on the first day of each month, commencing on the first day of the month following the Commencement Date. Lessor acknowledges receipt of the minimum rent for the last two (2) months of the term hereof. Rent to be divided one-third (1/3rd) to JESSIE M. DUC, one-third (1/3rd) to EUGENE DUC, and one-third (1/3rd) to CHARLOTTE KIRCHEN.

B. Adjustments to Minimum Rent:

1. On May 1, 1981 and every fifth (5th) year thereafter, the minimum rent hereunder shall be increased by Two Hundred Seventy-Nine and 50/100 Dollars (\$279.50) per month.

2. Taxes.

(a) Lessee shall pay or cause to be paid, all real and personal property taxes, general and special assessments and other charges of every description levied on or set against the Property, improvements located on the Property, personal property on or in the land or improvements, the leasehold estate or any subleasehold estate, to the full extent of installments falling due during the term, whether belonging to or chargeable to Lessor or Lessee. Lessee shall make all such payments direct to the charging authorities at least ten (10) days before delinquency, and before any fine, interest or penalty shall become due or be imposed by operation of the law for their payment. If, however, the law expressly permits the payment of any or all of the above items in installments (whether or not interest accrues on the unpaid balance) Lessee may, at Lessee's election, pay the permitted installment with any interest before delinquency.

(b) Prorations.

All payments of taxes or assessments or both, shall be prorated for the year in which the Lease expires.

(c) Proof of Payment of Taxes.

Lessee shall furnish to Lessor at least seven (7) days before the date when any taxes, assessments or charges would become delinquent, receipts or other appropriate evidence of their payment. Lessee may comply with this

requirement by retaining a tax service to notify Lessor whether the taxes have been paid.

3. Utilities.

Lessee shall pay during the term hereof all charges for water, electricity, gas, sewers and telephone, and any and every other charge or expense incurred or payable in connection fees.

4. No Adjustment Diminishes Minimum Rent.

None of the adjustments to minimum rent shall be construed to diminish, nor apply towards minimum rent.

IV. Improvements

A. Condition of Use of Property-Lessor's Non-Responsibility/Notice to Lessor.

At least fifteen (15) days before any work of any kind to or for the benefit of the leasehold and before any work of construction, alteration or repair is commenced on the Property, and before any building materials have been delivered to the Property by Lessee or under Lessee's authority, Lessee shall notify Lessor in writing of the same. The notice shall specify the approximate location, cost and nature of the intended improvements and benefits. Lessor shall have the right to post and maintain on the Property notices of non-responsibility.

B. Conditions of Major Construction.

1. Place of Construction.

All improvements shall be constructed within the leasehold, provided that required work outside the leasehold on utilities, access and conditional use requirements shall be permitted. On completion of a work of improvement Lessee shall deliver to Lessor a copy of the plans and specifications for Lessor's use, if any, at the expiration of this Lease.

2. Completion Bond.

Before any major work of construction, alteration or repair is commenced on the leasehold, Lessee shall furnish Lessor a completion bond as herein described. The bond shall be that of a responsible Surety Company, licensed to do business in California in an amount not less than the cost of construction and shall remain in effect until the entire cost of the work shall have been paid in full and the new improvement shall have been insured as provided in this Lease. The bond shall state the following:

(a) That it is conditioned to secure the completion of the proposed construction free from all liens and claims of contractors, subcontractors, mechanics, laborers and material men;

(b) That the construction shall be effected by Lessee, the general contractor, or on their default, the Surety;

(c) That in default of such completion and payment, such part of the amount of the bond as shall be required to complete the work shall be paid to Lessor as liquidated damages for the non-performance of Lessee's agreements, it being agreed that the exact amount of Lessor's damages is difficult and impossible to ascertain;

(d) That the Surety will defend and indemnify Lessor against all loss, costs, damage, expense and liability arising out of or connected with the work of improvement.

3. Governmental Permits. Lessee shall comply with all applicable codes, ordinances, regulations and requirements for permits and approvals, including, without limitation, a grading permit, building permit, zoning and planning requirements, and approvals from various governmental agencies and bodies having jurisdiction.

4. Builder's Risk and Other Insurance.

Lessee shall deliver to Lessor: (1) certificates of insurance evidencing coverage for "builder's risk", (2) evidence of worker's compensation insurance covering all persons employed in connection with the work and with respect to whom death or bodily injury claims could be asserted against Lessor or the Property, and (3) evidence that Lessee has paid, or caused to be paid, all premiums for the coverage described above. Lessee shall maintain and keep in force all insurance above at all times during which such work is in progress.

5. Completion-Protection of Lessor Against Costs or Claims.

Lessee shall pay or cause to be paid the total cost and expense of all work of improvement, as that phrase is defined in Mechanics' Lien Law of the State of California. No such payments shall be construed as rent. Lessee shall not suffer or permit to be enforced against the Property or any part of it, any mechanics' or materialmen's lien arising from any work of improvement, however it may arise. However, Lessee may in good faith and at Lessee's own expense contest the validity of any such asserted lien, claim or demand, provided Lessee has furnished the bond required in California Civil Code Section 3143, (or any comparable statutes hereafter enacted for providing a bond freeing the Property from the effect of such a lien claim).

Lessee shall defend and indemnify Lessor against all liabilities and loss of any type arising out of work performed on the Property by Lessee, together with reasonable attorneys' fees and costs and expenses incurred by Lessor in negotiating, defending, settling or otherwise protecting against such claims.

6. Lessee's Right To Grant Easement.

Lessor grants to Lessee the right to grant to public entities or public service corporations, for the purpose of serving only the Property, rights of way or easements on or over the Property, for telephone, electricity, water, sanitary or storm sewers or both and for other utilities and municipal or special district services.

7. Dedication, Zone Changes, Variance.

The Property is now zoned R2. Lessee may apply for and obtain any zone changes and variances he may desire and the widening of either Heil Avenue or Bolsa Chica, or both, but all expenses, costs and fees shall be borne by Lessee. Lessor's only obligation hereunder is to join in the application and the dedication of land for the widening of Heil Avenue, but not to exceed twenty (20) feet, and the widening of Bolsa Chica, but not to exceed thirty (30) feet. No dedication will be made by Lessor at 16583 Bolsa Chica, which is already widened, nor for any other or additional location.

8. Diligent Prosecution to Completion.

Once the work is begun, Lessee shall with reasonable diligence prosecute to completion all construction, improvements, additions or alterations.

9. Lessor's Right to Discharge Lien.

If Lessee does not cause to be recorded the bond described in California Civil Code Section 3143 or otherwise protect the Property under any alternative or successor statute and a final judgment has been rendered against Lessee by a court of competent jurisdiction for the foreclosure of a mechanics' or materialmen's lien claim and if Lessee fails to stay the execution of the judgment by lawful means or to pay the

judgment, Lessor shall have the right but not the duty to pay, or otherwise discharge, stay or prevent the execution of any such judgment or lien or both. Lessee shall reimburse Lessor for all sums paid by Lessor under this paragraph together with all Lessor's reasonable attorney fees and costs, plus interest on those sums, fees and costs at the rate of ten percent (10%) per year from the date of payment until the date of reimbursement.

10. Notice of Completion.

On completion of any substantial work of improvement during the term Lessee shall file or cause to be filed a notice of completion. Lessee hereby appoints Lessor as Lessee's attorney in fact to file the notice of completion on Lessee's failure to do so after the work of improvement has been substantially completed.

11. Ownership at Termination.

Lessor disclaims any interest in, or ownership of, any improvements from time to time constructed, installed or placed by Lessee on the Property during the term of this Lease. All improvements on the leasehold at the expiration of the term or sooner termination of this Lease shall, without compensation to Lessee, then become Lessor's property, free and clear of all claims to or against them by Lessee or any third person. Lessee shall defend and indemnify Lessor against all liability and loss arising from such claim or from Lessor's exercise of the rights conferred by this paragraph.

V. Maintenance: Repairs, Alterations, Reconstruction

A. Lessee Required to Maintain the Property.

Throughout the term, Lessee shall, at no cost or expense to Lessor, maintain, or cause to be maintained, the Property and all improvements in first-class condition and repair and in accordance with all applicable laws, rule, ordinances,

orders and regulations of (1) federal, state, county, municipal and other governmental agencies and bodies having or claiming jurisdiction and all their respective departments, bureaus and officials; (2) the Insurance Underwriting Board or Insurance Inspection Bureau having or claiming jurisdiction, and (3) all insurance companies insuring all or any part of the Property or improvements or both. Lessee shall promptly and diligently perform, or cause to be performed, any necessary repair, restoration and replacement required to comply with the provisions hereof.

B. Right to Contest Government Order.

Lessee has the right to contest by appropriate judicial or administrative proceedings without cost or expense to Lessor the validity or application of any law, ordinance, order, rule, regulation or requirement (hereafter called law) that Lessee repair, maintain, alter or replace the improvements in whole or in part, and Lessee shall not be in default for failing to do such work until a reasonable time following final determination of Lessee's contest. If Lessor gives notice of request, Lessee shall first furnish Lessor a bond satisfactory to Lessor in form, amount and insurer guaranteeing compliance by Lessee with the contested law and indemnifying Lessor against all liability that Lessor may sustain by reason of Lessee's failure or delay in complying with the law.

VI. Encumbrance, Assignment and Subletting

A. Financing.

Lessor and Lessee acknowledge that Lessee may from time to time encumber Lessee's leasehold estate hereunder as to all or any portion of the leasehold by the lien of a mortgage, deed of trust or other instrument (herein referred to as "encumbrances") given by Lessee as security for indebtedness. Lessor

agrees, from time to time if requested by Lessee, to execute its written consent to an assignment of Lessee's interest under this Lease by one or more encumbrances in favor of any "institutional lender" (including any bank, life insurance company, savings and loan association or other lending institution) as security for sums borrowed from time to time for the development of the Property as a residential Condominium project and the construction of improvements thereon as provided in this Lease, provided, however, that such assignment shall be subject to each and all of the covenants, conditions and restrictions as set forth in this Lease and to all the rights and interests of the Lessor hereunder, and in the event of any conflict between the provisions of this Lease and the provisions of any such encumbrances, the provisions of this Lease shall control.

For the express benefit of any such approved mortgagee, beneficiary under a deed of trust or other secured party (hereinafter referred to as "Lender"), Lessor and Lessee agree as follows:

1. Upon default by Lessee under any of the terms of an approved encumbrance, the Lender shall furnish Lessor copies of any Notice of Default sent to Lessee and Lender may exercise any rights provided in such approved encumbrance; provided that before any sale of the leasehold, whether under power of sale or foreclosure, the Lender shall give to Lessor notice of the same character and duration as is required to be given to Lessee by either or both such encumbrance or the laws of the State of California.

2. If Notice of Default shall be given and any default shall continue, Lessor, prior to sale of the leasehold or any fractional part thereof under power of sale or foreclosure, shall have the right to correct such default and

initiate action to terminate this Lease, provided, that prior to any termination hereunder, Lessor shall either (1) pay to the encumbrancer the amount of the principal and accrued interest which remains unpaid or (2) execute to the encumbrancer a new promissory note for the balance of the approved encumbrance, payable upon the same terms and conditions as originally provided by the approved encumbrance. In the event that such new promissory note is executed, such note shall be secured by a new encumbrance approved by Lessor on the leasehold estate and any improvements thereon upon which the approved encumbrance is a lien, and Lessor shall deliver to the encumbrancer a policy of title insurance in the amount of the balance of the encumbrance, issued by a reputable title insurance company, and insuring that the new encumbrance is a first encumbrance on such property, subject only to current taxes and to conditions, restrictions and reservations of record at the time of recording the approved encumbrance, and subject, further, to any agreements for utility lines entered into by Lessee and rights-of-way lawfully granted by Lessor in connection with the development of the Property pursuant to this Lease.

3. This Lease shall not be modified without the prior written consent of any Lender which has given notice to Lessor in accordance with this Lease.

4. The execution of any encumbrance, or the foreclosure thereof or sale thereunder either by judicial proceedings or through any power reserved therein, or conveyance by Lessee in lieu of foreclosure, or the exercise of any right, power or privilege reserved therein, shall not constitute a violation of any of the terms or conditions of this Lease or an assumption by Lender, personally of the obligations of Lessee under this Lease except as provided in Subparagraph 6 below.

5. Lender, at its option, may at any time before termination of this Lease, perform any of the covenants and conditions required to be performed hereunder by Lessee, to the extent that such covenants and conditions are applicable and pertain to and affect the portion of the leasehold encumbered by such lien, and such performance by Lender shall be as effective to prevent the termination of this Lease as to the portion of the leasehold so encumbered as the same would have been if done and performed by Lessee.

6. Should Lender acquire Lessee's leasehold estate hereunder as to the portion of the Property encumbered by such lien by sale under power of sale, foreclosure or other appropriate proceedings in the nature thereof or as the result of any other action or remedy provided for by the encumbrance, or by a proper conveyance or assignment in lieu of foreclosure from Lessee, Lender shall take Lessee's leasehold estate subject to all of the provisions of this Lease, and shall, so long as and only so long as it shall be the owner of such estate, assume those obligations of Lessee which can be met by the expenditure of monies.

7. Should Lender acquire Lessee's leasehold estate hereunder as to the portion of the leasehold encumbered by such lien by any of the means enumerated in Subparagraph 4 above, Lender may sublease such portion for any period or periods within the term of this Lease, or assign Lessee's leasehold estate hereunder as to such portion by sale or otherwise, upon giving Lessor thirty (30) days notice in writing in advance of such assignment or sublease, subject to the right of Lessor to terminate as provided in Paragraph IX, so long as said right to terminate is exercised prior to any such assignment or subleasing by Lender; provided, however, that any assignee or purchaser of said leasehold estate or any person taking through any

other means and their respective successors in interest, shall take said leasehold estate subject to all of the covenants and conditions herein contained on the part of Lessee to be kept, observed and performed, and shall, as a condition of such assignment, purchase or other taking, assume and agree to perform all such obligations, covenants and conditions of Lessee hereunder.

8. The acquisition of the interest of Lessee by the Lender as provided herein shall require the Lender, or its assignee to thereafter pay directly to Lessor, as full payment for use of the Property so acquired, the total rent due under this Lease, subject to the provisions of Subparagraph 6 above requiring the expenditure of monies. Notwithstanding the foregoing, no such foreclosure, assignment, sale, hypothecation, or subleasing of Lessee's leasehold estate hereunder as to the portion of the Property encumbered by such lien, nor the acceptance of rent by Lessor from any such assignee, purchaser, sublessee or any other person, shall relieve, release or in any manner affect the liability of Lessee hereunder.

9. Upon the occurrence of an alleged default by Lessee under Paragraph IX, Lessor agrees that Lessor shall, before pursuing any remedy authorized under this Lease, give notice of default to Lessee and to all qualifying Lenders whose names and addresses were previously given to Lessor in a notice or notices from Lessee or any qualifying Lender stating that the notice was for the purpose of notice under this provision. A qualifying Lender is an institutional Lender as hereinabove defined, under a mortgage then existing under the provisions of this Lease relating to purchase or construction of improvements on the Property. Each notice of default shall specify in detail the alleged event of default and the intended remedy. Each Lender under an encumbrance then existing, under provisions of this Lease

permitting encumbrances relating to purchase or construction of improvements shall have sixty (60) days after service of notice of default within which to:

a. Cure such default if the same can be cured by the payment or expenditure of money provided to be paid under the terms of this Lease, or, if such default is not so curable, cause the trustee under the trust deed or other encumbrance to commence and thereafter to diligently pursue to completion steps and proceedings for deed in lieu of foreclosure or for the foreclosure by sale, or by exercise of a power of sale pursuant to the encumbrance in the manner provided by law; and

b. Keep and perform all of the covenants and conditions of this Lease requiring the payment or expenditure of money by Lessee until such time as the leasehold interest in the Property shall be sold upon foreclosure, or by exercise of a power of sale, pursuant to the encumbrance or shall be released or reconveyed thereunder; provided, however, that if the Lender fails or refuses to comply with any and all of the conditions of this Paragraph with respect to a default as to which notice of intention to terminate this Lease has been given to the Lender, then and thereupon Lessor shall be released from all covenants of forbearance contained in this Lease with respect to such breach or default. If, and so long as, Lender is prevented by any process or injunction issued by any court having jurisdiction of any bankruptcy or insolvency proceeding involving Lessor or Lessee from commencing or prosecuting foreclosure or other appropriate proceedings in the nature thereof, Lender shall not be deemed for that reason to have failed to commence such proceedings or to have failed diligently to prosecute said proceedings; provided, however, that Lender shall use reasonable efforts to contest and appeal the issuance of any such process or injunction.

10. Lender shall give written notice to Lessor of its address and the existence and nature of its encumbrance. Failure to give such notice shall constitute a waiver of Lender's right to receive written notices hereunder. Any notice to Lender provided for in this paragraph may be given concurrently with or after Lessor's notice of default to Lessee as provided in Paragraph IX. Whenever the Lender shall so request, Lessor shall provide the Lender with current information as to the status of this Lease.

11. Lessor and Lessee also acknowledge that each holder of a Condominium, deriving title mediately or immediately from Lessee, may from time to time encumber its Condominium as to all or any portion of said Condominium by the lien of an encumbrance given the Lender as security for indebtedness. Lessor and Lessee agree that any such Lender holding an approved encumbrance as provided herein shall, in respect of any default of Lessee hereunder, have the rights of Lender set forth herein.

12. Should the encumbrance executed by Lessee provide that failure to pay rent is a default under said encumbrance, and in the event a Notice of Default in the payment of such rent is filed under any encumbrance encumbering the leasehold estate created by this Lease or any fractional portion thereof, Lender shall pay to Lessor any past due or current rent to Lessor. Upon the acquisition of said leasehold interest, Lender shall further be obligated to pay rent thereafter until such Lender assigns the interest in the leasehold so acquired as provided in this article or relinquishes the interest so acquired to Lessee. Notwithstanding the foregoing, bankruptcy, receivership, or insolvency of Lessee shall not obligate any Lender to pay any monies to cure or terminate the bankruptcy, receivership or insolvency and the Lender shall be required to do no more than

is required of said Lender by the terms of this Lease. It is understood that the Lender shall not be required to cure any type of default which can be construed to be noncurable or which because of its nature is not feasible or practical to cure; provided, however, the Lender shall keep and perform all other covenants and conditions of this Lease.

13. Upon and immediately after the recordation of any encumbrance, Lessee, at its expense, shall cause to be recorded in the office of the Recorder of Orange County a written request executed and acknowledged by Lessor for a copy of any Notice of Default and of any Notice of Sale under the encumbrance as provided by the statutes of the State of California relating thereto. Lessee shall furnish to Lessor a complete copy of the encumbrance and the note secured thereby, together with the name and address of the holder thereof.

14. By the execution of this Lease, or any amendments thereto, Lessee agrees that the Lender shall not be liable to said Lessee for any adverse effect which any provisions required by the Lender may have upon said Lessee. No amendment to this Lease which affects the rights of any Lender under an approved encumbrance shall be effective as to said Lender without said Lender's written consent. In the event there is a conflict between the provisions of this paragraph and any other provision of this Lease, this paragraph shall control as to the rights of the Lender, assignees or sublessees of the Lender, or purchasers at any foreclosure sale.

B. Assignment.

1. Lessee's Right to Assign.

In addition to Lessee's rights in Paragraph VI.A above, Lessee shall have the absolute right to assign or otherwise transfer Lessee's interest in this Lease and the estate created by this Lease to a permitted Assignee or Successor, defined as follows:

(a) An assignee whose net worth on the date of assignment is equal to or greater than Lessee's net worth on the Commencement Date. Net worth shall mean the amount by which the total of all assets shall exceed the total of all liabilities, as determined by an independent certified public accountant in accordance with generally accepted accounting principles.

(b) A successor defined as:

(1) Any corporation that controls or is controlled by Lessee.

(2) Any successor of all or substantially all of Lessee's business or assets unless the assignment would otherwise be prohibited by provisions of this Lease pertaining to bankruptcy.

2. Conditions Precedent to Assignment.

The following conditions are precedent to Lessee's right of assignment:

(a) Lessee shall give Lessor reasonable notice of the proposed assignment with appropriate documentation as evidence that the proposed assignee qualifies as a permitted assignee.

(b) Except as otherwise provided in this Lease for a permitted mortgagee, the proposed assignee shall, in recordable form, expressly assume all the covenants and conditions of this Lease.

3. Exception for Encumbrances.

Notwithstanding the foregoing, without the prior written consent of Lessor, Lessee may (a) encumber or assign for security purposes its leasehold estate hereunder in all or any portion of the leasehold in accordance with Paragraph VI.A and (b) together with Lessor, convey leasehold Condominiums in all or any part of the Property or the improvements thereon for residential purposes, which leasehold Condominiums may be freely sold, transferred, assigned

encumbered, or assigned for security purposes by the owners thereof.

4. Right to Sublet.

Lessee shall have the absolute right to sublet all or any part or parts of the Property or the improvements or both, and to assign, encumber, extend or renew any sublease, provided the following provisions are complied with:

(a) Each sublease shall contain a provision satisfactory to the Lessor and to each leasehold mortgagee having an interest at the time the sublease is executed, requiring Sublessee to attorn to Lessor or, in the event of any proceeding to foreclose any leasehold mortgage, to the leasehold mortgagee, or any person designated in a notice from leasehold mortgagee, if Lessee defaults under this Lease and if the Sublessee is notified of Lessee's default and instructed to make Sublessee's rental payments to Lessor or leasehold mortgagee or other designated person as provided herein.

(b) Lessee shall, promptly after the execution of each Sublease, notify Lessor of the name and mailing address of the Sublessee and shall, on demand, permit Lessor to examine and copy the Sublease.

(c) Lessee shall not accept more than three (3) months prepaid rent under any Sublease.

VII. Insurance

A. Fire and Extended Coverage.

Throughout the term, at no cost or expense to Lessor, Lessee shall keep, or cause to be kept, insured all improvements located on or appurtenant to the leasehold against loss or damage by fire and such other risks as are now or hereafter included in an extended coverage endorsement in common use for commercial structures, including vandalism and malicious

mischievous. The amount of the insurance shall be sufficient to prevent either Lessor or Lessee from becoming a co-insurer under the provisions of the policy, but in no event shall the amount be less than ninety percent (90%) of the then actual replacement cost. Lessor shall not carry any insurance the effect of which would be to reduce the protection or payment to Lessee under any insurance that this Lease obligates Lessee to carry. If there is any dispute as to whether the amount of insurance carried complies with the above which cannot be resolved by agreement, Lessor may, but no more frequently than once every twelve (12) months, request the carrier of the insurance then in force to determine the full insurable value as defined in this provision, and the resulting determination shall be conclusive between the parties for the purpose of this Paragraph. Lessee may include the holder of any mortgage on the leasehold or other person, as a loss payee, so long as the amount payable to Lessor hereunder is not reduced thereby.

B. Proceeds of Fire and Extended Coverage Insurance.

Lessor shall, at no cost and expense to Lessor, cooperate fully with Lessee to obtain the largest possible recovery. All policies of fire and extended coverage insurance required by Paragraph A shall provide that the proceeds shall be paid to Lessor, Lessee or any mortgagee, as their interests may appear. Subject to any other conditions contained in this Lease, the proceeds from any policy insuring a casualty to the improvements shall first be used for the repair, restoration, alteration or reconstruction of the improvements. Any insurance proceeds remaining after complying with the provisions of this Lease relating to maintenance, repair or reconstruction of improvements shall be paid to Lessee or to Lessee's designee.

C. Builders Risk Coverage.

Before commencement of any demolition or construction Lessee shall procure and shall maintain in force until completion and acceptance of the work "all risks" Builders risk insurance, in an amount not less than the cost of demolition or construction, including vandalism and malicious mischief in form and with a company reasonably acceptable to Lessor, covering improvements in place and all material and equipment at the job site furnished under contract, but excluding contractors', subcontractors' and construction manager's tools and equipment and property owned by contractors' or subcontractors' employees.

D. Other Insurance and Indemnification.

1. Public Liability Insurance.

Throughout the term of this Lease, at no cost and expense to Lessor, Lessee shall keep, or cause to be kept, in force for the mutual benefit of Lessor and Lessee comprehensive broad form general public liability insurance against claims and liability for personal injury, death, or property damage arising from the use, occupancy, disuse or condition of the Property, improvements or adjoining areas or ways providing protection of at least One Million Dollars (\$1,000,000.00) for bodily injury or death to any one person and at least Ten Million Dollars (\$10,000,000.00) for any one accident or occurrence and at least Five Hundred Thousand Dollars (\$500,000.00) for property damage. Every time there is an increase in the minimum rent under the terms of Paragraph III.B.1 hereof, there shall be a proportionate increase in the liability insurance coverage.

2. Other Insurance.

Lessee shall procure and keep in force in form and coverage reasonably satisfactory to Lessor insurance in amounts from time to time reasonably required by Lessor, against

other insurable risks, if at the time they are commonly insured against for premises similarly situated and containing comparable improvement.

E. Policy Form, Contents, Insurer.

All insurance required by express provisions of this Lease shall be carried only with responsible insurance companies licensed to do business in the State of California. All such policies shall be nonassessable and shall contain language, to the extent obtainable, to the effect that (1) any loss shall be payable notwithstanding any act or negligence of Lessor that might otherwise result in a forfeiture of the insurance, (2) the insurer waives the right of subrogation against Lessor and against Lessor's agents and representatives, (3) the policies are primary and noncontributing with any insurance that may be carried by Lessor and (4) they cannot be cancelled or materially changed except after thirty (30) days notice by the insurer to Lessor or Lessor's designated representative. Lessee shall furnish Lessor with copies of all such policies promptly on receipt of them or with certificates evidencing the insurance. Lessee shall furnish Lessor with binders representing all insurance required by this Lease. At the expiration of the term of this Lease, Lessor shall reimburse Lessee prorata for all prepaid premiums on insurance required to be maintained by Lessee, and Lessee shall assign all Lessee's right, title and interest to Lessor. Lessee may effect for its own account any insurance not required under this Lease. Lessee may provide by blanket insurance covering the Property and any other location any insurance required or permitted under this Lease provided it is acceptable to any mortgagees of all or part of the Property.

F. Failure to Maintain Insurance, Proof of Compliance.

Lessee shall deliver to Lessor in the manner required for Notices, copies or certificates of all insurance policies required by this Lease, together with evidence satisfactory to Lessor of payments required for procurement and maintenance of the policies.

If Lessee fails or refuses to procure or to maintain insurance as required by this Lease, or fails or refuses to furnish Lessor with required proofs that the insurance has been procured and is in force and paid for, Lessor shall have the right, at Lessor's election and without notice to procure and maintain such insurance. The premiums paid by Lessee shall be treated as added rent due from Lessee with interest at ten percent (10%) per annum, to be paid on the first (1st) day of the month following the date on which the premiums were paid. Lessor shall give prompt notice of the payment of such premiums, stating the amounts paid and the names of the insurer or insurers. Interest shall run from the date of said notice.

G. Lessor's Non-Liability.

Lessor shall not be liable, and Lessee shall defend and indemnify Lessor against all liability and claims of liability, for damages or injuries to person or property on or about the Property from any cause. Lessee waives all claims against Lessor for damage or injury to person or property arising or asserted to have arisen from any cause whatsoever.

VIII. Condemnation

A. Definitions.

The following definitions apply in construing provisions of this Lease relating to a taking of, or damage to, all or any part of the Property or improvements or any interest in them by eminent domain or inverse condemnation;

1. "Taking" means the taking or damaging, including severance damage, by eminent domain or by inverse condemnation or for any public or quasi-public use under any statute. The transfer of title may be either a transfer resulting from the recording of a final order in condemnation or a voluntary transfer or conveyance to the condemning agency or entity under threat of condemnation, in avoidance of an exercise of eminent domain, or while condemnation proceedings are pending. The taking shall be considered to take place as of the date actual physical possession is taken by the condemning authority.

2. "Total taking" means the taking of the fee title to all the Property and the improvements on the Property, which shall be considered to include any offsite improvement effected by Lessee to serve the Property or the improvements on the Property.

3. "Substantial taking" means the taking of so much of the Property or improvements or both that the remaining Property would not be economically suitable for a residential Condominium project.

4. "Partial taking" means any taking of the fee that is neither a total nor a substantial taking.

5. "Improvements" means all products of skill, artifice, plan or design for construction on, modification of, or planned use of existing structures, or natural or cultivated or earth contours on the Property.

6. "Notice of Intended Taking" means any notice or notification on which a reasonably prudent man would rely and which he would interpret as expressing an existing intention of taking as distinguished from a mere preliminary inquiry or proposal. It includes but is not limited to the service of a condemnation summons and complaint on a party to this Lease.

The notice is considered to have been received when a party to this Lease receives from the condemning agency or entity a notice of intent to take in writing, containing a description or map of the taking reasonably defining the extent of the taking.

7. "Award" means compensation paid for the taking whether pursuant to judgment or by agreement or otherwise.

B. Notice of Other Party.

The party receiving any notice of the kind specified below shall promptly give the other party notice of the receipt, content and the date of the notice received:

1. Notice of intended taking.
2. Service of any legal process relating to condemnation of the premises or improvements.
3. Notice in connection with any proceedings or negotiations with respect to such a condemnation, or
4. Notice of intent or willingness to make or negotiate a private purchase, sale or transfer in lieu of condemnation.

C. Representation of each Party.

Lessor, Lessee, and all persons and entities holding under Lessee shall each have the right to represent his, or its respective interest in each proceeding or negotiation with respect to a taking or intended taking and to make full proof of his or its claims. No agreement, settlement, sale or transfer to or with condemning authority shall be made without consent of Lessor and Lessee. Lessor and Lessee each agree to execute and deliver to the other any instruments that may be required to effectuate or facilitate the provisions of this Lease relating to condemnation.

D. Total Taking.

On a total taking, Lessee's obligation to pay rent shall terminate on the date of taking but Lessee's interest in the leasehold shall continue until the taking is completed by deed, contract or final order of condemnation.

E. Substantial Taking.

If Lessee determines the taking to be a substantial taking, Lessee shall give written notice to that effect to Lessor within sixty (60) days after Lessee receives notice of intended taking. If Lessee does not so notify Lessor, the taking shall be deemed a partial taking. If Lessee gives such notice and Lessor gives Lessee notice disputing Lessee's contention within thirty (30) days following receipt of Lessee's notice, the dispute shall be promptly determined by arbitration. If Lessor gives no such notice, the taking shall be considered a substantial taking. A substantial taking shall be treated as a total taking if (1) Lessee delivers possession to Lessor within thirty (30) days after the arbitrator's determination that the taking was a substantial taking, or, if the matter is not submitted to arbitration, within one-hundred-twenty (120) days after Lessee receives notice of intended taking, and (2) Lessee is not in default under the Lease and has complied with all its provisions concerning apportionment of the award. If these conditions are not met, the taking shall be treated as a partial taking.

F. Early Delivery of Possession.

Lessee may continue to occupy the Property and improvements until the condemning authority takes physical possession. However, at any time following notice of intended total taking, or within the time limit specified for delivering possession in the provision on substantial taking, Lessee may elect to deliver possession of the Property to Lessor before

the actual taking. The election shall be made by notice declaring the election and covenanting to pay all rents required under this Lease to the date of taking. Lessee's right to apportionment of or compensation from the award shall then accrue as of the date that Lessee goes out of possession.

G. Apportionment, Distribution of Award for Total Taking.

In the event all of the Property is condemned, Lessor shall be entitled to and shall receive that portion of any award made with respect to the Property, and Lessee shall be entitled to that portion of any such award which is attributable to the value of the improvements which have been constructed or installed on the Property by Lessee, if any, which are condemned as part of the real property. In no event shall the amount payable to Lessee exceed the appraisal of the condemning authority or judgment, if any, with respect to the amount of any such award allocable to such improvements, and in no event shall said amount be less than the amount of any indebtedness secured by a lender's first deed of trust. In the absence of such appraisal or agreement between Lessor and Lessee as to such amounts, each shall appoint an appraiser and the two shall select a third appraiser and all three shall appraise the Property. The average of the three appraisals shall constitute the value of Lessee's improvements.

H. Partial Taking.

1. Effect on Rent, Terms.

On a partial taking, this Lease shall remain in full force and effect covering the portion of the Property not taken, except that the net rent shall be reduced in the same ratio as the percentage of the area of the ground taken bears to the total area of the Property.

2. Restoration of Improvements.

Promptly after partial taking, at Lessee's expense and in the manner specified in the provisions of this Lease relating to maintenance, repairs and alterations, Lessee shall repair, alter, modify or reconstruct the improvements so as to make them an operable whole. Lessee shall further have the right to claim and recover from the condemning authority such compensation as may be separately recoverable by Lessee in Lessee's own right for any damages to the Lessee's operations on the Property or for any cost or loss to Lessee in altering any improvements thereon or in removing and relocating Lessee's equipment and fixtures therefrom by reason of such taking.

IX. Default Remedies

A. Default by Lessee.

Each of the following events shall be a default by Lessee and a breach of this Lease:

1. Failure to Perform Lease Covenants.

Abandonment or surrender of the premises or of the leasehold estate, or the failure or refusal to pay when due any installment of rent, or any other sum required by this Lease to be paid by Lessee, or to perform any other covenant or condition of this Lease.

2. Attachment or Other Levies.

The subjection of any right or interest of Lessee to attachment, execution, or other levy, or to seizure under legal process if not released within thirty (30) days, provided that the foreclosure of any mortgage permitted by provisions of this Lease shall not be construed as a default within the meaning of this Paragraph.

3. Appointment of Receiver.

The appointment of a receiver to take possession of the leasehold or improvements or of Lessee's interest in the Leasehold estate or of Lessee's operations on the Property or for any reason, including but not limited to assignment for the benefit of creditors or voluntary or involuntary bankruptcy proceedings, but not including receivership (a) pursuant to administration of the estate of any deceased or incompetent lessee or of any deceased or incompetent individual member of any lessee or (b) pursuant to any mortgage permitted by provisions of this Lease relating to purchase or construction of improvements or (c) instituted by Lessor, the event of default being not the appointment of a receiver at Lessor's instance but the event justifying the receivership, if any.

4. Insolvency, Bankruptcy.

An assignment by Lessee for the benefit of creditors or the filing of a voluntary or involuntary petition by or against Lessee under any law for the purpose of adjudicating Lessee a bankrupt; or for extending time for payment, adjustment or satisfaction of Lessee's liabilities or for reorganization, dissolution, or arrangement on account of or to prevent bankruptcy or insolvency; unless the assignment or proceeding, and all consequent orders, adjudications, custodies and supervisions are dismissed, vacated or otherwise permanently stayed or terminated within ninety (90) days after the assignment, filing or other initial event.

B. Notice of Default (to Lessee, Mortgagee and Sublessees.

As a precondition to pursuing any remedy for an alleged default by Lessee, Lessor shall, before pursuing any remedy, give notice of default to Lessee and to all qualifying sublessees and mortgagees whose names and addresses were

previously given to Lessor in a notice or notices from Lessee or any qualifying mortgagee stating that the notice was for the purpose of notice under this provision. A qualifying sublessee is a sublessee in possession under an existing sublease permitted under this Lease. A qualifying mortgagee is a mortgagee under a mortgage then existing permitted under the provisions of this Lease. Each notice of default shall specify in detail the alleged event of default and the intended remedy.

C. Lessee's Right to Cure Default.

If the alleged default is non-payment of rent, taxes or other sums to be paid by Lessee as provided in the Paragraph on rent, or elsewhere in this Lease directed to be paid as rent, Lessee shall have ten (10) days after notice is given to cure the default. For the cure of any other default, Lessee shall promptly and diligently after the notice commence curing the default and shall have thirty (30) days after notice is given to complete the cure, plus any additional period that is reasonably required for the curing of the default.

D. Lessor's Remedies.

If any default by Lessee shall continue uncured following notice of default as required by this Lease for the period applicable to the default under the applicable provision of this Lease, Lessor has the following remedies in addition to all other rights and remedies provided by law or equity, to which Lessor may resort cumulatively or in the alternative:

1. Termination.

Lessor may, at Lessor's election, terminate this Lease by giving Lessee notice of termination. On the giving of the notice, all Lessee's rights in the Property and in all improvements shall terminate. Promptly after notice

of termination, Lessee shall surrender and vacate the Property and all improvements in broom clean condition and Lessor may re-enter and take possession of the Property and all remaining improvements and eject all parties in possession or eject some and not others, or eject none, provided that no qualifying sublessee shall be ejected. Termination under this Paragraph shall not relieve Lessee from the payment of any sum then due to Lessor or from any claim for damages previously accrued or then accruing against Lessee.

2. Re-Entry without Termination.

Lessor may, at Lessor's election, re-enter the Property and, without terminating this Lease, at any time and from time to time, relet the Property and improvements, and any part or parts of them for the account and in the name of Lessee or otherwise. Lessor may, at Lessor's election, eject all persons or eject some and not others or eject none, provided that no qualifying sublessee shall be ejected. Lessor shall apply all rent from reletting as in the provision on assignment of sub-rents. Any reletting may be for the remainder of the term or for a longer or shorter period. Lessor shall be entitled to all rents from the use, operation or occupancy of the Property or improvements or both. Lessee shall nevertheless pay to Lessor on the due date specified in this Lease the equivalent of all sums required of Lessee under this Lease plus Lessor's expenses reasonably incurred in the reletting, less the avails of any reletting or attornment. No act by or on behalf of Lessor under this provision shall constitute a termination of this Lease unless Lessor gives Lessee notice of termination.

3. Lessee's Personal Property.

Lessor may, at Lessor's election, use Lessee's personal property and trade fixtures, or any of such property or fixtures without compensation and without liability for use or damage, or store them for the account and at the cost of Lessee. The election of one remedy for any one item shall not foreclose an election of any other remedy for another item or for the same item at a later time.

4. Monetary Remedy.

a. Recovery of Rent.

Lessor shall be entitled at Lessor's election to each installment of rent or to any combination of installments, for any period before termination, plus interest at the rate of ten percent (10%) per year from the due date of each installment. Avails of reletting or attorned sub-rents shall be applied when received as follows: (1) to Lessor, to the extent that the avails for the period covered do not exceed the amount due from and charged to Lessee for the same period and (2) the balance to Lessee.

Even though Lessee has breached this Lease and abandoned the Property, Lessor may elect to continue this Lease in effect for so long as Lessor does not terminate Lessee's right to possession, and Lessor may enforce all Lessor's rights and remedies under this Lease, including the right to recover the rent as it becomes due, pursuant to Section 1951.4 of the California Civil Code or any similar statute hereafter enacted.

b. Recovery by Lessor Upon Termination of Lease.

In addition to any other remedies upon termination of the Lease because of breach by Lessee, Lessor shall be entitled at Lessor's election to the following sums:

1. All amounts that would have fallen due as rent between the time of termination of this Lease and the time of the claim, judgment, or other award, less the amount of any such rental loss which Lessee proves could reasonably have been avoided, plus interest on the balance at eight percent (8%) per year, and

2. The "worth" at the time of the claim, judgment or other award of the amount by which the unpaid rent for the balance of the term after the time of the award exceeds the then fair rental value of the Property at the higher of: (a) the fair rental value as then encumbered by the Lease and improvements, or (b) the fair rental value unencumbered by the lease and improvements. "Worth" as used in this provision is computed by discounting the total amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the claim, judgment, or award plus one percent (1%).

E. Assignment of Sub-rents.

Lessee assigns to Lessor all sub-rents and other sums falling due from sublessees, licensees and concessionaires (herein called sublessees) during any period in which Lessor has the right under this Lease whether exercised or not to re-enter the Property for Lessee's default, and Lessee shall not have any right to such sums during that period. This assignment is subject and subordinate to any and all assignments of the same sub-rents and other sums made, before the default in question, to a mortgagee under any mortgage permitted by provisions of this Lease, relating to purchase or construction of improvements. Lessor may, at Lessor's election, re-enter the Property and improvements with or without process of law, without terminating this Lease, and either collect these sums or bring action for the recovery of the sums directly from such obligors, or both. Lessor shall receive and collect all sub-rents and avails from reletting, applying them as follows:

First: To the payment of reasonable expenses including attorney fees or broker commissions or both paid or incurred by or on behalf of Lessor in recovering possession, placing the Property and improvements in good condition, preparing the Property or improvements for re-renting and securing new Lessees;

Second: To the fulfillment of Lessee's covenants to the end of the term of this Lease and;

Third: The balance, if any, to Lessee. Lessee shall nevertheless pay to Lessor on the due dates specified in this Lease the equivalent of all sums required of Lessee under this Lease, plus Lessor's expenses, less the avails of the sums assigned and actually collected under this provision. Lessor may proceed to collect either the assigned sums or Lessee's balances or both, or any installment or installments of them, either before or after expiration of the term, but the period of limitations shall not begin to run on Lessee's payments until the due date of the final installment to which Lessor is entitled, nor shall it begin to run on the payments of the assigned sums until the due date of the final installment due from the respective obligors.

F. Waiver of Default.

No waiver of any default shall constitute a waiver of any other breach of default, whether of the same or any other covenant or condition. No waiver, benefit, privilege or service voluntarily given or performed by either party shall give the other any contractual right by custom, estoppel or otherwise. The subsequent acceptance of rent pursuant to this Lease shall not constitute a waiver of any preceding default by Lessee other than default in the payment of the particular rental payment so accepted, regardless of Lessor's knowledge of the preceding breach at the time of accepting the rent, nor shall acceptance of rent or any

other payment after termination constitute a reinstatement, extension or renewal of the Lease, or revocation of any notice or other act by Lessor.

G. Attorneys' Fees.

If either party brings any action or proceeding to enforce, protect, or establish any right or remedy the prevailing party shall be entitled to recover reasonable attorneys' fees and costs and expenses of litigation.

X. General Conditions, Miscellaneous Provisions.

A. Notice.

All notices must be in writing. Notice is considered given either (a) when delivered in person to the recipient named below, or (b) on the date when said notice is deposited in the U. S. mail in a sealed envelope or container, either registered or certified mail, return receipt requested, postage and postal charges prepaid, addressed by name and address to the party or person intended as follows:

If to Lessor, at

Eugene Duc

745 Renwick Rd.

Glendora, CA 91740

and if to Lessee at

Frank Woolsey

15052 Springdale St.

Huntington Beach, CA 92649

Each party may, by notice given at any time, or from time to time, require subsequent notice to be given to another individual person, whether a party or officer or representative, or to a different address or both, providing such other

party an individual. Notices given before actual receipt of notice change shall not be invalidated by the change.

B. Estoppel Certificates.

At any time and from time to time within thirty (30) days after notice of request by either party, the other party shall execute, acknowledge, and deliver to the requesting party or to such other recipients as the notice shall direct, a statement certifying that this Lease is unmodified and in full force and effect, or if there have been modifications, that it is in full force and effect as modified in the manner specified in the statement. The statement shall also state the dates to which the rent and any other charges have been paid in advance. The statement shall be such that it can be relied on by any auditor, creditor, commercial banker and investment banker of either party and by any prospective purchaser or encumbrancer of the Property, or improvement, or both, or of all or any part or parts of Lessee's or Lessor's interest under this Lease. Lessee's failure to execute, acknowledge and deliver on request a certified statement described as above within the specified time shall constitute acknowledgement by Lessee to all persons entitled to rely on the statement that this Lease is unmodified and in full force and effect and that the rent and other charges have been duly and fully paid to and including the respective due dates immediately preceding the date of the notice of request and shall constitute a waiver, with respect to all persons entitled to rely on the statement, of any defaults that may exist before the date of the notice.

C. Entire Agreement.

This Lease contains the entire agreement between the parties with respect to the Lease of the Property and supersedes any prior or contemporaneous agreement with respect thereto. No promise, representation, warranty or covenant not

include in this Lease has been or is to be relied on by either party.

D. Successors.

Subject to the provisions of this Lease on assignment and subletting, each and all the covenants and conditions of this Lease shall be binding on and shall inure to the benefit of the heirs, successors, executors, administrators, assignees and personal representatives of the respective parties.

XI. Expiration - Termination

A. Lessee's Duty to Surrender.

At the expiration or earlier termination of this Lease, Lessee shall surrender to Lessor the possession of the Property and the improvements thereon except for all removable personal property which may be removed and retained by Lessee. Lessee shall leave the surrendered Property and any other property in good and broom-clean condition except as provided to the contrary in provisions of this Lease on maintenance, repair and improvements. All properties that Lessee is not required to surrender but that Lessee does abandon shall, at Lessor's election, become Lessor's property at termination. If Lessee fails to surrender the Property at the expiration or termination of this Lease, Lessee shall defend and indemnify Lessor from all liability and expense resulting from the delay or failure to surrender, including without limitation, claims made by any succeeding tenant founded on or resulting from Lessee's failure to surrender.

B. Holding Over.

This Lease shall terminate without further notice at expiration of the term. Any holding over by Lessee after expiration shall not constitute a renewal or extension or give Lessee any right in or to the Property except as otherwise expressly provided in this Lease.

XII Right of First Refusal to Purchase Fee

In the event Lessor decides, either during the term hereof or effective at the end of the term, to sell Lessor's fee title to the Property, Lessor shall give six (6) months notice ("Notice") in writing to Lessee to that effect. The Notice shall contain the terms of the sale and the name and address of the proposed purchaser. Lessee shall be entitled to purchase the Property on the terms contained in the Notice by giving written notice to that effect to Lessor within ninety (90) days after Lessee's receipt of the Notice. If Lessee fails to so notify Lessor, Lessor may sell the Property to any person, provided that the terms of any such sale must be no less favorable to Lessor than the terms disclosed in the Notice.

XIII Lessor's Title Not To Be Affected

Notwithstanding anything to the contrary in this lease, Lessee shall have no authority, expressed or implied, to create or place any lien or encumbrance of any kind or nature whatsoever upon, or in any manner or by any act bind or affect, the interest, estate or title of Lessor in the leased land. This Paragraph shall not be construed so as to limit the right of Lessor to create or place any lien or encumbrance upon the leasehold estate of Lessee in accordance with the provisions of this Lease.

Lessor and Lessee have executed this Lease to be effective on the date first above written.

Jessie M. Duc
JESSIE M. DUC

Eugene Duc
EUGENE DUC

Charlotte Kirchen
CHARLOTTE KIRCHEN

"Lessor"

Frank Woolsey
FRANK WOOLSEY

Charles L. Hermansen
CHARLES L. HERMANSEN

"Lessee"

ADDENDUM TO LEASE

THIS ADDENDUM is to be attached to and shall form part of that certain Lease between JESSIE M. DUC, a widow, EUGENE DUC, a married man and CHARLOTTE KIRCHEN, a single woman (collectively "LESSOR") and FRANK WOOLSEY and CHARLES L. HERMANSEN (collectively "Lessee"), which Lease is dated August 1, 1979, and demises the premises more particularly described in said Lease.

A. Encumbrance of Lessor's Estate by Lessor.

During the term of this Lease, Lessor shall have the right or power to mortgage or otherwise create a security interest affecting the fee interest in the demised premises, and to renew, modify, replace, extend or refinance such mortgage, subject, however, to the following:

1. All rights acquired under any such mortgage shall be subject and subordinate to (i) the rights and interest of Lessee under this Lease, the covenants, conditions and restrictions set forth herein and the leasehold estate created by this Lease; (ii) the rights and interests of any sublessee under any sublease permitted hereunder; and (iii) the rights of any holder of any Leasehold Mortgage;

2. The holder of such mortgage shall not be deemed a "Lender", and such mortgage shall not be deemed a

"Leasehold Mortgage", as such terms are defined or used in this Lease or this Addendum;

3. The holder of such mortgage shall not, in the exercise of any of its rights arising or which may arise out of such mortgage, or any instrument modifying or amending the same or entered into in substitution or replacement thereof, disturb or deprive Lessee or any sublessee permitted hereunder in or of its possession or its right to possession of the demised premises or of any part thereof under this Lease or any permitted sublease, or any right or privilege created for or incurring, provided this Lease is then in full force and effect;

4. In the event of a default under such mortgage, and if this Lease shall, immediately prior to such default, be in full force and effect, then, and in such event, Lessee shall not be made a party in any action or proceeding to foreclose said mortgage, nor shall Lessee or any sublessee permitted hereunder be evicted or removed or its possession or right of possession be disturbed or in any manner interfered with, and this Lease shall continue in full force and effect as a direct lease from the holder of the said mortgage to Lessee under the terms and provisions of this Lease;

5. Any such mortgage shall provide that the holder of such mortgage, upon serving Lessor with any notice

under such mortgage will simultaneously serve a copy of such notice upon Lessee, and no notice by the holder of such mortgage to Lessor shall be deemed to have been duly given unless and until a copy thereof has been so served upon Lessee; and

6. Lessor shall, upon request, execute, acknowledge and deliver to Lessee, an agreement, prepared at the sole cost and expense of Lessor and in a form satisfactory to Lessee, between Lessor, Lessee and the holder of such mortgage, agreeing to all of the provisions of this subsection.

B. Taxes.

1. Lessee may contest the legal validity or amount of any taxes, assessments, or charges for which Lessee is responsible under this Lease, and may institute such proceedings as Lessee considers necessary. If Lessee contests any such tax, assessment, or charge, Lessee may withhold or defer payment or pay under protest but shall protect Lessor and the premises from any lien by adequate surety bond or other appropriate security.

2. Lessee's obligation to pay taxes or assessments levied or charged against the premises or improvements or against specified personal property shall not include the following, whatever they may be called: business, income, or profits taxes levied or assessed against Lessor

by federal, state, or other governmental agency; estate, succession, inheritance, or transfer taxes of Lessor; or corporation, franchise, or profits taxes imposed on the corporate owner of the fee title of the premises. If, however, during the term, taxes are imposed, assessed, or levied on the rents derived from the premises in lieu of all or any part of real property taxes, personal property taxes, or real and personal property taxes that Lessee would have been obligated to pay under the foregoing provisions, and the purpose of the new taxes is more closely akin to that of an ad valorem or use tax than to an income or franchise tax on Lessor's income, Lessee shall pay the taxes as provided above for property taxes and assessments.

C. Development of Residential Condominium Project.

1. Lessor hereby acknowledges that Lessee contemplates subleasing its interest in the leasehold estate created hereunder to a developing entity for the development and construction of a residential Condominium project on the demised premises. Lessor further acknowledges that upon completion of the construction of said residential Condominium project, Lessee and the developing entity sublessee will join, with each individual purchaser of a Condominium in the contemplated project, in the execution of a Sublease of

Condominium and Grant Deed of Improvements. The term "Condominium", as used in the body of this Lease and this Addendum refers, collectively, to (i) a leasehold estate in and to a specified unit in said residential Condominium project, (ii) an undivided interest as a tenant in common in a leasehold estate in and to that portion of the demised premises hereunder constituting the common areas of said project, and (iii) an undivided fee simple interest in the improvements constituting said residential Condominium project.

2. Lessor hereby agrees that the developing entity and each individual purchaser of a Condominium, after the notification to Lessor by Lessee of their respective names and addresses, as required in the body of this Lease, shall be entitled to all the rights and protections extended to an approved sublessee under the terms of the body of this Lease and this Addendum. Lessor further:

(a) disclaims any interest in, or ownership of, any improvements from time to time constructed installed or placed by any sublessee on the demised premises during the term of this Lease; provided, however, that such improvements shall become Lessor's property at the expiration of the term of this Lease, as set forth in the body of this Lease; and

(b) agrees that Lessee's obligations to (i) obtain and maintain certain insurance and (ii) maintain, repair, alter or reconstruct the demised premises and any improvements thereon may be fulfilled through the actions of a sublessee or of a homeowners' association representing and made up of a group of sublessees.

3. Lessor and Lessee agree that the phrase "together with Lessor," hereby is expressly deleted from subsection VI B(3)(b) of the body of this Lease.

D. Mortgage of Leasehold.

1. If Lessee shall encumber this leasehold, or any part or parts thereof, in compliance with the provisions herein, any holder of any such encumbrance shall send to Lessor a true copy thereof, together with written notice specifying the name and address of any such holder and the pertinent recording date with respect to such encumbrance.

2. If Lessee, or Lessee's successors or assigns, shall encumber this Lease in compliance with the provisions herein, then so long as any such encumbrance shall remain unsatisfied of record, Lessor, upon serving upon Lessee any notice of default pursuant to the provisions hereof, or any other notice under the provisions of or with respect to this Lease, shall also serve simultaneously, in the same manner provided herein for the service of notice on

[Handwritten initials]

Lessee, a copy of such notice upon Lender at the address specified in the notice submitted to Lessor pursuant to subsection D(1) immediately above, and no notice by Lessor to Lessee hereunder shall be deemed to have been duly given unless and until a copy thereof has been so served upon Lender.

3. During the continuance of any approved encumbrance and until such time as the lien of any approved encumbrance has been extinguished:

(a) Lessor shall not agree to any mutual termination nor accept any surrender of this Lease, nor shall Lessor consent to any amendment or modification of this Lease, without the prior written consent of Lender;

(b) Notwithstanding anything contained in the body of this Lease, should Lender acquire Lessee's leasehold estate hereunder as to the portion of the premises encumbered by such lien by sale under power of sale, foreclosure or other appropriate proceedings in the nature thereof or as the result of any other action or remedy provided for by the encumbrance, or by a proper conveyance or assignment in lieu of foreclosure from Lessee, or should Lender become Lessee under any new lease

obtained pursuant to subsection(c) below, Lender's right thereafter to assign this Lease or such new lease or to sublease the Property and the improvements thereon under this Lease or such new lease, shall not be subject to any restriction; provided that any assignee shall take the leasehold estate subject to all the covenants and conditions herein contained on the part of Lessee to be kept observed and performed, and shall, as a condition of such assignment, assume and agree to perform all such obligations, covenants and conditions of Lessee hereunder. In the event Lender subsequently assigns or transfers its interest under this Lease after acquiring the same by foreclosure or deed in lieu of foreclosure or subsequently assigns or transfers its interest under any new Lease obtained pursuant to subsection (c), and in connection with any such assignment or transfer Lender takes back a mortgage or deed of trust encumbering such leasehold interest to secure a portion of the purchase price given to Lender for such assignment or transfer, then such mortgage or deed of trust shall be considered an approved encumbrance as contemplated under this Lease and Lender shall be entitled to receive the benefit of and enforce the

provisions of this Lease intended for the benefit of the holder of an approved encumbrance;

(c) Should Lessor terminate this Lease by reason of any default by Lessee hereunder, Lessor shall, upon written request by Lender given within sixty (60) days after such termination, immediately execute and deliver a new lease of the premises to Lender, or its nominee, purchaser, assignee or transferee, for the remainder of the term of this Lease with the same agreements, covenants and conditions (except for any requirements which have been fulfilled by Lessee prior to termination) as are contained herein and with priority equal to that hereof; provided, however, that Lender shall promptly cure any defaults of Lessee susceptible to cure by Lender, and provided further that if more than one Lender requests such new lease, the Lender holding the most senior encumbrance (the "First Lender") shall prevail. Upon execution and delivery of such new lease, title to the improvements on the Property shall vest in the new lessee, and Lessor, at the expense of the new lessee, shall take such action as shall be necessary to cancel and discharge this Lease and to remove Lessee named herein from the Property. .

Order: C87GEX2DM

Address: 4791 Lago Drive 101

Order Date: 04/17-2019

Document not for resale

HomeWiseDocs

Any such new lease shall provide that the execution and delivery of such new lease shall not result in the termination of any existing sublease affecting the premises and that all existing subleases shall continue for the duration of their respective terms and any extension thereof as a direct lease between the new lessee hereunder and the sublessee thereunder, with the same force and effect as if the new lessee hereunder had originally entered into such sublease as Lessor thereunder (subject, however, to the prior right of the holder of any encumbrance). The new lessee hereunder shall, upon request, execute, acknowledge and deliver such agreements evidencing and agreeing to the foregoing as each sublessee shall require. Upon the execution of such new lease, the new lessee shall be entitled to an adjustment in an amount equal to the net income derived from the subleases of the demised premises during the period from the date of termination of this Lease to the date of execution of such new lease, and Lessor shall thereupon duly assign all of its right, title and interest in and to said subleases to said new lessee.

(d) Notwithstanding anything contained in the body of this Lease or in this Addendum, if

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for any reason this Lease and the leasehold estate of Lessee hereunder is terminated by Lessor by summary proceedings or otherwise in accordance with the terms of this Lease, Lessor covenants and agrees that:

(i) such termination of this Lease shall not result in a termination of any sublease affecting the demised premises;

(ii) all subleases shall continue for the duration of their respective terms and any extensions thereof as a direct lease between Lessor hereunder and the sublessee thereunder, with the same force and effect as if Lessor hereunder had originally entered into such sublease as Lessor thereunder (subject, however, to the prior right of the holder of any encumbrance); and

(iii) the default of any sublessee under the terms of its sublease shall not affect the rights and interests of any other sublessee in the demised premises and the improvements thereon, so long as said other sublessee shall continue to comply with the terms of its sublease. The rights of Lessor under the body of this Lease to re-enter the demised premises without termination of this Lease, and to use or store Lessee's personal

property and trade fixtures, upon any default of Lessee, are expressly subject to the rights and interests of any sublessees in the demised premises and any improvements thereon. .

Any sublessee shall not be named or joined in any action or proceeding by Lessor under this Lease to recover possession of the premises or for any other relief. Lessor shall, upon request, execute, acknowledge and deliver such agreements evidencing and agreeing to the foregoing as each sublessee shall require.

E. Insurance.

1. Lessee hereby expressly waives on behalf of its insurers hereunder any right of subrogation against Lessor, and Lessor likewise waives on behalf of its insurers any right of subrogation against Lessee, which any such insurers may have against Lessor or Lessee by reason of any claim, liability, loss, or expense arising under this Lease. Lessee and Lessor agree that the name of Lender shall be added to the "Loss Payable Endorsement" of any and all insurance policies required to be carried by Lessee, and the same shall contain a standard mortgagee protection clause in favor of Lender. All such policies issued by the respective insurers shall contain an agreement by the insurers that such policies shall not be cancelled or modified to reduce

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or eliminate coverage or insured risks without at least thirty (30) days' prior written notice to Lessor and Lender. Lender shall be entitled to participate in the settlement or adjustment of any losses covered by such policies of insurance and no such settlement or adjustment shall be accepted or approved without the specific consent in writing of Lender. Notwithstanding anything contained in the body of this Lease, prior to the first sale of a Condominium in the residential Condominium project contemplated for construction on the demised premises, the proceeds from any insurance policy are to be held by First Lender and distributed pursuant to the provisions of this Lease, but First Lender may determine the disposition of such proceeds, if any, otherwise payable directly to Lessee pursuant to the provisions of this Lease. If it shall be determined between Lessee, Lessor and First Lender that the proceeds from such insurance will not be sufficient to return the property and the improvements thereon to its previous condition, or a substantially equivalent condition, the proceeds shall then be paid to First Lender to the extent of the unsatisfied obligation represented by First Lender's encumbrance. Any amount in excess of that to which First Lender is entitled under its encumbrance will be paid to the Lessee and Lessor as provided in the body of this Lease. Subsequent to the first sale of a Condominium, the proceeds from any insurance policy are to be held by the

homeowners' association representing and made up of the owners of the Condominiums to be constructed on the demised premises and distributed pursuant to the provisions of the Declaration of Covenants, Conditions, and Restrictions governing said residential Condominium project.

F. Non-Merger of Fee and Leasehold Estates.

1. There shall be no merger of the Lease, nor of the leasehold estate created thereby, with the fee estate in the demised premises by reason of the fact that the Lease, or the leasehold estate created thereby, or any interest in either thereof, may be held directly or indirectly by or for the account of any person who shall own the fee estate in the premises or any portion therein, and no such merger shall occur unless and until all persons at the time having any interest in the fee estate and all persons having any interest in the Lease or the leasehold estate, including Lender, shall join in a written instrument effecting such merger.

G. Condemnation.

1. Representation of Lender.

Lender shall have the right to participate in any settlement of awards, compensation and damages and may contest any such awards, compensation and damages and prosecute appeals therefrom.

2. Application of Award from Total or Substantial Taking.

Notwithstanding anything contained in the body of this Lease, in the event of a total or substantial taking prior to the first sale of a Condominium in the residential Condominium project contemplated for construction on the demised premises, any award or compensation, after payment of expenses of collection, shall be held by First Lender to be payable as follows:

(a) Lessor shall receive the value of the condemned land which constitutes the demised premises, treated as unimproved and encumbered by this Lease; and

(b) Lessee, subject to the rights of any Lender, shall receive the value of the leasehold estate under this Lease and any buildings and improvements on the demised premises, provided that in no event shall the amount payable to Lessee be less than the amount of the encumbrance of First Lender.

In the absence of agreement between Lessor and Lessee as to these amounts, each shall appoint an appraiser and those two appraisers shall select a third. All three appraisers shall appraise the demised premises and the improvements thereon and the average of the three appraisals shall constitute the values of Lessor's and Lessee's respective interests in determining the distribution of any such award or compensation.

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In the event of a total or substantial taking subsequent to the first sale of a Condominium, any award or compensation shall be paid to and held by the homeowners' association to be incorporated to represent and be made up of the owners of the Condominiums to be constructed on the demised premises, to be payable in accordance with the provisions of the Declaration of Covenants, Conditions and Restrictions governing said residential Condominium project; provided, however, that, at Lessor's election, any portion of any award or compensation payable to Lessee under the terms of said Declaration shall be paid directly to Lessor.

3. Application of Awards and Other Payments
Upon Partial Taking.

Notwithstanding anything contained in the body of this Lease, awards and other compensation on account of a partial taking occurring prior to the first sale of a Condominium in the residential Condominium project contemplated for construction on the demised premises shall be held by First Lender and shall be applied, less the costs of collection, in the following manner:

(a) first, to the repair and restoration of the demised premises and the improvements thereon to their previous condition or to a substantially equivalent condition;

(b) next, to Lessor and Lessee respectively, in the proportion which as nearly as practical (i) the value of Lessor's interest in the demised premises, treated as unimproved and encumbered by this Lease, bears to (ii) the value of Lessee's interest in the leasehold estate under this Lease and any buildings and improvements on the premises, provided that First Lender may reserve its rights to apply to the indebtedness secured by its encumbrance all or any part of Lessee's share of such award or compensation. Any question as to the proper value of Lessor's and Lessee's respective shares shall be resolved by the appraisal procedure set forth in subsection H below.

In the event of a partial taking subsequent to the first sale of a Condominium, any award or compensation shall be paid to and held by the homeowners' association to be incorporated to represent and be made up of the owners of the Condominiums to be constructed on the demised premises, to be payable in accordance with the provisions of the Declaration of Covenants, Conditions and Restrictions governing said residential Condominium project; provided, however, that, at Lessor's election, any portion of any award or compensation payable to Lessee under the terms of said Declaration shall be paid directly to Lessor.

4. Temporary Taking.

If the demised premises or any portion thereof or any buildings or improvements thereon should be taken governmental occupancy for a limited period (a "temporary taking"), this Lease shall not terminate and Lessee shall continue to perform and observe all of its obligations hereunder as though such taking had not occurred, except the extent that it may be prevented from performing such obligations by reason of such taking. In the event of a temporary taking, Lessee shall be entitled to receive the entire amount of any awards, compensation and damages made for such taking, and Lessor hereby assigns such awards, compensation and damages to Lessor to the extent that the governmental occupancy does not extend beyond the expiration of the term hereof.

5. Reduction of Rent.

In the event that any award or other payment shall be paid on account of a partial taking, the rental hereunder shall be reduced proportionately to the extent that the value of the portion of the demised premises so taken bears to the value of the whole of the demised premises prior to such taking.

H. Arbitration.

1. The arbitration of matters arising under or in connection with this Lease for which arbitration is

mentioned in this Lease shall be accomplished by Lessor and Lessee each appointing one arbitrator within thirty (30) days of the issuance of Lessor's notice of dispute, written notice of appointment to be given to the other party. If said two (2) arbitrators cannot resolve the dispute or question before them within thirty (30) days after the appointment of the last-appointed arbitrator, they shall agree on and appoint a third arbitrator. The decision of at least two (2) of the three (3) arbitrators shall be conclusive and binding on Lessor and Lessee. All decisions of the arbitrators shall be presented to Lessor and Lessee in writing.

I. Inconsistency or Conflict.

1. In the event of an inconsistency or conflict between the provisions of this Addendum and those contained in the body of this Lease, the provisions of this Addendum shall control.

J. Lease.

The Lease hereby amended in that certain lease dated August 1, 1979, a memorandum of which was recorded on August 8, 1979, in Book 13261, Pages 1477 et seq., in Official Records of Orange County, California.

The parties have executed this Addendum to
Lease to be effective as of September 28, 1979.

Jessie M. Duc.
JESSIE M. DUC

Eugene Duc
EUGENE DUC

Charlotte Kirchen
CHARLOTTE KIRCHEN

"Lessor"

Frank Woolsey
FRANK WOOLSEY

Charles L. Hermansen
CHARLES L. HERMANSEN

"Lessee"

ORANGE COAST TITLE COMPANY
EXTENSION DEPARTMENT

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WHEN RECORDED, MAIL TO:

CAL FED ENTERPRISES
c/o California Federal Bank
5700 Wilshire Boulevard, Ste 212
Los Angeles, CA 90036
Attention: Tim Michell

DOC # 95-0116929
23-MAR-1995 03:38

Recorded in Official Records
of Orange County, California
Gary L. Granville, Clerk-Recorder
Page 1 of 2 Fees: \$ 8.00
Tax: \$ 0.00

RECORDING REQUESTED BY:
OCTLA

NOTICE OF EXTENSION OF GROUND LEASE

To: Eugene O. Duc and Charlotte Kirchen
c/o Martin L. Abrams, Esq.
11350 East Valley Boulevard
El Monte, CA 91731

Pursuant to paragraph 2(b) of the Lease dated August 1, 1979, a memorandum of which was recorded August 8, 1979, in Book 13261 Page 1473 et seq., in the Official Records of Orange County, California, by and between Jesse M. Duc, Eugene O. Duc and Charlotte Kirchen ("Lessor"), and Frank Woolsey and Charles Hermansen, Predecessor in Interest to Cal Fed Enterprises, a California corporation ("Lessee"), covering certain real property situated in the City of Huntington Beach, County of Orange, State of California, and more particularly described as Parcel 1 as shown on a Map filed on April 2, 1979, in Book 131, Page 34 of Parcel Maps, County of Orange, California. Lessee hereby exercises its absolute right to extend the term of the Lease for an additional fifteen (15) year period. Since the present term of the Lease is due to expire on August 31, 2026, the Lease is hereby extended to August 31, 2041.

This Notice is being recorded to correct and supersede the Notice of Extension of Ground Lease, dated May 11, 1994 and recorded as Instrument No. 94-0335069 on May 16, 1994 in the Official Records of Orange County, which incorrectly identified the Lessee as California Federal Bank.

DATED: March 20, 1995

CAL FED ENTERPRISES
a California corporation

By: [Signature]
Its: President

This document filed for record by Orange Coast Title Company of Los Angeles as an accommodation only, it has not been examined as to its execution or as to its affect upon the title.

By: C. R. Nelson
Its: Assistant Secretary

Order: C87GEX2DM
Address: 4791 Lago Drive 101
Order Date: 04-17-2019
Document not for resale
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STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

)
) ss
)

on March 20 1995 before me, Rose Mamos, Notary Public, personally appeared Douglas J. Wallis and Carol Robertson, personally known to me to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same in their authorized capacities, and that by their signatures on the instrument the persons or entity upon behalf of which the persons acted, executed the instrument.

WITNESS my hand and official seal.



Rose Mamos

STATEMENT

Page 1 of 1

HARBOUR VISTA, LLC
C/O DERMOT REALTY MGMT CO
P O BOX 57063
IRVINE CA 92619-7063

MIS-HV-G2130-2

Statement Date April 20, 2005
Due Date May 1, 2005

Property Address

16521 GRUNION LANE UNIT 302
HUNTINGTON BEACH CA 92649

Date	Item	Description	Charge	Pay/Adj
04/01/2005	1	G21-302 ASSESSMENT	176.00	
04/10/2005		Draft #90410		-176.00
05/01/2005	1	G21-302 ASSESSMENT	176.00	
BALANCE DUE				176.00

PAYMENTS MUST BE ***** "RECEIVED" ***** BY THE 10TH OF THE MONTH
OR A \$25.00 LATE CHARGE WILL APPLY.
PARTIAL PAYMENTS AND NSF'S OF MONTHLY RENTS CONSTITUTE LATE PAYMENTS,
AND THEREFORE A \$25.00 LATE CHARGE WILL BE ASSESSED.
QUESTIONS???? CALL VICKIE (949) 635-1720.

RETAIN THE ABOVE PORTION FOR YOUR RECORDS

HARBOUR VISTA, LLC
C/O DERMOT REALTY MGMT CO
P O BOX 57063
IRVINE CA 92619-7063

Account MIS-HV-G2130-2



Due Date May 1, 2005

Please Detach and Return with your Remittance

176.00 BALANCE DUE

*** YOUR ACCOUNT WILL BE DRAFTED ON THE 10TH FOR 176.00 ***
***** DO NOT PAY THIS STATEMENT *****
Remit To

PETER POKORNY
TANYA POKORNY
16521 GRUNION LANE UNIT 302
HUNTINGTON BEACH CA 92649

HARBOUR VISTA, LLC
C/O DERMOT REALTY MGMT CO
P O BOX 57063
IRVINE CA 92619-7063

MIS
HV
1

183281818181 04 1832 0505011 170201030002 001760018 4

Order: C87GEX2DM
Address: 4791 Lago Drive 101

Document not for resale
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