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8 **UNITED STATES BANKRUPTCY COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA**
10 **RIVERSIDE DIVISION**

11 In re:) Chapter 11
12)
13) Case No: 6:16-bk-14859-MW
14)
15 Desert Springs Financial, LLC) **NOTICE OF MOTION AND MOTION**
16) **FOR AN ORDER:**
17)
18) **(1) AUTHORIZING REFINANCE AND**
19) **SALE OF ESTATE PROPERTY FREE**
20) **AND CLEAR OF LIENS, CLAIMS,**
21) **ENCUMBRANCES AND INTERESTS**
22) **SUBJECT TO CURRENT**
23) **LEASEHOLDERS' INTEREST**
24) **UNDER 11 U.S.C. §363 AND §364**
25) **(2) AUTHORIZING PAYMENT OF**
26) **BROKER'S COMMISSION,**
27) **CLOSING COSTS, AND REAL**
28) **PROPERTY TAXES;**
) **(3) FINDING THAT BUYER IS GOOD**
) **FAITH PURCHASER UNDER 11**
) **U.S.C. §363(m);**
) **(4) FINDING THAT LIENHOLDERS**
) **ARE ADEQUATELY PROTECTED**
) **UNDER 11 U.S.C. §361**
) **(5) FINDING THAT ESCROWS MAY**
) **CLOSE AS BENEFICIAL TO THIS**
) **CHAPTER 11 PROCEEDING; and**
) **(6) GRANTING SUCH OTHER RELIEF**
) **AS IS JUST AND PROPER**
)
) **MEMORANDUM OF POINTS AND**
) **AUTHORITIES; DECLARATIONS OF**
) **MANAGING MEMBER OF THE**
) **DEBTOR, MURRAY ALTMAN, MIKE**

1) **RADLOVIC, AND JANETTE DeLAP IN**
2) **SUPPORT THEREOF**
3)
4) (Real Property located at 68031-68051 Ramon
5) Road, Cathedral City, Ca 92234)
6)
7) Hearing Date: November 8, 2016
8) Time: 2:00 p.m.
9) Place: Video Courtroom 225, 3420 12th Street,
10) Riverside, Ca 92501 or Courtroom 6C
11) 411 West 4th Street, Santa Ana, Ca 92701
12)
13)

14 **TO THE HONORABLE MARK S. WALLACE, UNITED STATES BANKRUPTCY**
15 **JUDGE; THE OFFICE OF THE UNITED STATES TRUSTEE; PACIFIC PREMIER**
16 **BANK AND ITS COUNSEL OF RECORD; RAMON PALM LANE, INC., AND ITS**
17 **COUNSEL OF RECORD; YUN HEI SHIN AND HER COUNSEL OF RECORD;**
18 **MITCHELL ALTMAN AND HIS COUNSEL OF RECORD; AND OTHER ALL**
19 **CREDITORS:**

20 PLEASE TAKE NOTICE that on November 8, 2016, at 2:00 p.m., before the Honorable
21 Mark S. Wallace, United States Bankruptcy Judge, in Video Courtroom 225, 3420 12th Street,
22 Riverside, Ca 92501 and/or Courtroom 6C, 411 West 4th Street, Santa Ana, Ca 92701, Desert
23 Springs Financial, LLC, the Debtor and Debtor in Possession herein (the "Debtor"), will and
24 does hereby move the Court for an order approving the simultaneous and concurrent refinance of
25 property located at 68051 Ramon Road, Cathedral City, Ca 92234, APN 680-190-034
26 ("Bowling") and sale of the Debtor's real property located at 68031 Ramon Road, Cathedral
27 City, Ca, 92234 , APN 680-190-033 ("Towers") free and clear of all liens, claims, encumbrances,
28 and interests, as possible, subject only to the leasehold interests of "111 Smoke Shop" and
"Ramon Palm Lane, Inc."

Proposed refinance of Bowling, 68051 Ramon Road, Cathedral City, CA:

Description: 25,000 sq. foot commercial building currently being used and operated as a
bowling alley known as Palm Springs Lanes, operated by Ramon Palm Lane, Inc. under
lease effective September 1, 2008 to September 30, 2023.

1 Lender: Socotra Capital, 2208 29th Street, #100, Sacramento, CA 95817

2 Loan amount: \$2,575,000.00

3 Borrower: Desert Springs Financial, LLC

4 Terms and Conditions: 1st position; 36 months, fixed payments of interest only at 10.5%;
5 origination 2.75 points; fees for processing, underwriting, loan set up, loan docs in the
6 amount of \$2050.00; borrower responsible for closing costs and associated fees, all
7 subject to bid procedures set forth below.

8 Leasehold Interest: Ramon Palm Lane, Inc., has a leasehold interest in this parcel based
9 on a lease effective September 1, 2008, to September 30, 2023, with an option for 10 year
10 extension. Monthly rent obligation is currently \$49,790.24.00 per month until September
11 30, 2017, after which time it increases 5% and increases 5% each year thereafter. The
12 refinance of the parcel is in large part based on and takes into consideration the tenant's
13 leasehold obligations, rights, and interests and any overbid would be subject to same.

14 **Proposed Sale of Towers, 68031 Ramon Road, Cathedral City, CA:**

15 Description: 17,776 square foot, two story, commercial building suitable for office and
16 retail, including 43% interest in membership of Ramon Park Association ("Parking
17 Area"). One suite is currently leased to 111 Smoke Shop on a month-to-month basis.

18 Proposed Buyer: GK REAL ESTATE GROUP, LLC ("Buyer") through its managing
19 member, Garnik Gevorgyan, assignee of Karen (Kevin) Sarkisyan, Gayk Akhsharomov,
20 and Levon Akhsharumov, 13547 Ventura Blvd., Suite 271, Sherman Oaks, CA 91423

21 Price: \$2,290,000.00.

22 Terms and Conditions: Cash purchase subject to bid procedures set forth below. Buyer,
23 GK Real Estate Group, LLC, has deposited \$175,000 in escrow. Required down payment
24 of \$458,000.00 cash (includes deposit) and loan proceeds of \$1,832,000.00, (funds are
25 available and escrow is ready to close upon court approval).

26 Leasehold Interest: One tenant currently operating as 111 Smoke Shop has a month-to-
27 month leasehold interest of which buyer is aware and agrees that purchase is subject to
28 this leasehold interest. An overbid would be subject to same.

1 **Existing liens (cross-collateralized) on both parcels:**

2 Pacific Premier Bank – 1st mortgage. Estimated balance \$2,678,505.37 as of November
3 11, 2016.

4 J&K Drywall and Metal Stud Framing, Inc. – Judgment Lien. Abstract - Disputed

5 Ramon Palm Lane, Inc. – Judgment lien. Estimated balance \$1,398,198.18 as of
6 November 11, 2016.

7 Yun Hei Shin – Judgment lien. Estimated balance included in Ramon Palm Lane, Inc.
8 balance.

9 **Refinance and sale funds will free and clear all liens, claims or interests subject to**
10 **the unexpired leasehold interests of 111 Smoke Shop and Ramon Palm Lane, Inc.**

11 The net proceeds available to Debtor-in-Possession from the refinance and sale of this
12 property is more than the value of the liens on these parcels in satisfaction of 11 U.S.C.
13 §363(f)(3). Lien and leasehold interest holders are adequately protected as required by 11 U.S.C.
14 364(d)(1)(B) and in conformance with 11 U.S.C. §361 as the funds will be used to make cash
15 payments indubitably equal to the lienholder interests and the tenants will be entitled to
16 continued possession under the terms of their respective commercial leases per 11 USC §363(e).

17 **Proposed sale is subject to higher and better bids.**

18 The minimum overbid for the Towers is \$2,340,000.00 for Towers.

19 **Commission:**

20 Buyer and the Seller of Towers are represented by broker, Mike Radlovic. A broker's
21 commission of three and one-half percent (3.5%) of the purchase price of Towers is to be paid to
22 Coldwell Banker Commercial –SC; Broker, Mike Radlovic, from escrow.

23 **Known tax consequences to debtor:**

24 No yet determined. None known.

25 **Disinterest of purchaser and lender:** Neither GK REAL ESTATE GROUP, LLC, or
26 SOCOTRA CAPITAL or any of their principals, employees, or agents have any affiliation with
27 Debtor, or any persons or companies associated with Debtor, and specifically no affiliation with
28

1 Murray Altman, the managing member of the Debtor or Yun Hei Shin an economic interest
2 holder of Debtor.

3 **Previous Motion:** On July 20, 2016, Desert Springs Financial, LLC, filed a motion for
4 approval of sale of this same property (Docket #79) which was denied without prejudice on
5 August 24, 2017, (Docket #128). A second motion was filed October 3, 2016, but was not
6 scheduled for hearing because the hearing date was not selected in compliance with self-
7 calendaring and no other hearing date before November 8, 2016, was approved. ((Docket #
8 197(motion), Docket #202 (Application), and Docket #211 (order)). This motion updates and
9 clarifies the motion filed October 3, 2016, to take into consideration additional interest to
10 November 11, 2016, an additional secured creditor, and RPL's recoupment of rent through
11 November 2016, and to set forth more specifically, the manner and sequence of the proposed
12 transactions.

13 PLEASE TAKE FURTHER NOTICE that the Motion is based on this Notice of Motion
14 and the following Motion, §§361, 363, 364 and 105 of the Bankruptcy Code, Federal Rules of
15 Bankruptcy Procedure 2002 and 6004; Local Bankruptcy Rules 4001-2 and 6004-1; the attached
16 Memorandum of Points and Authorities; the Declaration of the Debtor and of the real estate
17 broker, Mike Radlovic, submitted herewith; the record in the Chapter 11 case, and such
18 additional evidence and argument as may be presented at or before the hearing on this Motion.

19 PLEASE TAKE FURTHER NOTICE that any party wishing to respond to the Motion
20 must file a written response with the Bankruptcy Court and must serve that written response on
21 counsel for the Debtor at least 14 days prior to the hearing. The failure to timely file and serve a
22 response in accordance with the Local Bankruptcy Rules may be deemed by the Bankruptcy
23 Court to be consent to the granting of the relief requested in the Motion.

24 Dated: October 13, 2016

25 /s/ M. Wayne Tucker
26 M. Wayne Tucker, Esq.
27 Attorney for Debtors
28 Orrock, Popka, Fortino, Tucker & Dolen

MOTION

1
2 **Previous Motion:** On July 20, 2016, Desert Springs Financial, LLC, filed a motion for
3 approval of sale (Docket #79) which was denied without prejudice on August 24, 2017 (Docket
4 #128). A second motion was filed October 3, 2016, but was not set for hearing because the
5 selection of the hearing date was not in compliance with self-calendaring and no other hearing
6 date before November 8, 2016, was approved. ((Docket # 197(motion), Docket #202
7 (Application), and Docket #211 (order)). This motion supersedes, updates, and clarifies the
8 motion filed October 3, 2016, to take into consideration additional interest to November 11,
9 2016, an additional secured creditor, and RPL's recoupment of rent through November 2016, and
10 to set forth more specifically the manner and sequence of the proposed transactions.

11 **Instant Motion:** Desert Springs Financial, LLC ("Debtor" or "DSF"), in the above Chapter 11
12 Bankruptcy case respectfully moves this Court for the entry of an order approving the
13 simultaneous and concurrent refinance and sale of a portion of its property to pay 100% of
14 creditors' claims.

15 The refinance is of the parcel located at 68051 Ramon Road, Cathedral City, CA, 92234,
16 APN 680-190-034 ("Bowling") to be secured by a new senior lien in favor SOCOTRA
17 CAPITAL, free and clear of all other liens, claims, encumbrances, and interests, as possible,
18 pursuant to 11 U.S.C § 364(d)(1), subject only to the leasehold interests of Ramon Palm Lane,
19 Inc. pursuant to 11 U.S.C § 363(e).

20 The sale is of the adjacent parcel located at 68031 Ramon Road, Cathedral City, CA,
21 92234, APN 680-190-033 (the "Towers") to GK REAL ESTATE GROUP, LLC, ("Buyer") or to
22 such other party as may successfully overbid at the hearing free and clear of all liens, claims,
23 encumbrances, and interests, as possible, pursuant to 11 U.S.C § 363(f), subject only to the
24 leasehold interests of 111 Smoke Shop pursuant to 11 U.S.C. §363(e), and granting any
25 additional relief to finalize a sale in favor of the estate.

26 This Motion is based on the preceding Notice of Motion; 11 U.S.C. §§ 361, 363, 364 and
27 105; Federal Rules of Bankruptcy Procedure 2002 and 6004; Local Bankruptcy Rule
28

1 6004-1; the attached Memorandum of Points and Authorities; the Declarations submitted
2 herewith; and such additional evidence and argument as may be presented at or before the
3 hearing on this Motion.

4 **WHEREFORE, THE DEBTOR RESPECTFULLY REQUESTS THAT THE COURT FIND:**

- 5 1. Notice of this motion was adequate and reasonable.
- 6 2. The sale of Towers (68031 Ramon Road, Cathedral City, CA 92234, APN 680-190-
7 033) and concurrent refinance of Bowling (68051 Ramon Road, Cathedral City, CA
8 92234, APN 680-190-034) is a sound business decision for the purpose of
9 reorganizing to pay all creditors' claims and eventual exit from Chapter 11 in that it
10 allows Desert Springs Financial, LLC to:
 - 11 a) satisfy all liens against its properties and claims of creditors,
 - 12 b) retain ownership of Bowling,
 - 13 c) retain obligations and rights under lease with Ramon Palm Lane, Inc. to
14 generate positive cash flow,
 - 15 d) recommence receiving rent,
 - 16 e) meet its future financial obligations to Socotra Capital and operational
17 expenses, and,
 - 18 f) retain ownership of 7-acre lot for future development.
- 19 3. Authorization is justified for debtor-in-possession to incur refinancing secured by a
20 senior or equal lien on Bowling (APN 680-190-034) under 11 U.S.C §364(d)(1)(A)
21 and (B) because:
 - 22 a. Debtor-in-Possession was unable to obtain the refinancing needed without a
23 senior lien. (11 U.S.C. §364(d)(1)(A), and,
 - 24 b. Lienholders are adequately protected. (11 U.S.C. §364(d)(1)(B).
- 25 4. Lienholders are adequately protected pursuant to (11 U.S.C. §361) because:
 - 26 a. The granting of a lien in favor of Socotra Capital on Bowling will not
27 decrease the value of the lienholders' interest because:
28

- 1 i. Cash payment in full will be made to lienholders, Pacific Premier
2 Bank (PPB), J&K Drywall and Metal Stud Framing, Inc. (J&K)
3 Ramon Palm Lane, Inc. and Yun Hei Shin (RP/Shin) by Debtor-in-
4 Possession.
- 5 ii. Lienholders PPB, J&K, and RPL/Shin will realize the indubitable
6 equivalent of their interest in the properties.
- 7 5. Title may transfer free and clear of liens, claims, and interests under 11 U.S.C 363(f)
8 because:
- 9 A. Non-bankruptcy law would permit the sale and refinance of the properties free
10 and clear because:
- 11 a. all existing liens are being paid in full, and,
12 b. existing liens will be released, and,
13 c. neither the sale nor the refinance will affect the rights and obligations
14 of the lessees. (11 U.S.C §363(f)(1))
- 15 B. The funds available from the refinance and sale (\$4,865,000.00) are more than
16 the aggregate value of the liens (\$4,098,358.64) on the subject properties. (11
17 U.S.C. §363(f)(3)).
- 18 C. Lienholders could be compelled to accept money in satisfaction of their
19 interest because liens are being paid in full. (11 U.S.C §363((f)(5)).
- 20 D. Lessees' are adequately protected as their interests are unaffected by the sale
21 and transfer and refinance (11 U.S.C. §363(e))
- 22 6. The purchase price of Towers (\$2,290,000.00) is deemed fair and reasonable as it is
23 the highest price offered or bid for the property after reasonable and diligent
24 marketing efforts.
- 25 7. Buyer, GK Real Estate Group, LLC., and its principals, agents, employees, are
26 disinterested entities and persons.
- 27 8. Refinance lender, Socotra Capital, and its principals, agents, employees are
28 disinterested entities and persons.

1 9. The immediate completion of the refinance and sale is necessary for the orderly
2 reorganization of Debtor in consideration of the relief of stay granted to Pacific
3 Premier Bank and Ramon Palm, Lane, Inc., and Yun Hei Shin. Further, immediate
4 completion will minimize cost to the estate related to interest accruing daily on the
5 debts and judgments.

6 AND ORDER THAT;

7 1. The 14 day stay pursuant to FRBP Rule 6004(h) be waived.

8 2. Debtor-in-Possession be authorized to refinance debt secured by a 1st Trust Deed
9 of senior or equal priority on APN 680-190-034 (Bowling) in favor of Socotra Capital to the
10 extent necessary to fund the refinance in the amount of \$2,575,000.00.

11 3. Debtor-in-Possession be authorized to complete the sale of APN 680-190-033
12 (Towers) to GK Real Estate Group. LLC, forthwith for the amount of \$2,290,000.00.

13 4. That the simultaneous escrows that have been opened be hereby approved for the
14 concurrent administration and processing of the refinance and the sale.

15 5. That Fidelity National Title, National Commercial Services, shall serve as escrow
16 officer/administrator pursuant to escrow instructions to collect and disburse funds for both the
17 refinance and the purchase and coordinate recording of this order, liens, release of liens, and
18 deeds of trust and other documents as necessary for the concurrent close of:

19 a. Escrow #23087426 (68051 Ramon Rd., APN 680-190-034) and,

20 b. Escrow #23079124 (68031 Ramon Rd., APN 680-190-033) such that;

21 i. Refinance funds after payment of property taxes and liens specific to
22 escrow #23087426 (APN 680-190-034) be instantly transferred to
23 escrow #23079124 (APN 680-190-033) for immediate disbursement.

24 6. That all interested parties cooperate with the escrow officer in the administration
25 to properly and timely deliver and execute all documents necessary for release of funds from
26 escrow and proper processing and recording of documents necessary for close of escrow such
27 that title transfers shall be free and clear of liens, claims, encumbrances, and interests in
28 sequence as follows:

1 A. Escrow #23087426 (APN 680-190-034, Bowling)

- 2 i. Socotra Capital be granted a senior (or equal lien) on APN 680-190-
3 034
- 4 ii. Cash payment be disbursed to Ramon Palm Lane, Inc., and Yun Hei
5 (Angie) Shin in the full amount of principal and interest due under the
6 judgment lien(s). Payment of Post-Petition Attorney fees is subject to
7 6(B)(vii) below.
- 8 iii. Ramon Palm Lane, Inc./Shin liens shall be released from all Desert
9 Springs Financial, LLC., properties.
- 10 iv. Any property taxes due and/or government liens shall be paid per
11 escrow instructions.
- 12 v. Balance of funds from this escrow instantly transfer to:

13 B. Escrow #23079124 (APN 680-190-033, Towers)

- 14 i. Cash payment shall be disbursed to Pacific Premier Bank in full
15 satisfaction of its lien on all DSF properties per Proof of Claim #3.
- 16 ii. The Pacific Premier Bank lien shall be released from all DSF
17 properties.
- 18 iii. Cash payment shall be disbursed to J&K in the allowed amount of its
19 claim and its lien released from all DSF properties
- 20 iv. Cash payment shall be disbursed to unsecured creditors per allowed
21 claims.
- 22 v. Any property taxes due and/or government liens shall be paid per
23 escrow instructions.
- 24 vi. Fees and commission shall be disbursed to Mike Radlovic, Coldwell
25 Banker Commercial-SC in the amount of \$80,150.00.
- 26 vii. Any remaining funds in escrow after the above disbursement and
27 payment of all fees and costs of escrow shall transfer to a separate
28 escrow account pending approval of application(s) for compensation

1 of professionals and administrative costs, and resolution of any
2 disputed claims for attorney fees and costs and any other remaining
3 disputes as to distribution of said funds.

4 7. Escrows shall close concurrently - neither escrow may close without close of both
5 escrows.

6 8. Title to APN 680-190-033(Towers) shall transfer free and clear to GK Real Estate
7 Group, LLC upon close of escrow.

8 9. Title to APN 680-190-034 (Bowling) shall be reconveyed to Desert Springs
9 Financial, LLC subject to 1st mortgage of Socotra Capital upon close of escrow and
10 subject to the lease between Desert Springs Financial, LLC and Ramon Palm Lane,
11 Inc., which lease shall remain in full force and effect as modified by the state court
12 judgment entered in the Superior Court of the State of California, County of Riverside
13 case #INC 10003583 on December 23, 2015.

14 10. Granting such other and further relief as the Court deems just and proper under the
15 circumstances.

16
17 Dated: October 14, 2016

18 /s/ M. Wayne Tucker
19 M. Wayne Tucker
20 Orrock, Popka, Fortino, Tucker & Dolen
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1 **MEMORANDUM OF POINTS & AUTHORITIES**

2 **I. INTRODUCTION**

3 Debtor-in-Possession, Desert Springs Financial, LLC (DSF) brings this Motion for an Order
4 or Orders as set forth in the foregoing Notice. Debtor owns 4 adjacent parcels of real property,
5 three of which are the subject of this motion. The first is the parcel located at 68051 Ramon
6 Road, Cathedral City, CA 92234, (hereinafter referred to as “Bowling”) and is the subject of this
7 motion for approval of refinancing. It is a commercial building leased to Ramon Palm Lane, Inc.,
8 and is operating as a bowling alley. It is identified as APN 680-190-034. Ownership of this
9 parcel includes a 57% interest in an association membership of Ramon Tower Business Park,
10 Inc. The second parcel subject to the motion to approve purchase or overbid, is a commercial
11 office/retail property located at 68031 Ramon Road, Cathedral City, CA 92234 (hereinafter
12 referred to as “Towers”). The parcel is identified as Assessor’s Parcel Number 680-190-033-8.
13 Ownership of this parcel includes a 43% interest in an association membership of Ramon Tower
14 Business Park, Inc., which association owns and controls the Parking Area servicing the parcel.
15 The third is the Parking Area, APN 680-190-036 (hereinafter referred to a “Parking Area”).

16 If approved, debtor will have funds sufficient to completely pay off the cross-collateralized
17 claims of secured creditor Pacific Premier Bank and secured judgment creditors J&K, and
18 RPL/Shin, as well as allowed claims of unsecured creditors. The debt to the other scheduled
19 secured creditor of DSF, Mitchell Altman, is not secured by these parcels. Mitchell Altman will
20 retain adequate protection by way of his secured interest in the undeveloped 7-acre lot of DSF
21 (APN 680-190-035-8) which is not subject to this motion. The proposed sale and/or refinance
22 will not interfere with the rights and obligations of leaseholders, 111 Smoke Shop and Ramon
23 Palm Lane, Inc.

24 Debtor-in-Possession has an agreement with Socotra Capital to refinance the Bowling parcel
25 for \$2,575,000. (Exhibit “B”). Debtor-in-Possession has entered into a sale agreement for the
26 Towers at the price of \$2,290,000.00 (Exhibit “A”), the highest price ever achieved during the
27 course of active marketing over a number of months through a prominent estate brokerage
28 company, Coldwell Banker Commercial Realty-SC. This motion requests the Court to approve

1 the refinance agreement of Bowling, and the existing purchase agreement or to approve a
2 qualified overbid for Towers, in accordance with the procedures proposed herein and approved
3 by this Court and the simultaneous and concurrent processing of escrow to accomplish full
4 payment to all creditors.

5 **II. MAJOR EVENTS OR CIRCUMSTANCES LEADING TO FILING**

6 Debtor filed this case following a state civil court trial and the entry of judgment. Part of the
7 judgment was against Debtor and in favor of Ramon Palm Lane, Inc. (RPL) and Yun Hei Shin
8 (Shin). RPL is lessee and Debtor is lessor in a lease agreement pertaining to Bowling (Exhibit
9 “C”). The lease of the Bowling will terminate September 30, 2023. Yun Hei Shin is the sole
10 shareholder of RPL and is a personal guarantor pursuant to the terms of the lease.

11 On or about January 4, 2016, judgment creditors, RPL and Shin, recorded abstracts of
12 judgment (Exhibit “D”) and initiated execution on the judgment(s) against Debtor by obtaining
13 an order (Exhibit “E”) allowing the set off of monthly lease payments of \$47,419.28 until
14 September 30, 2016. Beginning October 1, 2016 the monthly rent increases to \$49,790.24 and
15 increases 5% each year on October 1st. Beginning January 2016, RPL began setting off lease
16 payments against the judgment. Recently, this court has determined that the withholding of rent
17 is recoupment and not subject to the automatic stay thus the amount of the judgment has
18 decreased as monthly rent became due. (Docket # 185 and 192).

19 Debtor’s income consists primarily of lease payments from RPL. Without the lease
20 payments, Debtor has insufficient cash flow to meet monthly obligations for mortgage payments
21 to its major creditor, Pacific Premier Bank, or to satisfy its ongoing operating expenses as most
22 of its reserves were depleted by March 2016. Because of threat of foreclosure and enforcement
23 of judgments before being able to reorganize by partial liquidation and refinancing, debtor
24 sought the protection of the automatic stay. Had the stay been applied to require tenant to
25 continue paying rent or even equitably reduced rent, debtor would have been able to stay current
26 with the 1st mortgage while procuring and processing approval of sale and/or refinancing and
27 closing of escrow as requested herein. The intent was to gain bankruptcy protection to stop the
28 enforcement of collection activities so it could effectively reorganize.

1 **III. PROPERTY SUBJECT TO THIS MOTION:**

2 The property consists of two adjacent parcels and an adjoining third parcel that provides
3 parking to the other two.

4 One parcel (Bowling) is a 25,000 sq. foot commercial building currently being used and
5 operated as a bowling alley known as Palm Springs Lanes, operated by Ramon Palm Lane, Inc.
6 under lease effective September 1, 2008 to September 30, 2023. (Exhibit “C” - Lease)

7 The second parcel (Towers) is a two story commercial property of approximately 17,776 sq.
8 feet, appropriate for small retail and/or office suites facing Ramon Road, a major thoroughfare
9 through Palm Springs and Cathedral City. There is presently only a single tenant at the subject
10 office building. The tenant, “111 Smoke Shop”, pays rent of \$2200 per month on a month-to-
11 month basis. Another office suite is used by the Debtor as a business office. The remaining
12 suites are currently vacant.

13 **A. Liens on both parcels:**

14 These parcels and the adjoining Parking Area and a 7 acre undeveloped lot are presently
15 encumbered by a 1st deed of trust in favor of Pacific Premier Bank. Pacific Premier Bank’s loan
16 is cross-collateralized and secured by all parcels owned by the Debtor as set forth in Proof of
17 Claim (Claim 3) of PPB (Exhibit “F”). The parcels are also encumbered by judicial liens of
18 J&K, RPL/Shin which attach to all of Debtor’s property. The Abstract of Judgment of RPL/Shin
19 is part of Proof of Claim #5 (Exhibit “D”). Abstract of Judgment (Exhibit “D-1”) that exists in
20 favor of J&K is believed to have been satisfied but continues to show up on the title report and is
21 subject to dispute (Exhibit “L” and “N”).

22 The proceeds of the refinance of Bowling and the sale of Towers will pay all secured and
23 unsecured creditors of DSF except Mitchell Altman. He will continue to hold a lien with respect
24 to his Note and Trust Deed on the 7-acre parcel that is not subject to the sale or the refinance.

25 **B. Agreement to refinance the Bowling property (Exhibit “B”)**

26 Socotra Capital has agreed to provide refinancing to debtor secured by a 1st position on the
27 Bowling parcel in the amount of \$2,575,000.

28 ///

1 **C. Agreement to sell the Towers property (Exhibit “A”)**

2 The marketing of Towers generated a purchase agreement with buyers, Karen Sarkisyan and
3 Gayk Akhsharumov, for the price of \$2,290,000. The initial agreement was signed May 26,
4 2016, for the price of \$2,350,000.00. The agreement was thereafter amended on June 3, 2016, for
5 the final agreed price of \$2,290,000. Escrow opened on May 27, 2016, (Exhibit “G”). The lot
6 line adjustment mentioned in the agreement has now been recorded (Exhibit “H”). Buyer
7 deposited \$175,000.00 in escrow. The original signatories to the purchase agreement assigned
8 their rights under the agreement to GK REAL ESTATE GROUP, LLC on August 4, 2016.
9 (Exhibit “I”) GK REAL ESTATE GROUP, LLC will be the owner who takes title and
10 possession should the sale be approved and escrow closed as anticipated. The loan to complete
11 the purchase is approved and escrow is ready to close. (Exhibit “J”). The original purchase
12 agreement, escrow instructions, and amendments to the purchase agreement collectively are
13 attached as Exhibit “A”. Verification of wired funds and confirmation of funding for the
14 purchase collectively are attached as Exhibit “K”.

15 **D. Free and Clear:**

16 Upon sale and refinance of these parcels, the PPB lien and judicial liens will be paid off.
17 Based on the proofs of claim filed and the purchase price, there is sufficient value and equity in
18 these parcels to fully pay all creditors, secured and unsecured, in this case. Thus, upon approval
19 and upon disbursement of funds from the sale and the refinance, title to the Towers parcel can
20 transfer free and clear subject to the leasehold interest of 111 Smoke Shop and the title to the
21 Bowling parcel will be retained by Debtor subject to a new 1st mortgage and deed of trust and
22 subject to the leasehold interest of Ramon Palm Lane, Inc. Management and control of the
23 Parking Area vests in the owners of the subject parcels 57/43, by operation of the CC&Rs of
24 Ramon Park Association, Inc.

25 **E. Successful Overbid**

26 Should there be an overbidder on the Towers as proposed, the title to Towers will pass free
27 and clear of liens, claims, encumbrances, other than the leasehold interests of 111 Smoke Shop.
28

1 By operation of the CC&Rs of Ramon Park Association, Inc., 43% ownership and control of the
2 Parking Area would vest in the new owner of the Towers.

3 **IV. ADDITIONAL RELEVANT FACTS**

4 **A. Case Commencement**

5 This case commenced with the filing of the Chapter 11 petition on May 30, 2016.

6 **B. Claims Against the Bankruptcy Estate (POCs 1-6)**

7 Pacific Premier Bank, J&K Drywall and Metal Stud Framing, Inc., Ramon Palm Lane,
8 Inc., Wells Fargo Bank, and American Express are the non-insider secured and unsecured
9 creditors of the estate.

10 **C. Insiders include:**

11 Murray Altman, who is the managing member of Desert Springs Financial, LLC, and
12 has 75% ownership in DSF;

13 Yun Hei Shin, who has a 25% economic interest in DSF as well as a personal judgment
14 against DSF;

15 Mitchell Altman, who is son of managing member of DSF. He has no ownership
16 interest in DSF but has a claim based on a Note secured by a Deed of Trust on the 7-acre lot.

17 **D. Escrow Process (Exhibit "G")**

18 Fidelity National Title Company, 3237 E. Guasti Road, Suite 105, Ontario, Ca., 91761
19 was selected to open two simultaneous escrows to handle the various transactions, subject to
20 court approval herein. Escrow #23087426 is for the refinance loan and Escrow #23079124 is for
21 the Towers.

22 Refinance funds of Bowling escrow #23087426 will be allocated and paid to:

- 23 i. Any taxes due on that property, and,
24 ii. The fully satisfy the judgment lien of J&K Drywall.
25 iii. To fully satisfy the judgments of RPL/Shin.
26 iv. Escrow and title fees and costs attributable to this transaction.

27 The balance will immediately (within seconds) transfer to the Towers escrow #23079124
28 from which funds will be immediately (within seconds) allocated and paid to:

- 1 v. Any taxes due on that property, and,
- 2 vi. The total balance of the mortgage to Pacific Premier Bank, and,
- 3 vii. The total amount of the claim of allowed claims of unsecured creditors, and,
- 4 viii. Broker's commission, and,
- 5 ix. Escrow and title fees and costs.

6 Said escrows will close concurrently, neither escrow will close before the other. Any
7 funds remaining in the escrow accounts after the above disbursements will be transferred and
8 held in a separate third escrow for payment upon court approval of attorney fees, professional
9 fees, administrative costs, and any miscellaneous matters, should there be any.

10 **E. Bowling Property (Exhibit "N"):**

11 The Bowling property is located at 68051 Ramon Road, Cathedral City, CA 92234. It is a
12 25,000 square foot, commercial building leased to Ramon Palm Lane, Inc., dba Palm Springs
13 Lane. It is identified as APN 680-190-034. The lease expires September 30, 2023, subject to a 10
14 year extension. The current monthly rent is \$49,720 per month. Rent increases 5% per year on
15 October 1st of each year through 2022. The Ownership of this parcel includes a 57% interest in
16 the association membership of Ramon Tower Business Park, Inc. The title report (Exhibit "N")
17 indicates the legal description of BOWLING as follows:

18 THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE
19 CITY OF CATHEDRAL CITY, IN THE COUNTY OF RIVERSIDE,
20 STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:
21 PARCEL 2 PARCEL MAP NO. 30704, IN THE CITY OF CATHEDRAL
22 CITY, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER
23 MAP FILED IN BOOK 212, PAGES 4 THROUGH 7, INCLUSIVE OF
24 PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF
25 RIVERSIDE COUNTY, CALIFORNIA. EXCEPTING ALL URANIUM,
26 THORIUM AND OTHER FISSIONABLE MATERIALS, ALL OIL, GAS
27 PETROLEUM, ASPHALTUM AND OTHER HYDROCARBON
28 SUBSTANCES AND OTHER MINERALS AND MINERAL ORES OF
EVERY KIND AND CHARACTER, WHETHER SIMILAR TO THOSE
HEREIN SPECIFIED OR NOT, WITHIN OR UNDERLYING OR WHICH
MAY BE PRODUCED FROM THE HEREINBEFORE DESCRIBED
LAND, TOGETHER WITH THE RIGHT TO USE THAT PORTION ONLY
OF SAID LAND WHICH UNDERLIES A PLANE PARALLEL TO
AND 500 FEET BELOW THE PRESENT SURFACE OF SAID LAND, FOR
THE PURPOSE OF PROSPECTING OR DEVELOPMENT AND/OR

1 EXTRACTING SAID GAS, PETROLEUM, ASPHALTUM AND OTHER
2 MINERAL OR HYDROCARBON SUBSTANCES FROM SAID LAND, IT
3 BEING EXPRESSLY UNDERSTOOD AND AGREED THAT SAID
4 SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, ITS
5 SUCCESSORS AND ASSIGNS, SHALL HAVE NO RIGHT TO ENTER
6 UPON THE SURFACE OF SAID REAL PROPERTY, OR TO USE SAID
7 REAL PROPERTY OR ANY PORTION THEREOF SAID DEPTH OF 500
8 FEET, FOR ANY PURPOSE WHATSOEVER, AS RESERVED UNTO
9 SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, ITS
10 SUCCESSORS AND ASSIGNS IN THE DEED RECORDED FEBRUARY
11 27, 1979 AS INSTRUMENT NO. 38918, OF OFFICIAL RECORDS OF
12 RIVERSIDE COUNTY, CALIFORNIA.
13 APN(s): 680-190-034

14 **i. Liens and Encumbrances Against the Bowling Property and their Proposed**
15 **Treatment Through the Refinance (Exhibit “N”)**

16 Pacific Premier Bank holds a Deed of Trust in first priority position on all parcels. J&K
17 and RPL/Shin hold judgment liens on all parcels. As is set forth with more completeness and
18 particularity in the actual report, the preliminary title report of Bowling indicates:

- 19 1. Property taxes, including any personal property taxes and any
20 assessments collected with taxes, are as follows:
21 a. Fiscal Year: 2016-2017
22 b. 1st Installment: \$2,861.18, OPEN (Delinquent after December 10)
23 c. Penalty: \$286.11
24 d. 2nd Installment: \$2,861.18, OPEN (Delinquent after April 10)
25 e. Penalty and Cost: \$324.74

26 **To be paid from escrow of refinance loan, escrow #23087426.**

- 27 2. Said property has been declared tax defaulted for non-payment of
28 delinquent taxes for the fiscal year 2015-2016. Amounts to redeem for the
29 above-stated fiscal year (and subsequent years if any) are:
30 a. Amount: \$3,269.03, by October 31, 2016
31 b. Amount: \$3,310.32, by November 30, 2016

32 **To be paid from escrow of refinance loan, escrow #23087426**

- 33 3. A deed of trust to secure an indebtedness in the amount shown below,
34 a. Amount: \$3,600,000.00
35 b. Dated: May 16, 2005
36 c. Trustor/Grantor Desert Springs Financial LLC, a California limited
37 liability company
38 d. Trustee: Palm Desert National Bank

1 e. Beneficiary: Palm Desert National Bank

2 **Balance to be paid from escrow of Towers sale, escrow #23079124.**

- 3
- 4 4. An assignment of the beneficial interest under said deed of trust which
names:
- 5 a. Assignee: Pacific Premier Bank, its successors and assigns
- 6 5. An assignment of all the moneys due, or to become due as rental, as
additional security for the obligations secured by deed of trust shown as
item no. 2
- 7 a. Assigned to: Palm Desert National Bank
- 8
- 9 6. An assignment of the beneficial interest under said deed of trust
assignment of rents which names:
- 10 a. Assignee: Pacific Premier Bank, its successors and assigns

11 **This recorded Assignment of rent will expire upon transfer.**

- 12 7. An abstract of judgment for the amount shown below and any other
amounts due:
- 13 a. Amount: \$14,883.61
- 14 b. Debtor: Desert Springs Financial LLC
- 15 c. Creditor: J & K Drywall

16 **To be satisfied from escrow of refinance loan, escrow #23087426. Claim and
amount are in dispute. Resolution is expected before the hearing date of this
motion.**

- 18 8. An abstract of judgment for the amount shown below and any other
amounts due:
- 19 a. Amount: \$As provided therein
- 20 b. Debtor: Desert Springs Financial, LLC, a California limited
liability company
- 21 c. Creditor: Ramon Palm Lane, Inc., a California corporation
- 22

23 **Balance to be paid from refinance loan, escrow # 23087426**

24 **ii. Refinance Terms and Conditions (Exhibit "B"):**

- 25 a. The lender is Socotra Capital, 2208 29th Street, #100, Sacramento, CA
95817
- 26 b. Loan amount: \$2,575,000.00
- 27 c. 1st priority lien, Deed of Trust and Assignment of Rents;
- 28 d. 36 months; fixed payments of interest only at 10.5%;
- e. origination 2.75 points;
- f. fees for processing, underwriting, loan set up, loan docs - \$2050.00;

1 g. borrower responsible for closing costs and associated fees.

2
3 **iii. Leasehold Interest (Exhibit “C”):**

4 Ramon Palm Lane, Inc., has a leasehold interest in this parcel based on a lease effective
5 September 1, 2008, to September 30, 2023. Monthly rent obligation is currently \$49,790.24.00
6 per month until September 30, 2017, after which time it increases 5% and increases 5% each
7 year thereafter to 2023. The refinance of this parcel is in part based on and takes into
8 consideration the tenant’s leasehold obligations, rights, and interests.

9
10 **F. The Towers (Exhibit “L”)**

11 The Towers is located at 68031 Ramon Road, Cathedral City, CA 92234. It is a 17,776
12 square foot, two story, commercial Building suitable for office and retail, including 43% interest
13 in membership of Ramon Park Association (parking area). One suite is currently leased to 111
14 Smoke Shop on a month-to-month basis. The preliminary title report indicates the legal
15 description of the TOWERS as follows:

16 THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE
17 CITY OF CATHEDRAL CITY, IN THE COUNTY OF RIVERSIDE,
18 STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:
19 PARCEL 1 PARCEL MAP NO. 30704, IN THE CITY OF CATHEDRAL
20 CITY, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER
21 MAP FILED IN BOOK 212, PAGES 4 THROUGH 7, INCLUSIVE OF
22 PARCEL MAPS, IN THE
23 OFFICE OF THE COUNTY RECORDER OF RIVERSIDE COUNTY,
24 CALIFORNIA.
25 EXCEPTING ALL URANIUM, THORIUM AND OTHER FISSIONABLE
26 MATERIALS, ALL OIL, GAS PETROLEUM, ASPHALTUM AND OTHER
27 HYDROCARBON SUBSTANCES AND OTHER MINERALS AND
28 MINERAL ORES OF EVERY KIND AND CHARACTER, WHETHER
SIMILAR TO THOSE HEREIN SPECIFIED OR NOT, WITHIN OR
UNDERLYING OR WHICH MAY BE PRODUCED FROM THE
HEREINBEFORE DESCRIBED LAND, TOGETHER WITH THE RIGHT
TO USE THAT PORTION ONLY OF SAID LAND WHICH UNDERLIES
A PLANE PARALLEL TO AND 500 FEET BELOW THE PRESENT
SURFACE OF SAID LAND, FOR THE PURPOSE OF PROSPECTING OR
DEVELOPMENT AND/OR EXTRACTING SAID GAS, PETROLEUM,
ASPHALTUM AND OTHER MINERAL OR HYDROCARBON
SUBSTANCES FROM SAID LAND, IT BEING EXPRESSLY

1 UNDERSTOOD AND AGREED THAT SAID SOUTHERN CALIFORNIA
2 EDISON COMPANY, A CORPORATION, ITS SUCCESSORS AND
3 ASSIGNS, SHALL HAVE NO RIGHT TO ENTER UPON THE SURFACE
4 OF SAID REAL PROPERTY, OR TO USE SAID REAL PROPERTY OR
5 ANY PORTION THEREOF SAID DEPTH OF 500 FEET, FOR ANY
6 PURPOSE WHATSOEVER, AS
7 RESERVED UNTO SOUTHERN CALIFORNIA EDISON COMPANY, A
8 CORPORATION, ITS SUCCESSORS AND ASSIGNS IN THE DEED
9 RECORDED FEBRUARY 27, 1979 AS INSTRUMENT NO. 38918, OF
10 OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.
11 APN(s): 680-190-033-8

12
13 **i. Broker Employment and Marketing (Exhibit “M”)**

14 Mike Radlovic of Coldwell Banker Commercial-SC, Ontario, California was employed to
15 list and market all DSF property prior to the filing of this case (Exhibit “M”). The latest listing
16 agreement was signed on April 28, 2016, and is scheduled to expire on February 27, 2017.
17 Debtor-in-Possession’s motion for approval to employ Coldwell Banker and Mr. Radlovic in this
18 Chapter 11 proceeding was filed and is currently pending with a hearing date of November 8,
19 2016. (Docket # 62). An objection to his employment was filed by Ramon Palm Lane, Inc, and
20 Yun Hei Shin on the basis that his marketing efforts have been unproductive. (Docket # 75).
21 However, this same objecting party submitted a bid and appraisal that valued Towers at a much
22 lower price than the proposed selling price herein. (Docket #93).

23 Marketing efforts have been ongoing and there is a history of unsuccessful, prior offers
24 which did not result in purchase agreements. All prior offers were for less than the current
25 agreement. The basis for value of Towers is supported by the Declarations of Murray Altman,
26 the Managing Member of the Debtor, and Mike Radlovic of Coldwell Banker Realty and the
27 purchase agreement itself (Exhibit “A”). The current purchase agreement for \$2,290,000 is the
28 highest and best price achieved by the Debtor for the Property and is higher than the value
offered by the only previous overbidder, Yun Hei Shin (Docket # 93).

Buyer and the Seller are represented by broker, Mike Radlovic. A broker’s commission
of three and one-half percent (3.5%) of the purchase price of Towers is to be paid to Coldwell

1 Banker Commercial –SC; Broker, Mike Radlovic, from escrow, upon court approval.

2 (Declaration of Mike Radlovic)

3 **ii. Liens and Encumbrances Against the Property and Their Proposed**
4 **Treatment Through the Sale or Overbid (Exhibit “L”)**

5 Pacific Premier Bank holds a Deed of Trust in first position on all parcels. Ramon
6 Palm Lane, Inc., and Yun Hei Shin hold judgment liens on all parcels. The preliminary title
7 report of Towers indicates:

- 8 1. Property taxes, which are a lien not yet due and payable, including any
9 assessments collected with taxes to be levied for the fiscal year 2016-2017.

10 **To be paid at close of Towers sale, escrow #23079124, if any due.**

- 11
12 2. Property taxes, including any personal property taxes and any assessments
collected with taxes, are as follows:

13 Tax Identification No.: 680-190-038-8

14 Fiscal Year: 2015-2016

15 Amount: \$11,512.62, by October 31, 2016

16 **To be paid at close of Towers sale, escrow #23079124, if any due.**

17 3. Deed of Trust

18 Amount: \$3,600,000.00

19 Dated: May 16, 2005

20 Trustor/Grantor Desert Springs Financial LLC, a California limited
21 liability company

22 Trustee: Palm Desert National Bank

23 Beneficiary: Palm Desert National Bank

24 Loan No.: 7641/47656

25 Recording Date: May 19, 2005

26 Recording No: 2005-0400100, Official Records

27 An assignment of the beneficial interest under said deed of trust which names:

28 Assignee: *Pacific Premier Bank*, its successors and assigns

Recording Date: July 15, 2013

Recording No: 2013-0338906, Official Records

29 **To be paid at close of escrow from Towers sale, escrow #23079124.**

30 4. Assignment of Rent

31 An assignment of all the moneys due, or to become due as rental, as additional
32 security for the obligations secured by deed of trust shown as item no. 11

Assigned to: Palm Desert National Bank

1 Recording Date: May 19, 2005
2 Recording No: 2005-0400101, Official Records
3 Note: At the time of recording the grantor therein was not the record owner of
4 lettered Parcel "C"

5 An assignment of the beneficial interest under said deed of trust assignment of
6 rents which names:

7 Assignee: Pacific Premier Bank, its successors and assigns
8 Recording Date: July 15, 2013
9 Recording No: 2013-0338906, Official Records

10 **This recorded Assignment of rent will expire upon transfer.**

11 5. Amount: \$As provided therein
12 Debtor: Desert Springs Financial, LLC, a California limited
13 liability company
14 Creditor: Ramon Palm Lane, Inc., a California corporation
15 Date entered: December 23, 2015
16 County: Riverside
17 Court: Superior
18 Case No.: INC 10003583
19 Recording Date: January 4, 2016
20 Recording No: 2016-0000427, Official Records

21 **To be paid at close of escrow of refinance loan, escrow #23087426.**

22 **iii. The Purchase Offer and Summary of the Sale Terms (Exhibit "A")**

23 On May 26, 2016, Buyer offered to purchase the Towers for \$2,350,000.00 and has
24 deposited \$175,000.00 as a good faith deposit into escrow. The agreement was amended on June
25 3, 2016, with a new purchase price of \$2,290,000.00. As mentioned previously, the purchase is
26 subject only to a lot line adjustment between two adjacent properties owned by Debtor which has
27 already been processed and recorded. (Exhibit "H"). There are five amendments to the purchase
28 agreement. (Exhibit "A"). The original signatories to the purchase agreement assigned their
rights to GK Real Estate Group, LLC., on August 4, 2016. (Exhibit "I").

A summary of the terms and highlights of the Agreements and highlights is set forth
below, but the summary and discussion is not meant to be a complete review of every provision
of the Agreements. The Agreements themselves are the legally binding documents for which the
Debtor seeks approval. In the event of any inconsistency between the terms, provisions or effect

of the Agreements and the description of it in these pleadings, the Agreements alone shall govern and not these pleadings or the description herein. In summary, the principal terms of sale and refinance are as follows (the Debtor is referred to at times at the “Seller” in the following summary):

Proposed refinance of Bowling, 68051 Ramon Road, Cathedral City, CA:

<u>Description:</u>	25,000 sq. foot commercial building operated as a bowling alley by Ramon Palm Lane, Inc. subject to lease effective September 1, 2008 to September 30, 2023.
<u>Lender:</u>	Socotra Capital, 2208 29 th Street, #100, Sacramento, CA 95817
<u>Loan amount:</u>	\$2,575,000.00
<u>Borrower:</u>	Desert Springs Financial, LLC
<u>Terms and Conditions:</u>	1 st position DOT and Assignment of Rents; 36 months; fixed payments of interest only at 10.5%; origination 2.75 points; fees for processing, underwriting, loan set up, loan docs in the amount of \$2050.00; borrower responsible for closing costs and associated fees.
<u>Leasehold Interest:</u>	Ramon Palm Lane, Inc., has a leasehold interest in this parcel based on a lease effective September 1, 2008, to September 30, 2023. Overbid would be subject to same.

Proposed Sale of Towers, 68031 Ramon Road, Cathedral City, CA:

<u>Proposed Buyer:</u>	GK REAL ESTATE GROUP, LLC (“Buyer”) 13547 Ventura Blvd., Suite 271, Sherman Oaks, CA 91423
<u>Description:</u>	17,776 square foot, two story, commercial Building and 43% interest in membership of Ramon Park Association (parking area).
<u>Price:</u>	\$2,290,000.00.
<u>Terms and Conditions:</u>	Cash purchase: Deposit \$175,000 (in escrow.) Down payment \$458,000.00 cash (includes deposit) Loan proceeds of \$1,832,000.00.
<u>Leasehold Interest:</u>	111 Smoke Shop - month-to-month leasehold interest An overbid would be subject to same.

Proposed refinance and sale to be free and clear of liens, claims or interests, but conditioned to provide adequate protection of any unexpired leasehold interests

<p>1 Existing liens (cross-collateralized) 2 on both parcels:</p>	<p>Pacific Premier Bank – 1st mortgage. Estimated balance \$2,678,505.37 as of 11/11/16. <u>Ramon Palm Lane, Inc., and Yun Hei Shin - Judgment lien.</u> Estimated balance \$1,398,198.18 as of 11/11/16. <u>J&K Drywall – judgment lien.</u> Disputed balance \$21,655.09 as of 11/11/16</p>
	<p>Net proceeds is more than the value of the liens on these parcels in satisfaction of 11 U.S.C. §363(f)(3). Lien and leasehold interest holders are adequately protected as required by 11 U.S.C. 364(d)(1)(B) and in conformance with 11 U.S.C. §361. Existing tenants entitled to continued possession under the terms of their respective commercial leases per 11 USC §363(e).</p>
<p>10 Commission:</p>	<p>A broker’s commission of three and one-half percent (3.5%) of the purchase price of Towers is to be paid to Coldwell Banker Commercial –SC; Broker, Mike Radlovic, from escrow.</p>
<p>13 Proposed sale is subject to higher and better bids.</p>	<p>Minimum Overbid: \$2,340,000.00 for Towers</p>
<p>14 Known tax consequences to debtor:</p>	<p>None yet determined.</p>

15
16 **V. OVERBID PROCEDURES**

17 The Debtor proposes the following overbidding procedures for the **Towers** only:

18 **A. The purchase offer:**

19 The purchase offer (“overbid”) for the Towers must be all cash, or cash and
20 contingency free financing of at least \$2,340,000.00. Any successive higher bids
21 must be in \$50,000.00 increments, and,

- 22 i. The prospective overbidder must complete all due diligence inspections of
23 the property prior to submission of its contingency-free overbid to
24 Debtor’s broker no less than 7 calendar days prior to the hearing.
- 25 ii. At the time of submission of the proposed purchase overbid, it must be
26 accompanied by admissible evidence in the form of affidavits or declarations
27 establishing that the bidder is capable and qualified, financially, legally, and
28 otherwise, of unconditionally performing all obligations under the agreement.

1 The sufficiency and acceptability of the proposed purchase offer and all
2 accompanying evidence provided shall be at the sole discretion of Debtor.

3 iii. The overbid, when submitted to Debtor's counsel, must also be accompanied
4 by an earnest money deposit of \$460,000.00 in the form of a cashier's check
5 made payable to the Trust account of Orrock, Popka, Fortino, Tucker &
6 Dolen which amount shall be non-refundable if the bid is determined by the
7 Court to be the highest and best bid for the property. Any unsuccessful
8 bidder shall receive a return of its deposit in full following the entry of a
9 Court Order approving the sale to another bidder.

10 iv. Any person or entity that submits a timely, qualifying overbid shall be
11 deemed a "Qualified Bidder" and may at the hearing. Unless otherwise
12 approved by the Debtor, and permitted by the Court, any entity that fails to
13 submit a timely, qualifying overbid, as set forth above, shall be disqualified
14 from bidding for the property.

15 v. The Debtor, in its sole discretion, will determine the best bid ("the Successful
16 Bidder"). The Successful Bidder must pay at closing all amounts reflected in
17 the overbid in addition to all accompanying closing costs as necessary to
18 purchase the property.

19 Debtor's broker will provide an information packet to any party who would like to bid on
20 the property in advance of the 7 Days referred to in Paragraph 2 above.

21
22 **VI. DEBTOR MAY OBTAIN SECURED CREDIT, SALE AND TRANSFER**
23 **TITLE "FREE AND CLEAR" IN ACCORDANCE WITH THE**
24 **BANKRUPTCY CODE.**

25 **A. Authority to Incur Secured Debt:**

26 Under *11 U.S.C. §364(d)(1)*, "the court, after notice and a hearing, may authorize the ...
27 incurring of debt secured by a senior or equal lien on property of the estate..." if--

28 1. The trustee was unable to obtain such credit otherwise; and,

1 2. There is adequate protection of the lien holder.

2 “The court, after notice and a hearing, may authorize the obtaining
3 of credit or the incurring of debt secured by a senior or equal lien
4 on property of the estate that is subject to a lien only if--
5 (A) the trustee is unable to obtain such credit otherwise; and
6 (B) there is adequate protection of the interest of the holder of the
7 lien on the property of the estate on which such senior or equal lien
8 is proposed to be granted.

9 (2) In any hearing under this subsection, the trustee has the burden
10 of proof on the issue of adequate protection.”

11 11 .S.C. § 364 (d)(1)

12 Adequate protection is provided by-

- 13 a) requiring the trustee to make a cash payment
14 b) to the extent that...any grant of a lien results in a decrease in the value of
15 such entity's interest in such property, or
16 c) granting such other relief...resulting in realization of the indubitable
17 equivalent of such entity's interest in such property.

18 “When adequate protection is required under section 362, 363, or
19 364 of this title of an interest of an entity in property, such
20 adequate protection may be provided by-- (1) requiring the trustee
21 to make a cash payment ... to such entity, to the extent that...any
22 grant of a lien under section 364 of this title results in a decrease in
23 the value of such entity's interest in such property;... or... (3)
24 granting such other relief...as will result in the realization by such
25 entity of the indubitable equivalent of such entity's interest in such
26 property.” 11 U.S.C. §361

27 The proposed refinance described conforms to each of the above requirements because
28 Debtor-in-Possession is unable to refinance without a senior or equal lien and there is adequate
protection because the refinance will allow the debtor to pay off the judgment liens and will
result in cash payment in full to the mortgagee. (Declaration of Murray Altman)

29 **B. Authority to Sell Estate Assets:**

30 Under *11 U.S.C. Section 363*, a trustee (or Debtor in Possession acting with trustee
powers pursuant to *11 U.S.C. Section 1107*) is empowered to sell assets of the estate “in the
ordinary course of business without notice or hearing” or “after notice and a hearing.”

1 Debtor is a real estate management and development business and in its ordinary course
2 of business it buys, develops, sells, and manages property. Its historical operation has been the
3 purchase, development, renovation, sale, and management of property. The properties and leases
4 subject to this motion were purchased and developed and are being managed in the ordinary
5 course of the business of DSF. (Declaration of Murray Altman). However, this motion is the core
6 of debtor's plan of reorganization and in an attempt to avoid or minimize further disputes,
7 delays, and contention with its tenant and 25% member, debtor is proposing this sale by way of
8 notice and hearing.

9 "The trustee, after notice and a hearing, may use, sell, or lease,
10 other than in the ordinary course of business, property of the estate,
11 ...” 11 U.S.C. §363(b)

12 “If the business of the debtor is authorized to be operated under
13 section 721, 1108, 1203, 1204, or 1304 of this title and unless the
14 court orders otherwise, the trustee may enter into transactions,
15 including the sale or lease of property of the estate, in the ordinary
16 course of business, without notice or a hearing, and may use
17 property of the estate in the ordinary course of business without
18 notice or a hearing. 11 U.S.C. §363(c)

19 **i. The standards for approval of a sale pursuant to *Section 363(b)(1)***
20 **require that the proponent of the sale establish that:**

- 21 a) a “sound business purpose justifies the sale;”
22 b) “accurate and reasonable notice” of the sale was provided;
23 c) the “price to be paid is adequate, i.e. fair and reasonable”; and
24 d) “good faith, i.e. the absence of any lucrative deals with insiders, is
25 present.”

26 See *In re Industrial Valley Refrig. & Air Cond. Supplies, Inc.*, 77 B.R. 15, 21 (Bankr.
27 E.D. Pa. 1987).

28 **C. The proposed transactions meet the standards for refinance and sale.**

Accurate and reasonable notice will be given by Debtor to all known creditors, the
parties to the leases, and any other prospective buyers. The Debtor suggests that service of

1 Notice of the Motion is appropriate and properly constitutes adequate and reasonable notice to all
2 parties with an interest in the case.

3 **Sound business purpose:** The Ninth Circuit in *In re Walter*, 83 B.R. 14 (B.A.P. 9th Cir.
4 1988) has adopted a flexible, case by case test to determine whether the business purpose for a
5 proposed sale justifies disposition of property of the estate under *Section 363(b)*. The Court in *In*
6 *re Continental Airlines, Inc.* explained the *Walter* test, as follows:

7 “Whether the proffered business justification is sufficient depends on the case...
8 He might, for example, look to such relevant factors such as...the likelihood
9 that a plan of reorganization will be proposed and confirmed in the future, the
10 effect of the proposed disposition on future plans or reorganization, the proceeds
11 to be obtained from the disposition...” *Walter, supra, at 19-20, quoting In re*
12 *Continental Air Lines, Inc.*, 780 F.2d 1223 (5th Cir. 1986).

13 The proposed refinance and sale is a **sound business decision** because the refinance loan
14 will generate sufficient proceeds for the Debtor-in-Possession to pay off the judgment liens,
15 transfer the balance and combine it with the sale proceeds to **make required cash payments** to
16 lienholders that are the **indubitable equivalent** of the value of all entities’ interest in the
17 properties and the sale is to a **good faith purchaser**. The payments will be 100% of the claims
18 filed and allowed.

19 The **good faith requirement** “focuses principally on the element of special treatment of
20 the debtor’s insiders in the sale transaction.” See *In re Industrial Valley Refrig. & Air Cond.*
21 *Supplies, Inc., supra*, 77 B.R. 15, 17. There are no distributions to insiders in this case except to
22 the 25% economic interest holder, Yun Hei Shin. (Declaration of Murray Altman)

23 Debtor submits that the **price to be paid for the Towers is fair and reasonable** based
24 upon the consent of the Buyer and Seller to the terms of the sale of the Towers, and that all the
25 properties have been publicly listed for sale with no better offers, and that the previous appraisal
26 and bid submitted by Shin (Docket #93) was less than the sales price. (Declaration of Mike
27 Radlovic).

1 Authority to incur debt **secured by a senior or equal lien** may not be necessary because
2 the current lienholders interests will be satisfied and released concurrently. But if seniority or
3 equality is a technical necessity for only the seconds of time needed for the immediate transfer of
4 funds from one escrow to another and recording of documents, it is justified because the Debtor-
5 in-Possession is **unable to obtain such credit** for the purposes intended because each lender
6 approached by Debtor-in-Possession required a 1st priority-secured position to make a loan.
7 Additionally, the existing secured creditors are **adequately protected** by **cash payments** of
8 **indubitable equivalency** to their interests and they will be fully satisfied. The refinance and sale
9 will **not decrease the value** of the leasehold interests of 111 Smoke Shop or Ramon Palm Lane,
10 Inc. The buyer of Towers intends to occupy at least 51% of the building and conduct business
11 compatible with the local business environment and in conformance with all applicable codes
12 and requirements. Debtor will remain owner of Bowling and has no intention of conducting
13 business that would devalue its own property. (Declaration of Murray Altman)

14 The debtor's proposed Chapter 11 **plan of reorganization** is comprised exactly of the
15 same proposal, the refinance and sale, so the business will remain viable and able to exit
16 bankruptcy as soon as the proposed transactions are completed. All interested parties will have
17 received **adequate notice** of this motion and opportunity to be heard.

18 All secured and unsecured claims will be paid except that of Mitchell Altman who will
19 retain his security interest in the 7-acre lot. All other liens attached to that lot will be released,
20 having been paid in full and he will be in first position. (Declaration of Murray Altman).

21 The interests of leaseholders, 111 Smoke Shop and Ramon Palm Lane, Inc. will be
22 **adequately protected** by the sale and refinance because the purchase is subject to the leasehold
23 rights of 111 Smoke Shop, which is one a month-to-month basis. The refinance is not only
24 subject to the leasehold rights of Ramon Palm Lane, Inc., it relies and depends on the tenant's
25 compliance with its lease obligations to pay rent. (Declaration of Murray Altman).

26 Upon full satisfaction of the judgment in favor of RPL, monthly lease payments will
27 recommence generating the positive cash flow from RPL that is needed for DSF to meet the
28 obligation of the new mortgage and remain viable after exiting Chapter 11 and it will open the

option to sell the Bowling property at full market value without threat of foreclosure or forced liquidation and to meet other obligations of the LLC. (Declaration of Murray Altman)

DSF will benefit from continued ownership the 7 acres of residentially zoned property with significant potential for profitable development. It will be relieved of the cost of management of the Towers. DSF will be in a better position to ensure that its obligations to its members and its lease obligations to the Bowling building tenant will be met such that RPL also remains a profitable and viable business tenant able to pay rent. (Declaration of Murray Altman)

Assuming no overbid, the proposed distribution of **cash payments** based on principle and interest to November 11, 2016, as set forth below provides **adequate assurance**.

Refinance Funds	\$2,575,000.00
Sale of Towers	\$2,290,000.00
PPB per POC with interest to 11/11	(\$2,678,505.37)
RPL per POC with interest to 11/11	(\$1,398,198.18)
Wells Fargo per POC	(\$85,947.45)
Amex per POC	(\$900.82)
J&K Drywall lien*	(\$21,655.09)*
Loan Fees for Refinance	(\$79,662.50)
Commission	(\$80,150.00)
Property Taxes - Bowling	(\$6,171.50)
Property Taxes - Towers	(\$11,512.62)
Other Allowed Claims	TBD
Balance of Funds	\$502,296.47

***Subject to resolution of dispute**

D. Transfer of the Property Free and Clear of Liens Under 11 U.S.C. Section

363(f):

Based upon the terms of this refinancing and sale, Debtor seeks authority to complete transfer of interests free and clear of all liens, claims, and interests, except that the month to month leasehold interest of 111 Smoke Shop that may survive the sale should said lease not

1 expire or terminate before closing, and the refinance is subject to the leasehold interest of
2 Ramon Palm Lane, Inc.

3 Bankruptcy Code Section 363(f) allows a trustee to sell property of the bankruptcy
4 estate “free and clear of any interest in such property of an entity,” if any one of the following
5 five conditions is met:

6 (1) Applicable non-bankruptcy law permits a sale of such property free and clear of such
7 interest:

8 (2) Such entity consents;

9 (3) Such interest is a lien and the price at which such property is to be sold is greater than
10 the aggregate value of all liens on such property;

11 (4) Such interest is in a bona fide dispute; or

12 (5) Such entity could be compelled, in a legal or equitable proceeding, to accept money
13 satisfaction of such interest.

14 The refinance will result in funds in excess of that needed to make payment in full of the
15 judgment liens. The balance of the funds, being instantly transferred to the escrow for the sale,
16 are immediately available to pay Pacific Premier Bank in full plus ALL remaining claims. All
17 liens of PPB, J&K, and RPL/Shin on all of Debtor’s property will be satisfied and released upon
18 payment in full when money is disbursed from escrow. Thus the disbursement will allow title to
19 pass **free and clear** of the liens and claims of Pacific Premier Bank, J&K, Ramon Palm Lane,
20 Inc., and Yun Hei Shin.

21 Thus, upon distribution of funds, #1, #2, #3 and #5, are all applicable. Non-bankruptcy
22 law will permit title to the property to pass free and clear because all existing liens on the
23 property will be satisfied by payment in full and because the rights of leaseholders are
24 adequately protected as they will remain in force. Under these same circumstances, non-
25 bankruptcy law will permit title to pass free and clear subject to the leases. (#1). All entities with
26 an interest will have no grounds to withhold consent if they are to be paid in full upon close of
27 the escrow and the leasehold interests are adequately protected in that they will be allowed to
28 continue possession and use according to the terms of their leases (#2). The aggregate value of

1 all the liens on such property will be less than the proceeds of the sale and loan proceeds. (#3).
2 Lienholders could be compelled to transfer title free and clear because their interests will be fully
3 satisfied. (#5)
4

5 **VII. DEBTOR REQUESTS WAIVER OF THE 14 DAY PERIOD FOR**
6 **EFFECTIVENESS OF THE SALE ORDER**

7 *Rule 6004(h)* of the Federal Rules of Bankruptcy Procedure (“FRBP”) provides: “An
8 order authorizing the use, sale, or lease of property other than cash collateral is stayed until
9 the expiration of 14 days after entry of the order, unless the court orders otherwise.” *FRBP*
10 *6004(h)*. The legislative history provides:

11 “The Court may, in its discretion, order that Rule 6004(g) [now 6004(h)] is not
12 applicable so that the property may be used, sold or leased immediately in accordance with
13 the order entered by the court.”

14 Pacific Premier Bank, Ramon Palm Lane, Inc. and Yun Hei Shin all have been granted
15 relief from stay to foreclose or enforce judgements against debtor’s assets. As of the date of
16 preparing this motion, no action has been noted but debtor expects it is imminent. The value
17 to the estate and to debtor will be enhanced by immediate sale and refinancing considering the
18 anticipated actions of these creditors.

19 Given the notice and full opportunity to object, respond, or participate in overbid
20 procedures presented by this Motion, it is submitted that, unless there are objections to the
21 motion that are not consensually resolved, there is good cause for this Court to find that Rule
22 6004(h) is not applicable and that the property may be sold immediately upon granting of this
23 motion. The contemplated sale of the property and availability of loan proceeds is set to occur
24 as soon as approval of the court is granted.
25

26 **VIII. CONCLUSION**

27 Based upon the foregoing, the Debtor submits that the Motion satisfies the standards for
28 approval of a sale of property pursuant to Section 363(b) and authority to incur secure debt

1 pursuant to Section 364. Debtor respectfully submits that there is good cause for this Court to
2 enter an Order which provides, as follows:

3 **WHEREFORE** the Debtor respectfully requests that the Court enter an Order that:

4 11. The 14 day stay pursuant to FRBP Rule 6004(h) is waived.

5 12. Debtor-in-Possession is authorized to refinance debt secured by a 1st Trust Deed
6 of senior or equal priority on APN 680-190-034 (Bowling) in favor of Socotra Capital to the
7 extent necessary to fund the refinance in the amount of \$2,575,000.00.

8 13. Debtor-in-Possession is authorized to complete the sale of APN 680-190-033
9 (Towers) to GK Real Estate Group, LLC, forthwith for the amount of \$2,290,000.00.

10 14. That the simultaneous escrows that have been opened are hereby approved for the
11 concurrent administration and processing of the refinance and the sale.

12 15. That Fidelity National Title, National Commercial Services, shall serve as escrow
13 officer/administrator pursuant to escrow instructions to collect and disburse funds for both the
14 refinance and the purchase and coordinate recording of this order, liens, release of liens, and
15 deeds of trust and other documents as necessary for the concurrent close of:

16 a. Escrow #23087426 (68051 Ramon Rd., APN 680-190-034) and,

17 b. Escrow #23079124 (68031 Ramon Rd., APN 680-190-033) such that;

18 i. Refinance funds after payment of property taxes and liens specific to
19 escrow #23087426 (APN 680-190-034) be instantly transferred to
20 escrow #23079124 (APN 680-190-033) for immediate disbursement.

21 16. That all interested parties cooperate with the escrow officer in the administration
22 to properly and timely deliver and execute all documents necessary for release of funds from
23 escrow and proper processing and recording of documents necessary for close of escrow such
24 that title transfers shall be free and clear of liens, claims, encumbrances, and interests in
25 sequence as follows:

26 C. Escrow #23087426 (APN 680-190-034, Bowling)

27 i. Socotra Capital is granted a senior (or equal lien) on APN 680-190-
28 034

- 1 ii. Cash payment is disbursed to Ramon Palm Lane, Inc., and Yun Hei
- 2 (Angie) Shin in the full amount of principal and interest due under the
- 3 judgment lien(s). Payment of Post-Petition Attorney fees is subject to
- 4 8(B)(vii) below.
- 5 iii. Ramon Palm Lane, Inc./Shin liens is released from all Desert Springs
- 6 Financial, LLC., properties.
- 7 iv. Any property taxes due and/or government liens shall be paid per
- 8 escrow instructions.
- 9 v. Balance of funds from this escrow instantly transfer to:

10 D. Escrow #23079124 (APN 680-190-033, Towers)

- 11 i. Cash payment is disbursed to Pacific Premier Bank in the amount
- 12 sufficient to satisfy its lien on all DSF, LLC properties per Proof of
- 13 Claim #3.
- 14 ii. Pacific Premier Bank lien is released from all DSF, LLC properties.
- 15 iii. Cash payment is disbursed to J&K Drywall in the amount sufficient to
- 16 satisfy its lien on all property of DSF, LLC
- 17 iv. J&K Drywall lien is released from all DSF, LLC property.
- 18 v. Cash payment is disbursed to unsecured creditors per Allowed Proofs
- 19 of Claim.
- 20 vi. Any property taxes due and/or government liens shall be paid per
- 21 escrow instructions.
- 22 vii. Fees and commission is disbursed to Mike Radlovic, Coldwell Banker
- 23 Commercial-SC in the amount of \$80,150.00.
- 24 viii. Any remaining funds in escrow after the above disbursement and
- 25 payment of all fees and costs of escrow shall remain in escrow pending
- 26 approval of application(s) for compensation of professionals and
- 27 administrative costs, and resolution of any disputed claims for attorney
- 28

1 fees and costs and any other remaining disputes as to distribution of
2 said funds.

3 17. Escrows shall close concurrently - neither escrow may close without close of both
4 escrows.

5 18. Title to APN 680-190-033(Towers) shall transfer free and clear to GK Real Estate
6 Group, LLC upon close of escrow.

7 19. Title to APN 680-190-034 (Bowling) shall be reconveyed upon close of escrow to
8 Desert Springs Financial, LLC subject only to 1st mortgage of Socotra Capital and the
9 lease between Desert Springs Financial, LLC and Ramon Palm Lane, Inc., which
10 lease shall remain in full force and effect as modified by the state court judgment
11 entered in the Superior Court of the State of California, County of Riverside case
12 #INC 10003583 on December 23, 2015.

13 20. Granting such other and further relief as the Court deems just and proper under the
14 circumstances.

15 Dated: October 14, 2016

16 /s/ M. Wayne Tucker, Esq.
17 M. Wayne Tucker, Esq.
18 Attorney for Debtors
19 Orrock, Popka, Fortino, Tucker & Dolen
20 1710 Plum Lane, Ste A
21 Redlands, CA 92374
22
23
24
25
26
27
28

DECLARATION OF MURRAY ALTMAN

I, Murray Altman, declare as follows:

1. I have personal knowledge of the following facts and, if called as a witness, I could competently testify of my own personal knowledge, information, and belief.

2. I am the Managing Member of the Debtor, Desert Springs Financial, LLC, the Debtor and Debtor-in-Possession in the above captioned case. I am intimately familiar with the financial affairs of Desert Springs Financial, LLC. The ordinary business of DSF is the purchase, sale, renovation and development of real estate. The Debtor is a limited liability company that currently owns a total of 4 parcels of real estate. These parcels consist of the following: (i.) a commercial/retail office building, "Towers"; (ii.) a commercial property leased to Ramon Palm Lane, Inc. dba Palm Springs Lanes ("Bowling"); (iii.) an approximate 7-acre parcel of adjacent undeveloped land currently zoned for residential use; and (iv.) an adjacent parking area, owned by Ramon Business Park, Inc., a wholly owned subsidiary of Desert Springs Financial, LLC.

3. The parcel that is the subject of this motion to sell is the office building referred to in the motion as "Towers." It is a two story building about 17,776 sq feet in size, appropriate for retail and office use. It has a single suite leased to the business known as "111 Smoke Shop" which pays monthly rent of \$2200/month. This lease expired in September 2016 and now is month-to-month. Another of its office suites is used by Debtor as a business office. The remaining suites are vacant.

4. The Bowling building that is the subject of the refinance is a 25,000 sq. foot commercial building currently being used and operated as a bowling alley known as Palm Springs Lanes, operated by Ramon Palm Lane, Inc. under lease effective September 1, 2008 to September 30, 2023.

5. At this time, DSF is not receiving scheduled rent from Ramon Palm Lane, Inc. ("RPL"), the lessee and tenant of the Bowling building. The scheduled monthly rent for this property was \$47,419.28. The rent increased to \$49,720 October 1, 2016. Rent increases 5% each year on October 1st. A true and correct copy of the lease is attached to the motion as Exhibit

1 “B”. Rent has not been paid as tenant is recouping rent determined by a judgment to have been
2 overpaid.

3 6. Creditor, Pacific Premier Bank, has a loan with a balance of approximately
4 \$2,663,409.00 which is secured and cross-collateralized over each of the Debtor’s properties.
5 Attached to the motion as Exhibit “F” is a true and correct copy of the Proof of Claim of Pacific
6 Premier Bank. In the absence of Debtor’s receipt of the monthly rent to pay Pacific Premier
7 Bank, the Bank was granted relief from stay to foreclose on any of the Debtor’s properties on
8 which it secures its lien balance in view of the very limited income otherwise being produced by
9 the properties.

10 7. On or about May 26, 2016, the Debtor agreed to an offer to purchase “Towers”
11 from Karen Sarkisyan and Gayt Akhsharumov. On or about June 3, 2016, the final purchase
12 offer for the subject property became \$2,290,000 on an all cash basis. The buyers assigned their
13 rights under the purchase agreement to GK REAL ESTATE GROUP, LLC. Buyer requested a
14 lot line adjustment between adjacent properties owned by DSF. Cathedral City has agreed to the
15 lot line adjustment. Attached to the motion as Exhibit H is a true and correct copy of the
16 recorded Lot Line Adjustment.

17 8. As managing member of this LLC, I have sought and obtained commitment from
18 Socotra Capital to refinance Bowling subject to court approval. I searched and found no lender
19 willing to provide refinancing without a senior secured interest in the Bowling building. The
20 purpose of the sale and refinance is to pay off all claims against DSF. Attached as Exhibit B is a
21 true and correct copy of the loan approval and agreement with Socotra Capital.

22 9. Neither myself nor anyone associated with the Debtor has had any prior
23 acquaintance or relationship with the buyer or refinancer at any time to the best of my
24 knowledge. Neither I nor DSF will receive any interest or benefit from the buyer or refinancer
25 other than what is set forth in the motion. Neither I nor DSF has any agreement with the buyer or
26 refinancer other than the agreement to sell and the agreement to borrow money. The buyer was
27 obtained through the efforts of the Debtor’s real estate broker, Coldwell Banker Commercial
28 Realty S-C; Broker-Mike Radlovic.

1 10. As Managing Member of the Debtor, I believe that the sale price of \$2,290,000 is
2 the prevailing, fair market price for the Towers at this time. The Debtor marketed the property
3 from November 2015 to the present ultimately securing this purchase agreement in May 2016.
4 In fact, this property was marketed publicly and through the public Multiple Listing Service with
5 a prominent real estate broker, Coldwell Banker Commercial. Based upon this wide scale
6 marketing, the agreement of \$2,290,000 is the highest and best sale price that the Debtor could
7 secure during this entire period of time. The price is higher than what Yun Hei Shin proposed as
8 part of a recent purchase bid.

9 11. The benefit to DSF of the proposed sale and refinance is not only to reorganize
10 and get relief from debt and clear title to its properties, but also to recommence receipt of income
11 sufficient to continue owning, managing, and developing property. Debtor will remain owner of
12 Bowling and has no intention of conducting business that would devalue its own property.

13 12. A true and correct copy of Debtor's final sale agreement and amendments with
14 the buyer is attached to this motion as Exhibit A.

15 13. I propose that the suggested distribution of sale and refinance proceeds below has
16 a good business purpose and is equitable, fair, and reasonable for all concerned:

Sale of Towers	\$2,290,000.00
Refinance Funds	\$2,575,000.00
PPB per POC	(\$2,678,505.37)
RPL/Shin per POC	(\$1,398,198.18)
J&K Drywall	(14,883.61)
Wells Fargo per POC	(\$85,947.45)
Amex per POC	(\$900.82)
Property Taxes	(6,171.50)
Loan Fees for Refinance	(\$79,662.50)
Commission	(\$80,150.00)
Other Allowed Claims per POC	TBD
Balance	\$5,205,80.57


1 14. When the judgment in favor of RPL is satisfied, it will have no lien against these
2 parcels. Lease payments will be due and collectable without claim of set off or recoupment from
3 RPL for the remaining term. This will allow DSF sufficient cash flow to exit from this Chapter
4 11, to meet its obligation of the new mortgage, and remain a viable business. The absence of
5 liens, claims, threat of foreclosure, and/or enforcement of judgments against the property will
6 provide a better opportunity for DSF to obtain a fair market price should it decide to sell the
7 bowling building.

8 15. All secured and unsecured claims will be paid from the sale and refinance except
9 that of Mitchell Altman who will retain his security interest in the 7-acre lot. All other liens
10 attached to that lot will be released, having been paid in full and his lien will be in first position.

11 16. The interests of leaseholders 111 Smoke Shop and Ramon Palm Lane, Inc. will
12 not be affected by the sale and refinance because the purchase is subject to the leasehold rights of
13 111 Smoke Shop, which is one a month-to-month basis. The refinance is not only subject to the
14 leasehold rights of Ramon Palm Lane, Inc., it depends on the tenant's compliance with its lease
15 obligations to pay rent.

16 17. DSF will benefit from continued ownership the 7 acres of residentially zoned
17 property with significant potential for profitable development. It will be relieved of the cost of
18 management of the Towers. DSF will be in a better position to ensure that its obligations to it
19 members and its lease obligations to the Bowling building tenant will be met such that RPL also
20 remains a profitable and viable business able to pay rent.

21 I declare under penalty of perjury under the laws of the United States of America that the
22 foregoing is true and correct and that this Declaration was signed on October 14, 2016, at
23 La Quinta, California.

24
25 
26 Murray Altman, Managing Member,

27 Desert Springs Financial, LLC
28

DECLARATION OF MIKE RADLOVIC

I, Mike Radlovic, do hereby declare:

1. This Declaration is made in support of the foregoing Motion for Approval to Sell Property, filed by Debtor-in-Possession for the bankruptcy estate of Desert Springs Financial. The following statements are true of my own personal knowledge, except as to those matters which are herein stated upon my information and belief, and as to those matters, I believe them to be true.

2. I am a California-licensed real estate agent (CalBRE#00665020) with Coldwell Banker Commercial-SC (“Broker”), with offices at 3998 Inland Empire Blvd. Suite 400, Ontario, CA 91764.

3. I regularly list and market properties throughout Southern California including the low desert cities of Palm Springs, Cathedral City, and surrounding cities. I am familiar with the marketing of commercial properties in those areas through years of experience representing buyers and sellers of commercial property and also through market research.

4. I was employed to list and market DSF properties prior to the filing of this case. The latest listing agreement was signed on April 28, 2016, and is scheduled to expire on February 27, 2017. A true and correct copy of the listing agreement is attached to the motion as Exhibit “M”.

5. Marketing efforts have been ongoing and there is a history of unsuccessful, prior offers which did not result in purchase agreements. All prior offers were for less than the current agreement. I am very familiar with the general desert community and the area of this property and with the marketing, listing and sales of similar properties in the same area as the property in question. I investigated the recent sales of similar properties and determined the fair market value of the subject property.

6. I performed a property profile, a true and correct copy of which is attached to this declaration, and is incorporated herein by reference. The comparable sales and the records reviewed by me along with my experience and familiarity with the area helped me

1 determine the current market value of the subject property as of the date of the inspection
2 date. I have reviewed the appraisal obtained by Yun Hei Shin.

3 7. Shin's appraiser's value supports my assessment that the purchase price is a
4 better indicator of market value as her appraiser undervalued this parcel especially in light of
5 the fact that I procured buyers committed to purchasing the property for a higher value as set
6 forth in this motion.

7 8. During the time I have been marketing DSF's property, I have received various
8 offers that did not culminate in a sale. The offers as they relate to the Towers building were
9 lower than the current offer. The current purchase agreement for \$2,290,000 is the highest and
10 best price achieved for this property. Initially, the offer from the same buyers was \$2,350,000.00,
11 however that amount was reduced after further negotiation. Nevertheless, the amended offer is
12 higher than any other offer presented to me.

13 9. In my opinion, and based on the offer, the fair market value of the subject
14 property is \$2,290,000.00, which represents the fair market value of the subject property.

15 10. I have been personally involved in the creation, preparation, review, completion
16 and delivery of documents related to this sale. I obtained signatures when necessary and kept
17 copies in my file. Attached to the motion as Exhibit "A" are true and correct copies of the pre-
18 petition purchase agreement, and the amendments to the purchase agreement which I helped
19 prepare and procure signatures.

20 11. Attached to the motion as Exhibit "H" are true and correct copies of the current
21 escrow instructions for which I obtained signatures and retained copies in the ordinary scope of
22 my business.

23 12. As commission for listing and selling this property I have agreed to compensation
24 of 3.5% of the purchase price. I am representing the buyer and seller and provided the proper
25 disclosure of the dual representation.

26 13. I am continuing to market all properties including the subject property in the
27 event the current sale is not approved or completed.
28

1 I declare under penalty of perjury pursuant to the laws of the United States of America
2 that the foregoing is true and correct and that this Declaration was executed on October 3, 2016,
3 at Ontario, California.

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5 Mike Radlovic
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DECLARATION OF JANETTE DeLAP

I, Janette DeLap, do hereby declare:

1. I have personal knowledge of the following facts and, if called as a witness, I could competently testify of my own personal knowledge, information, and belief.

2. I am a Vice President, Senior Commercial Escrow Officer, of Fidelity National Title Company, National Commercial Services with my place of employment at 3237 E. Guasti Road, Suite 105, Ontario, Ca., 91761.

3. Fidelity National Title was selected to open two simultaneous escrows to handle the refinance and sale of properties owned by Desert Springs Financial, LLC. These two escrow accounts are: Escrow #23087426 for the refinance loan, and Escrow #23079124 for the Towers.

4. True and correct copies of escrow documentation is attached to the motion as Exhibit "G".

5. The escrow accounts are set up and ready to comply with the instructions of the parties and order of the court such that they will be concurrent to the extent physically possible. Fidelity Title is ready and able to perform the expected sequence of transactions as follows, or as may be modified by the court:

1. Refinance funds of Bowling escrow #23087426 will be allocated and paid to:
2. Any taxes due on that property, and,
3. To fully satisfy the judgments of RPL/Shin.
4. Escrow and title fees and costs attributable to this transaction.

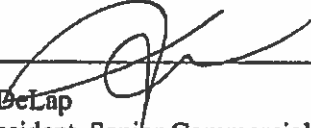
The balance will immediately (within seconds) transfer to the Towers escrow #23079124 from which funds will be immediately (within seconds) allocated and paid to:

5. Any taxes due on that property, and,
6. The total balance of the mortgage to Pacific Premier Bank, and,
7. The total amount of the claim of Wells Fargo, and,
8. The total amount of the claim of American Express, and,
9. Broker's commission, and,
10. Escrow and title fees and costs.

1 6. Said escrows will close concurrently, neither escrow will close before the other.
2 Any funds remaining in the escrow accounts after the above disbursements will be transferred
3 and held in a separate third escrow for payment as instructed and upon court approval of attorney
4 fees, professional fees, administrative costs, and any miscellaneous matters, should there be any.

5 7. Fidelity Title is able to perform the above described sequence in the normal
6 course of business and will do so in a manner in which all transactions can be completed on the
7 same day absent unforeseen events.

8 I declare under penalty of perjury pursuant to the laws of the United States of America
9 that the foregoing is true and correct and that this Declaration was executed on October 12, 2016,
10 at ONTARIO, California.

11 
12 _____
13 Janette DeLap
14 Vice President, Senior Commercial Escrow Officer,
15 Fidelity National Title, National Commercial Services
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PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:
1710 Plum Lane, Suite A, Redlands, CA 92374

A true and correct copy of the foregoing document entitled (*specify*): **NOTICE OF MOTION AND MOTION FOR AN ORDER (1) AUTHORIZING REFINANCE AND SALE OF ESTATE PROPERTY FREE AND CLEAR OF LIENS, ETC...** will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) **October 14, 2016**, the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

- Andrew S Bisom abisom@bisomlaw.com
- Steven R Fox emails@foxlaw.com
- Kathleen P March kmarch@bkylawfirm.com, kmarch3@sbcglobal.net
- Thomas J Polis ecf@polis-law.com, paralegal@polis-law.com
- Jason K Schrader jason.K.Schrader@usdoj.gov
- Mohammad Tehrani Mohammad.V.Tehrani@usdoj.gov
- M Wayne Tucker tucker@waynetuckerlaw.com, opftdecfmail@gmail.com;opftdlaw@gmail.com;hazel@waynetuckerlaw.com
- Todd L Turoci mail@theturociform.com
- United States Trustee (RS) ustregion16.rs.ecf@usdoj.gov

Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:

On (*date*) **October 14, 2016**, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

United States Bankruptcy Court, Honorable Mark D. Wallace, 411 West Fourth Street, Santa Ana, CA 92701
Grobstein Teeple LLP, 6300 CANOGA AVE, STE 1500W, WOODLAND HILLS, CA 91367
111 Smoke Shop, 68031 Ramon Road, Cathedral City, CA 92234
J&K Drywall and Metal Stud Framing, Inc., 2325 Hyacinth Street, San Bernardino, CA 92407

Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) _____, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

This form is mandatory. It has been approved for use by the United States Bankruptcy Court for the Central District of California.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

October 14, 2016
Date

Hazel Young
Printed Name


Signature

Exhibit "A"



AIR COMMERCIAL REAL ESTATE ASSOCIATION
STANDARD INDUSTRIAL/COMMERCIAL SINGLE-TENANT LEASE -- GROSS
(Do NOT USE THIS FORM FOR MULTI-TENANT BUILDINGS)

1. Basic Provisions ("Basic Provisions").

1.1 Parties: This Lease ("Lease"), dated for reference purposes only July 29, 2008, is made by and between Desert Springs Financial, LLC, is and Ramon Palm Lane, Inc. ("Lessor") and Ramon Palm Lane, Inc. ("Lessee"),

(collectively the "Parties," or individually a "Party").

1.2 Premises: That certain real property, including all improvements therein or to be provided by Lessor under the terms of this Lease, and commonly known as 68051 Ramon Road, Cathedral City 92234, located in the County of Riverside, State of California and generally described as (describe briefly the nature of the property and, if applicable, the "Project", if the property is located within a Project) A commercial building consisting of approximately 25,000 sq. ft., 28 lanes, snack bar and grill.

1.3 Term: Fifteen years and No (0) months ("Original Term") commencing October 1, 2008 ("Commencement Date") and ending September 30, 2023 ("Expiration Date"). (See also Paragraph 3)

1.4 Early Possession: N/A ("Early Possession Date"). (See also Paragraphs 3.2 and 3.3)

1.5 Base Rent: \$33,700.00 per month ("Base Rent"), payable on the First day of each month commencing October 1, 2008** Lease shall commence immediately following the close of escrow for the sale of Palm Springs Lane between Lessor & Lessee. (See also Paragraph 4)

If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted.

1.6 Base Rent and Other Monies Paid Upon Execution:

- (a) Base Rent: \$33,700.00 for the period First Month
(b) Security Deposit: \$67,400.00 ("Security Deposit"). (See also Paragraph 5)
(c) Association Fees: \$N/A for the period N/A
(d) Other: \$N/A for N/A
(e) Total Due Upon Execution of this Lease: \$101,100.00

1.7 Agreed Use: Bowling Alley/Snack Bar & Grill and related use only (See also Paragraph 6)

1.8 Insuring Party: Lessor is the "Insuring Party". The annual "Base Premium" is \$ (See also Paragraph 8)

1.9 Real Estate Brokers: (See also Paragraph 15)

(a) Representation: The following real estate brokers (the "Brokers") and brokerage relationships exist in this transaction (check applicable boxes):

- represents Lessor exclusively ("Lessor's Broker");
represents Lessee exclusively ("Lessee's Broker"); or
represents both Lessor and Lessee ("Dual Agency").

(b) Payment to Brokers: Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Broker the fee agreed to in their separate written agreement (or if there is no such agreement, the sum of or % of the total Base Rent) for the brokerage services rendered by the Brokers.

1.10 Guarantor. The obligations of the Lessee under this Lease are to be guaranteed by Yun Hei Shin & Jin Yeol Lee ("Guarantor"). (See also Paragraph 37)

1.11 Attachments. Attached hereto are the following, all of which constitute a part of this Lease:

- an Addendum consisting of Paragraphs 51 through 53;
a plot plan depicting the Premises;
a current set of the Rules and Regulations;
a Work Letter;
other (specify):

2. Premises.

2.1 Letting. Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of size set forth in this Lease, or that may have been used in calculating Rent, is an approximation which the Parties agree is reasonable and any payments based thereon are not subject to revision whether

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not the actual size is more or less. Note: Lessee is advised to verify the actual size prior to executing this Lease.

2.2 Condition. Lessor shall deliver the Premises to Lessee broom clean and free of debris on the Commencement Date or the Early Possession Date, whichever first occurs ("Start Date"), and, so long as the required service contracts described in Paragraph 7.1(b) below are obtained by Lessee and in effect within thirty days following the Start Date, warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems ("HVAC"), loading doors, sump pumps, if any, and all other such elements in the Premises, other than those constructed by Lessee, shall be in good operating condition on said date and that the surface and structural elements of the roof, bearing walls and foundation of any buildings on the Premises (the "Building") shall be free of material defects, and that the Unit does not contain hazardous levels of any mold or fungi defined as toxic under applicable state or federal law. If a non-compliance with said warranty exists as of the Start Date, or if one of such systems or elements should malfunction or fail within the appropriate warranty period, Lessor shall, as Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, malfunction or failure, rectify same at Lessor's expense. The warranty periods shall be as follows: (i) 6 months as to the HVAC systems, and (ii) 30 days as to the remaining systems and other elements of the Building. If Lessee does not give Lessor the required notice within the appropriate warranty period, correction of any such non-compliance, malfunction or failure shall be the obligation of Lessee at Lessee's sole cost and expense, except for the roof, foundations, and bearing walls which are handled as provided in paragraph 7.

2.3 Compliance. Lessor warrants that to the best of its knowledge the improvements on the Premises comply with the building codes, applicable laws, covenants or restrictions of record, regulations, and ordinances ("Applicable Requirements") that were in effect at the time that each improvement, or portion thereof, was constructed. Said warranty does not apply to the use to which Lessee will put the Premises, modifications which may be required by the Americans with Disabilities Act or any similar laws as a result of Lessee's use (see Paragraph 50), or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a)) made or to be made by Lessee. NOTE: Lessee is responsible for determining whether or not the Applicable Requirements, and especially the zoning, are appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed. If the Premises do not comply with said warranty, Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within 6 months following the Start Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Premises and/or Building, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Unit, Premises and/or Building ("Capital Expenditure"), Lessor and Lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and an amount equal to 6 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor shall pay for such Capital Expenditure and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date that on which the Base Rent is due, an amount equal to 1/44th of the portion of such costs reasonably attributable to the Premises. Lessee shall pay interest on the balance but may prepay its obligation at any time. If, however, such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall either: (i) immediately cease such changed use or intensity of use and/or take such other steps as may be necessary to eliminate the requirement for such Capital Expenditure, or (ii) complete such Capital Expenditure at its own expense. Lessee shall not, however, have any right to terminate this Lease.

2.4 Acknowledgements. Lessee acknowledges that: (a) It has been advised by Lessor and/or Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler systems, security, environmental aspects, and compliance with Applicable Requirements and the Americans with Disabilities Act), and their suitability for Lessee's intended use, (b) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to its occupancy of the Premises, and (c) neither Lessor, Lessor's agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's sole responsibility to investigate the financial capability and/or suitability of all proposed tenants.

2.5 Lessee as Prior Owner/Occupant. The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

3. Term.

3.1 Term. The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

3.2 Early Possession. If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early possession. All other terms of this Lease (including but not limited to the obligations to pay Real Property Taxes and insurance premiums and to maintain the Premises) shall be in effect during such period. Any such early possession shall not affect the Expiration Date.

3.3 Delay In Possession. Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession by such date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until Lessor delivers possession of the Premises and any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession is not delivered within 60 days after the Commencement Date, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. If possession of the Premises is not delivered within 120 days after the Commencement Date, this Lease shall terminate unless other agreements are reached between Lessor and Lessee, in writing.

3.4 Lessee Compliance. Lessor shall not be required to deliver possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. Rent.

4.1 Rent Defined. All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be Rent ("Rent").

4.2 Payment. Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. All monetary amounts shall be rounded to the nearest whole dollar. In the event that any invoice prepared by Lessor is inaccurate such inaccuracy shall not constitute a waiver and Lessee shall be obligated to pay the amount set forth in this Lease. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of \$25 in addition to any Late Charge and Lessor, at its option, may require all future payments to be made by Lessee to be by cashier's check. Payments will be applied first to accrued late charges and attorney's fees, second to accrued interest, then to Base Rent and Operating Expense Increase, and any remaining amount to any other outstanding charges or costs.

4.3 Association Fees. In addition to the Base Rent, Lessee shall pay to Lessor each month an amount equal to any owner's association or condominium fees levied or assessed against the Premises. Said monies shall be paid at the same time and in the same manner as the Base Rent.

5. Security Deposit. Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its

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obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease, Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due already due Lessor, for Rents which will be due in the future, and/or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the Initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sublessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, in Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 90 days after the expiration or termination of this Lease, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease.

6. Use.

6.1 Use. Lessee shall use and occupy the Premises only for the Agreed Use, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants or causes damage to neighboring premises or properties. Other than guide, signal and seeing eye dogs, Lessee shall not keep or allow in the Premises any pets, animals, birds, fish, or reptiles. Lessor shall not unreasonably withhold or delay its consent to any written request for a modification of the Agreed Use, so long as the same will not impair the structural integrity of the improvements on the Premises or the mechanical or electrical systems therein, and/or is not significantly more burdensome to the Premises. If Lessor elects to withhold consent, Lessor shall within 7 days after such request give written notification of same, which notice shall include an explanation of Lessor's objections to the change in the Agreed Use.

6.2 Hazardous Substances.

(a) Reportable Uses Require Consent. The term "Hazardous Substance" as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. "Reportable Use" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, ordinary office supplies (copier toner, liquid paper, glue, etc.) and common household cleaning materials, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability, including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) Duty to Inform Lessor. If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) Lessee Remediation. Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, comply with all Applicable Requirements and take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) Lessee Indemnification. Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from adjacent properties not caused or contributed to by Lessee). Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

(e) Lessor Indemnification. Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which result from Hazardous Substances which existed on the Premises prior to Lessee's occupancy or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) Investigations and Remediations. Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to Lessee's occupancy, unless such remediation measure is required as a result of Lessee's use (including "Alterations", as defined in paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) Lessor Termination Option. If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or \$100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or \$100,000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 Lessee's Compliance with Applicable Requirements.

Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the such Requirements, without regard to whether such Requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements. Likewise, Lessee shall immediately give written notice to Lessor of: (i) any water damage to the Premises and any suspected seepage, pooling, dampness or other condition conducive to the production of mold; or (ii) any mustiness or other odors that might indicate the presence of mold in the Premises.

6.4 Inspection; Compliance.

Lessor and Lessor's "Lender" (as defined in Paragraph 30) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times after reasonable notice, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of

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Applicable Requirements, or a Hazardous Substance Condition (see paragraph 9.1) is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination. In addition, Lessee shall provide copies of all relevant material safety data sheets (MSDS) to Lessor within 10 days of the receipt of a written request therefor.

7. Maintenance; Repairs; Utility Installations; Trade Fixtures and Alterations.

7.1 Lessee's Obligations.

(a) In General. Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations (intended for Lessee's exclusive use, no matter where located), and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fire protection system, fixtures, walls (interior and exterior), ceilings, floors, windows, doors, plate glass, skylights, landscaping, driveways, parking lots, fences, retaining walls, signs, sidewalks and parkways located in, on, or adjacent to the Premises. Lessee is also responsible for keeping the roof and roof drainage clean and free of debris. Lessor shall keep the surface and structural elements of the roof, foundations, and bearing walls in good repair (see paragraph 7.2). Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. Lessee shall, during the term of this Lease, keep the exterior appearance of the Building in a first-class condition (including, e.g. graffiti removal) consistent with the exterior appearance of other similar facilities of comparable age and size in the vicinity, including, when necessary, the exterior repainting of the Building.

(b) Service Contracts. Lessee shall, at Lessee's sole expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (i) HVAC equipment, (ii) boiler, and pressure vessels, (iii) fire extinguishing systems, including fire alarm and/or smoke detection, (iv) landscaping and irrigation systems, and (v) clarifiers. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain any or all of such service contracts, and Lessee shall reimburse Lessor, upon demand, for the cost thereof.

(c) Failure to Perform. If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after 10 days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, and Lessee shall promptly pay to Lessor a sum equal to 115% of the cost thereof.

(d) Replacement. Subject to Lessee's indemnification of Lessor as set forth in Paragraph 8.7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if an item described in Paragraph 7.1(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such item, then such item shall be replaced by Lessor, and the cost thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is 144 (ie. 1/144th of the cost per month). Lessee shall pay interest on the unamortized balance but may prepay its obligation at any time.

7.2 Lessor's Obligations. Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 9 (Damage or Destruction) and 14 (Condemnation), it is intended by the Parties hereto that Lessor have no obligation, in any manner whatsoever, to repair and maintain the Premises, or the equipment therein, all of which obligations are intended to be that of the Lessee, except for the surface and structural elements of the roof, foundations and bearing walls, the repair of which shall be the responsibility of Lessor upon receipt of written notice that such a repair is necessary. It is the intention of the Parties that the terms of this Lease govern the respective obligations of the Parties as to maintenance and repair of the Premises, and they expressly waive the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease.

7.3 Utility Installations; Trade Fixtures; Alterations.

(a) Definitions. The term "Utility Installations" refers to all floor and window coverings, air and/or vacuum lines, power panels, electrical distribution, security and fire protection systems, communication cabling, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term "Trade Fixtures" shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term "Alterations" shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. "Lessee Owned Alterations and/or Utility Installations" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) Consent. Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, will not affect the electrical, plumbing, HVAC, and/or life safety systems, and the cumulative cost thereof during this Lease as extended does not exceed a sum equal to 3 month's Base Rent in the aggregate or a sum equal to one month's Base Rent in any one year. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) Liens; Bonds. Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 Ownership; Removal; Surrender; and Restoration.

(a) Ownership. Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) Removal. By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) Surrender; Restoration. Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Premises, or if applicable, the Premises) even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. Any personal property of Lessee not removed on or before the Expiration Date or any earlier termination date shall be deemed to have been abandoned by Lessee and may be disposed of or retained by Lessor as Lessor may desire. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below.

8. Insurance; Indemnity.

8.1 Payment of Premium Increases.

(a) Lessee shall pay to Lessor any insurance cost increase ("Insurance Cost Increase") occurring during the term of this Lease.

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Insurance Cost Increase is defined as any increase in the actual cost of the Insurance required under Paragraph 8.2(b), 8.3(a) and 8.3(b) ("Required Insurance"), over and above the Base Premium as hereinafter defined calculated on an annual basis. Insurance Cost Increase shall include but not be limited to increases resulting from the nature of Lessee's occupancy, any act or omission of Lessee, requirements of the holder of mortgage or deed of trust covering the Premises, increased valuation of the Premises and/or a premium rate increase. The parties are encouraged to fill in the Base Premium in paragraph 1.8 with a reasonable premium for the Required Insurance based on the Agreed Use of the Premises. If the parties fail to insert a dollar amount in Paragraph 1.8, then the Base Premium shall be the lowest annual premium reasonably obtainable for the Required Insurance as of the commencement of the Original Term for the Agreed Use of the Premises. In no event, however, shall Lessee be responsible for any portion of the increase in the premium cost attributable to liability insurance carried by Lessor under Paragraph 8.2(b) in excess of \$2,000,000 per occurrence.

(b) Lessee shall pay any such Insurance Cost Increase to Lessor within 30 days after receipt by Lessee of a copy of the premium statement or other reasonable evidence of the amount due. If the insurance policies maintained hereunder cover other property besides the Premises, Lessor shall also deliver to Lessee a statement of the amount of such Insurance Cost Increase attributable only to the Premises showing in reasonable detail the manner in which such amount was computed. Premiums for policy periods commencing prior to, or extending beyond the term of this Lease, shall be prorated to correspond to the term of this Lease.

8.2 Liability Insurance.

(a) Carried by Lessee. Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than \$1,000,000 per occurrence with an annual aggregate of not less than \$2,000,000. Lessee shall add Lessor as an additional insured by means of an endorsement at least as broad as the Insurance Service Organization's "Additional Insured-Managers or Lessors of Premises" Endorsement. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. Lessee shall provide an endorsement on its liability policy(ies) which provides that its insurance shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

(b) Carried by Lessor. Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 Property Insurance - Building, Improvements and Rental Value.

(a) Building and Improvements. The Insuring Party shall obtain and keep in force a policy or policies in the name of Lessor, with loss payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full insurable replacement cost of the Premises, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. If Lessor is the Insuring Party, however, Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee under Paragraph 8.4 rather than by Lessor. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender or included in the Base Premium), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed \$1,000 per occurrence, and Lessee shall be liable for such deductible amount in the event of an insured Loss.

(b) Rental Value. The Insuring Party shall obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("Rental Value Insurance"). Said insurance shall contain an agreed valuation provision in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month period. Lessee shall be liable for any deductible amount in the event of such loss.

(c) Adjacent Premises. If the Premises are part of a larger building, or of a group of buildings owned by Lessor which are adjacent to the Premises, the Lessee shall pay for any increase in the premiums for the property insurance of such building or buildings if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

8.4 Lessee's Property; Business Interruption Insurance.

(a) Property Damage. Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed \$1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property, Trade Fixtures and Lessee Owned Alterations and Utility Installations. Lessee shall provide Lessor with written evidence that such insurance is in force.

(b) Business Interruption. Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent lessees in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(c) No Representation of Adequate Coverage. Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 Insurance Policies.

Insurance required herein shall be by companies duly licensed or admitted to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least A-, VI, as set forth in the most current issue of "Best's Insurance Guide", or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required insurance. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Lessor. Lessee shall, at least 10 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.

8.6 Waiver of Subrogation.

Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 Indemnity.

Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 Exemption of Lessor and Its Agents from Liability.

Notwithstanding the negligence or breach of this Lease by Lessor or its agents, neither Lessor nor its agents shall be liable under any circumstances for: (i) injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, indoor air quality, the presence of mold or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the building of which the Premises are a part, or from other sources or places, (ii) any damages arising from any act or neglect of any other tenant of Lessor or from the failure of Lessor or its agents to enforce the provisions of any other lease in the Project, or (iii) injury to Lessee's business or for any loss of income or profit therefrom. Instead, it is intended that Lessee's sole recourse in the event of such damages or injury be to file a claim on the insurance policy(ies) that Lessee is required to maintain pursuant to the provisions of paragraph 8.

8.9 Failure to Provide Insurance.

Lessee acknowledges that any failure on its part to obtain or maintain the insurance required herein will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, for any month or portion thereof that Lessee does not maintain the required insurance and/or does not provide Lessor with the required binders or certificates evidencing the existence of the required insurance, the Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or \$100, whichever is greater. The parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/ costs that Lessor will incur by reason of Lessee's failure to maintain the required insurance. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to the failure to maintain such insurance, prevent the exercise of any of the other rights and remedies granted hereunder, nor relieve Lessee of its obligation to maintain the insurance specified in this Lease.

9. Damage or Destruction.

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9.1 Definitions.

(a) "Premises Partial Damage" shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 6 months or less from the date of the damage or destruction. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total. Notwithstanding the foregoing, Premises Partial Damage shall not include damage to windows, doors, and/or other similar items which Lessee has the responsibility to repair or replace pursuant to the provisions of Paragraph 7.1.

(b) "Premises Total Destruction" shall mean damage or destruction to the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which cannot reasonably be repaired in 6 months or less from the date of the damage or destruction. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) "Insured Loss" shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) "Replacement Cost" shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) "Hazardous Substance Condition" shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises which requires repair, remediation, or restoration.

9.2 Partial Damage - Insured Loss. If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is \$10,000 or less and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds (except as to the deductible which is Lessee's responsibility) as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 Partial Damage - Uninsured Loss. If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessee elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 Total Destruction. Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6.

9.5 Damage Near End of Term. If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by: (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 Abatement of Rent; Lessee's Remedies.

(a) Abatement. In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value Insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) Remedies. If Lessor is obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after such obligation shall occur, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 Termination; Advance Payments. Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

10. Real Property Taxes.

10.1 Definition. As used herein, the term "Real Property Taxes" shall include any form of assessment, real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Premises or the Premises, Lessor's right to other income therefrom, and/or Lessor's business or leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Building address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Premises are located. Real Property Taxes shall also include any tax, fee, levy, assessment or charge, or any increase therein: (i) imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Premises, and (ii) levied or assessed on machinery or equipment provided by Lessor to Lessee pursuant to this Lease.

10.2

(a) Payment of Taxes. Lessor shall pay the Real Property Taxes applicable to the Premises provided, however, that Lessee shall pay to Lessor the amount, if any, by which Real Property Taxes applicable to the Premises increase over the fiscal tax year during which the Commencement Date Occurs ("Tax Increase"). Payment of any such Tax Increase shall be made by Lessee to Lessor within 30 days after receipt of Lessor's written statement setting forth the amount due and computation thereof. If any such taxes shall cover any period of time prior to or after the expiration or termination of this Lease, Lessee's share of such taxes shall be prorated to cover only that portion of the tax bill applicable to the period that this Lease is in effect. In the event Lessee incurs a late charge on any Rent payment, Lessor may estimate the current Real Property Taxes, and require that the Tax Increase be paid in advance to Lessor by Lessee monthly in advance with the payment of the Base Rent. Such monthly payment shall be an amount equal to the amount of the estimated installment of the Tax Increase divided by the number of months remaining before the month in which said installment becomes delinquent. When the actual amount of the applicable Tax Increase is known, the amount of such equal monthly advance payments shall be adjusted as required to provide the funds needed to pay the applicable Tax Increase. If the amount collected by Lessor is insufficient to pay the Tax Increase when due, Lessee shall pay Lessor, upon demand, such additional sums as are necessary to pay such obligations. Advance payments may be intermingled with other moneys of Lessor and shall not bear interest. In the event of a Breach by Lessee in the performance of its obligations under this Lease, then any such advance payments may be treated by

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Lessor as an additional Security Deposit.

(b) Additional Improvements. Notwithstanding anything to the contrary in this Paragraph 10.2, Lessee shall pay to Lessor upon demand therefor the entirety of any increase in Real Property Taxes assessed by reason of Alterations or Utility Installations placed upon the Premises by Lessee or at Lessee's request or by reason of any alterations or improvements to the Premises made by Lessor subsequent to the execution of this Lease by the Parties.

10.3 Joint Assessment. If the Premises are not separately assessed, Lessee's liability shall be an equitable proportion of the Tax Increase for all of the land and improvements included within the tax parcel assessed, such proportion to be conclusively determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available.

10.4 Personal Property Taxes. Lessee shall pay, prior to delinquency, all taxes assessed against and levied upon Lessee Owned Alterations, Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

11. Utilities and Services. Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. If any such services are not separately metered or billed to Lessee, Lessee shall pay a reasonable proportion, to be determined by Lessor, of all charges jointly metered or billed. There shall be no abatement of rent and Lessor shall not be liable in any respect whatsoever for the inadequacy, stoppage, interruption or discontinuance of any utility or service due to riot, strike, labor dispute, breakdown, accident, repair or other cause beyond Lessor's reasonable control or in cooperation with governmental request or directions.

12. Assignment and Subletting.

12.1 Lessor's Consent Required.

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, "assign or assignment") or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

(b) Unless Lessee is a corporation and its stock is publicly traded on a national stock exchange, a change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. "Net Worth of Lessee" shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

(f) Lessor may reasonably withhold consent to a proposed assignment or subletting if Lessee is in Default at the time consent is requested.

(g) Notwithstanding the foregoing, allowing a de minimis portion of the Premises, i.e. 20 square feet or less, to be used by a third party vendor in connection with the installation of a vending machine or payphone shall not constitute a subletting.

12.2 Terms and Conditions Applicable to Assignment and Subletting.

(a) Regardless of Lessor's consent, no assignment or subletting shall: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) alter the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefor to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of \$500 as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested. (See also Paragraph 36)

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment, entering into such sublease, or entering into possession of the Premises or any portion thereof, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

(g) Lessor's consent to any assignment or subletting shall not transfer to the assignee or sublessee any Option granted to the original Lessee by this Lease unless such transfer is specifically consented to by Lessor in writing. (See Paragraph 39.2)

12.3 Additional Terms and Conditions Applicable to Subletting.

The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. In the event that the amount collected by Lessor exceeds Lessee's then outstanding obligations any such excess shall be refunded to Lessee. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary.

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to atton to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default or any such Defaults cured by the sublessee.

13. Default; Breach; Remedies.

13.1 Default; Breach.

A "Default" is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A "Breach" is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of 3 business days following written notice to Lessee. THE ACCEPTANCE BY LESSOR

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OF A PARTIAL PAYMENT OF RENT OR SECURITY DEPOSIT SHALL NOT CONSTITUTE A WAIVER OF ANY OF LESSOR'S RIGHTS, INCLUDING LESSOR'S RIGHT TO RECOVER POSSESSION OF THE PREMISES.

(c) The failure of Lessee to allow Lessor and/or its agents access to the Premises or the commission of waste, act or acts constituting public or private nuisance, and/or an illegal activity on the Premises by Lessee, where such actions continue for a period of 3 business days following written notice to Lessee.

(d) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate or financial statements, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 42, (viii) material safety data sheets (MSDS), or (ix) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(e) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 40 hereof, other than those described in subparagraphs 13.1(a), (b), (c) or (d), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(f) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a "debtor" as defined in 11 U.S.C. §101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(g) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(h) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 Remedies. If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. Lessee shall pay to Lessor an amount equal to 115% of the costs and expenses incurred by Lessor in such performance upon receipt of an invoice therefor. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 Inducement Recapture. Any agreement for free or abated rent or other charges, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "Inducement Provisions," shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 Late Charges. Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall immediately pay to Lessor a one-time late charge equal to 10% of such such overdue amount or \$100, whichever is greater. The Parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 Interest. Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due as to scheduled payments (such as Base Rent) or within 30 days following the date on which it was due for non-scheduled payment, shall bear interest from the date when due, as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest ("Interest") charged shall be computed at the rate of 10% per annum but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 Breach by Lessor.

(a) Notice of Breach. Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its performance, then Lessor shall not be in breach if performance is commenced within such 30 day period and thereafter diligently pursued to completion.

(b) Performance by Lessee on Behalf of Lessor. In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent the actual and reasonable cost to perform such cure, provided however, that such offset shall not exceed an amount equal to the greater of one month's Base Rent or the Security Deposit, reserving Lessee's right to seek reimbursement from Lessor for any such expense in excess of such offset. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. Condemnation. If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "Condemnation"), this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than 10% of the Building, or more than 25% of that portion of the Premises not occupied by any building, is taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or

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in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided, however, that Lessee shall be entitled to any compensation paid by the condemnor for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefor. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

15. Brokerage Fees.

15.1 Additional Commission. In addition to the payments owed pursuant to Paragraph 1.9 above, and unless Lessor and the Brokers otherwise agree in writing, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee or anyone affiliated with Lessee acquires any rights to the Premises or other premises owned by Lessor and located within the same Project, if any, within which the Premises is located, (c) if Lessee remains in possession of the Premises, with the consent of Lessor, after the expiration of this Lease, or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the schedule of the Brokers in effect at the time of the execution of this Lease.

15.2 Assumption of Obligations. Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.9, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.

15.3 Representations and Indemnities of Broker Relationships. Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. Estoppel Certificates.

(a) Each Party (as "Responding Party") shall within 10 days after written notice from the other Party (the "Requesting Party") execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current "Estoppel Certificate" form published by the AIR Commercial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) If the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall within 10 days after written notice from Lessor deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. Definition of Lessor. The term "Lessor" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.

18. Severability. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. Days. Unless otherwise specifically indicated to the contrary, the word "days" as used in this Lease shall mean and refer to calendar days.

20. Limitation on Liability. The obligations of Lessor under this Lease shall not constitute personal obligations of Lessor or its partners, members, directors, officers or shareholders, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse against Lessor's partners, members, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. Time of Essence. Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. No Prior or Other Agreements; Broker Disclaimer. This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party.

23. Notices.

23.1 Notice Requirements. All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may by written notice to the other specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 Date of Notice. Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 72 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. Waivers.

(a) No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent.

(b) The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

(c) THE PARTIES AGREE THAT THE TERMS OF THIS LEASE SHALL GOVERN WITH REGARD TO ALL MATTERS RELATED THERETO AND HEREBY WAIVE THE PROVISIONS OF ANY PRESENT OR FUTURE STATUTE TO THE EXTENT THAT SUCH STATUTE IS INCONSISTENT WITH THIS LEASE.

25. Disclosures Regarding The Nature of a Real Estate Agency Relationship.

(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:

(i) Lessor's Agent. A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: To the Lessor: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings

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with the Lessor. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) Lessee's Agent. An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations. To the Lessee: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessee. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(iii) Agent Representing Both Lessor and Lessee. A real estate agent, either acting directly or through one or more associate licensees, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lessor or the Lessee. b. Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing or that the Lessee is willing to pay a higher rent than that offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The Parties agree that no lawsuit or other legal proceeding involving any breach of duty, error or omission relating to this Lease may be brought against Broker more than one year after the Start Date and that the liability (including court costs and attorneys' fees), of any Broker with respect to any such lawsuit and/or legal proceeding shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

(c) Lessor and Lessee agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

26. No Right To Holdover. Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. Covenants and Conditions; Construction of Agreement. All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. Binding Effect; Choice of Law. This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. Subordination; Attornment; Non-Disturbance.

30.1 Subordination. This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "Security Device"), now or hereafter placed upon the Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as "Lender") shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 Attornment. In the event that Lessor transfers title to the Premises, or the Premises are acquired by another upon the foreclosure or termination of a Security Device to which this Lease is subordinated (i) Lessee shall, subject to the non-disturbance provisions of Paragraph 30.3, attorn to such new owner, and upon request, enter into a new lease, containing all of the terms and provisions of this Lease, with such new owner for the remainder of the term hereof, or, at the election of the new owner, this Lease will automatically become a new lease between Lessee and such new owner, and (ii) Lessor shall thereafter be relieved of any further obligations hereunder and such new owner shall assume all of Lessor's obligations, except that such new owner shall not (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor. (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor which was not paid or credited to such new owner.

30.3 Non-Disturbance. With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a "Non-Disturbance Agreement") from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall, if requested by Lessee, use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 Self-Executing. The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. Attorneys' Fees. If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, "Prevailing Party" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach (\$200 is a reasonable minimum per occurrence for such services and consultation).

32. Lessor's Access; Showing Premises; Repairs. Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times after reasonable prior notice for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary or desirable and the erecting, using and maintaining of utilities, services, pipes and conduits through the Premises and/or other premises as long as there is no material adverse effect to Lessee's use of the Premises. All such activities shall be without abatement of rent or liability to Lessee.

33. Auctions. Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. Signs. Lessor may place on the Premises ordinary "For Sale" signs at any time and ordinary "For Lease" signs during the last 6 months of the term hereof. Except for ordinary "for sublease" signs, Lessee shall not place any sign upon the Premises without Lessor's prior written consent. All signs must comply with all Applicable Requirements.

35. Termination; Merger. Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor's election to have such event constitute the termination of such interest.

36. Consents. Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to

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consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. Guarantor.

37.1 Execution. The Guarantors, if any, shall each execute a guaranty in the form most recently published by the AIR Commercial Real Estate Association.

37.2 Default. It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantor's behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

38. Quiet Possession. Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. Options. If Lessee is granted an Option, as defined below, then the following provisions shall apply:

39.1 Definition. "Option" shall mean: (a) the right to extend or reduce the term of or renew this Lease or to extend or reduce the term of or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Premises or other property of Lessor; (c) the right to purchase, the right of first offer to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 Options Personal To Original Lessee. Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 Multiple Options. In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised.

39.4 Effect of Default on Options.

(a) Lessee shall have no right to exercise an Option: (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term or completion of the purchase, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), or (ii) if Lessee commits a Breach of this Lease.

40. Multiple Buildings. If the Premises are a part of a group of buildings controlled by Lessor, Lessee agrees that it will abide by and conform to all reasonable rules and regulations which Lessor may make from time to time for the management, safety, and care of said properties, including the care and cleanliness of the grounds and including the parking, loading and unloading of vehicles, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessee also agrees to pay its fair share of common expenses incurred in connection with such rules and regulations.

41. Security Measures. Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

42. Reservations. Lessor reserves to itself the right, from time to time, to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, and to cause the recondition of parcel maps and restrictions, so long as such easements, rights, dedications, maps and restrictions do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate any such easement rights, dedication, map or restrictions.

43. Performance Under Protest. If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay. A Party who does not initiate suit for the recovery of sums paid "under protest" within 6 months shall be deemed to have waived its right to protest such payment.

44. Authority; Multiple Parties; Execution.

(a) If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. Each Party shall, within 30 days after request, deliver to the other Party satisfactory evidence of such authority.

(b) If this Lease is executed by more than one person or entity as "Lessee", each such person or entity shall be jointly and severally liable hereunder. It is agreed that any one of the named Lessees shall be empowered to execute any amendment to this Lease, or other document ancillary thereto and bind all of the named Lessees, and Lessor may rely on the same as if all of the named Lessees had executed such document.

(c) This Lease may be executed by the Parties in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

45. Conflict. Any conflict between the printed provisions of this Lease and typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

46. Offer. Preparation of this Lease by either Party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

47. Amendments. This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

48. Waiver of Jury Trial. THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS AGREEMENT.

49. Mediation and Arbitration of Disputes. An Addendum requiring the Mediation and/or the Arbitration of disputes between the Parties and/or Brokers arising out of this Lease is is not attached to this Lease.

50. Americans with Disabilities Act. Since compliance with the Americans with Disabilities Act (ADA) is dependent upon Lessee's specific use of the Premises, Lessor makes no warranty or representation as to whether or not the Premises comply with ADA or any similar legislation. In the event that Lessee's use of the Premises requires modifications or additions to the Premises in order to be in ADA compliance, Lessee agrees to make any such necessary modifications and/or additions at Lessee's expense.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AIR COMMERCIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

- 1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE.
- 2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES,

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RENT ADJUSTMENT(S)
STANDARD LEASE ADDENDUM

Dated July 29, 2008

By and Between (Lessor) Desert Springs Financial, LLC

(Lessee) Ramon Palm Lane, Inc.

Address of Premises: 68051 Ramon Road
Cathedral City, CA 92234

Paragraph 51

A. RENT ADJUSTMENTS:

The monthly rent for each month of the adjustment period(s) specified below shall be increased using the method(s) indicated below.

(Check Method(s) to be Used and Fill in Appropriately)

I. Cost of Living Adjustment(s) (COLA)

a. On (Fill in COLA Dates):

the Base Rent shall be adjusted by the change, if any, from the Base Month specified below, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): CPI W (Urban Wage Earners and Clerical Workers) or CPI U (All Urban Consumers), for (Fill in Urban Area):

. All Items

(1982-1984 = 100), herein referred to as "CPI".

b. The monthly rent payable in accordance with paragraph A.i.a. of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the CPI of the calendar month 2 months prior to the month(s) specified in paragraph A.i.a. above during which the adjustment is to take effect, and the denominator of which shall be the CPI of the calendar month which is 2 months prior to (select one): the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or (Fill in Other "Base Month"). The sum so calculated shall constitute the new monthly rent hereunder, but in no event, shall any such new monthly rent be less than the rent payable for the month immediately preceding the rent adjustment.

c. In the event the compilation and/or publication of the CPI shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the CPI shall be used to make such calculation. In the event that the Parties cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said Association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitration shall be paid equally by the Parties.

II. Market Rental Value Adjustment(s) (MRV)

a. On (Fill in MRV Adjustment Date(s)):

the Base Rent shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to each Market Rental Value Adjustment Date described above, the Parties shall attempt to agree upon what the new MRV will be on the adjustment date. If agreement cannot be reached within thirty days, then:

(a) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the Parties, or

(b) Both Lessor and Lessee shall each immediately make a reasonable determination of the MRV and submit such determination, in writing, to arbitration in accordance with the following provisions:

(i) Within 15 days thereafter, Lessor and Lessee shall each select an appraiser or broker ("Consultant" - check one) of their choice to act as an arbitrator. The two arbitrators so appointed shall immediately select a third mutually acceptable Consultant to act as a third arbitrator

(ii) The 3 arbitrators shall within 30 days of the appointment of the third arbitrator reach a decision as to what the actual MRV for the Premises is, and whether Lessor's or Lessee's submitted MRV is the closest thereto. The decision of a majority of the arbitrators shall be binding on the Parties. The submitted MRV which is determined to be the closest to the actual MRV shall thereafter be used by the Parties.

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(iii) If either of the Parties fails to appoint an arbitrator within the specified 15 days, the arbitrator timely appointed by one of them shall reach a decision on his or her own, and said decision shall be binding on the Parties.

(iv) The entire cost of such arbitration shall be paid by the party whose submitted MRV is not selected, i.e., the one that is NOT the closest to the actual MRV.

2) Notwithstanding the foregoing, the new MRV shall not be less than the rent payable for the month immediately preceding the rent adjustment.

b. Upon the establishment of each New Market Rental Value:

- 1) the new MRV will become the new "Base Rent" for the purpose of calculating any further Adjustments, and
- 2) the first month of each Market Rental Value term shall become the new "Base Month" for the purpose of calculating any further Adjustments.

III. Fixed Rental Adjustment(s) (FRA)

The Base Rent shall be increased to the following amounts on the dates set forth below:

On (Fill in FRA Adjustment Date(s)):	The New Base Rent shall be:
October 1, 2009	\$36,227.50
October 1, 2010	\$38,944.56
October 1, 2011	\$41,865.40
October 1, 2012	\$45,005.31
October 1, 2013	\$48,300.71
October 1, 2014	\$52,009.26
October 1, 2015	\$55,909.95
October 1, 2016	\$60,103.20
October 1, 2017	\$64,610.94
October 1, 2018	\$69,456.76

Years 2019 to 2022


October 1, 2019	\$74,666.02
October 1, 2020	\$80,265.90
October 1, 2021	\$86,285.92
October 1, 2022	\$92,575.36

B. **NOTICE:**
Unless specified otherwise herein, notice of any such adjustments, other than Fixed Rental Adjustments, shall be made as specified in paragraph 23 of the Lease.

C. **BROKER'S FEE:**
The Brokers shall be paid a Brokerage Fee for each adjustment specified above in accordance with paragraph 15 of the Lease.

NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 800 W 6th Street, Suite 800, Los Angeles, CA 90017. Telephone No. (213) 687-8777. Fax No.: (213) 687-8618.


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Rent Schedule as reformed per judgment of 12/23/2015.

Desert Springs Financial		
Ramon Palm Lanes		
Rent Recalculation at 5% annual increases		
Increase Date		Rent Amount
10/1/2008		33,700.00
10/1/2009	5%	35,385.00
10/1/2010	5%	37,154.25
10/1/2011	5%	39,011.96
10/1/2012	5%	40,962.56
10/1/2013	5%	43,010.69
10/1/2014	5%	45,161.22
10/1/2015	5%	47,419.28
10/1/2016	5%	49,790.25
10/1/2017	5%	52,279.76
10/1/2018	5%	54,893.75
10/1/2019	5%	57,638.44
10/1/2020	5%	60,520.36
10/1/2021	5%	63,546.38
10/1/2022	5%	66,723.69
9/30/2023		



**RIGHT OF FIRST OFFER TO PURCHASE
STANDARD LEASE ADDENDUM**

Dated: July 29, 2009

By and Between (Lessor) Desert Springs Financial, LLC

(Lessee) Ramon Palm Lane, Inc.

Address of Premises: 68051 Ramon Road
Cathedral City, CA 92234

Paragraph 53

a. Subject to the provisions of this paragraph, during the lease term and any extensions thereof (the "First Offer Period"), Lessee shall have a right of First Offer to purchase the Premises. Lessee's right of First Offer shall be deemed to be an "Option" as defined in paragraph 39 and subject to all of the provisions and limitations set forth in such paragraph.

b. If, at any time during the First Offer Period, Lessor decides, in its sole and absolute discretion, that it is interested in selling the Premises Lessor shall notify Lessee in writing of such interest (the "First Offer Notice"). Lessor is not, however, under any obligation to sell the Premises.

c. If Lessor should send a First Offer Notice to Lessee and Lessee wishes to exercise Lessee's right of First Offer with respect to the Premises, then within fifteen (15) days of delivery of the First Offer Notice to Lessee, Lessee shall deliver notice to Lessor of Lessee's exercise of its right of First Offer. Such notice shall be in the form of a binding offer to purchase the Premises and Lessee in making such offer shall use the then most current "Standard Offer, Agreement and Escrow Instructions for Purchase of Real Property" form published by the AIR Commercial Real Estate Association (the "Offer").

d. If Lessee does not deliver to Lessor its Offer with respect to the Premises within the specified delivery period, time being of the essence, then Lessee's right of First Offer shall terminate.

e. If Lessee delivers the required Offer in a timely fashion then Lessor shall review said Offer and decide whether or not it wishes to sell the Premises on the terms contained therein. If Lessor in its sole and absolute discretion determines that the Offer is unacceptable then Lessor shall be precluded for a period of 6 or Nine (9) months from selling the Premises to a third party on terms which are materially less favorable than those offered by Lessee. If Lessor determines that the terms of Lessee's Offer are acceptable then the parties shall proceed with the sale in accordance with the terms of Lessee's Offer.

f. In addition to the provisions of paragraph 39 if this Lease or Lessee's right to possession of all or any portion of the Premises shall terminate in any manner whatsoever, then immediately upon such termination the Right of First Offer herein granted shall simultaneously terminate and become null and void and of no force or effect whatsoever. Time is of the essence with regard to Lessee's Right of First Offer.

g. Lessee's right of First Offer is intended to apply only to voluntary transfers involving third party transferees and shall not apply therefore: where the Premises or any portion of either is taken by eminent domain or sold under threat of condemnation, to transfers to an entity related to the Lessor, to intra-family or intra-ownership transfers, or to transfers by Lessor to a trust created by Lessor or if Lessor is a trust to transfers to a trust beneficiary.

NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 800 W 6th Street, Suite 800, Los Angeles, CA 90017. Telephone No.: (213) 687-8777. Fax No.: (213) 687-8616.

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OPTION(S) TO EXTEND STANDARD LEASE ADDENDUM

Dated July 29, 2008

By and Between (Lessor) Desert Springs Financial, LLC

By and Between (Lessee) Ramon Palm Lane, Inc.

Address of Premises: 68051 Ramon Road Cathedral City, CA 92234

Paragraph 52

A. OPTION(S) TO EXTEND:

Lessor hereby grants to Lessee the option to extend the term of this Lease for Two (2) additional One Hundred Twenty (120) month period(s) commencing when the prior term expires upon each and all of the following terms and conditions:

(i) In order to exercise an option to extend, Lessee must give written notice of such election to Lessor and Lessor must receive the same at least 6 but not more than 9 months prior to the date that the option period would commence, time being of the essence. If proper notification of the exercise of an option is not given and/or received, such option shall automatically expire. Options (if there are more than one) may only be exercised consecutively.

(ii) The provisions of paragraph 39, including those relating to Lessee's Default set forth in paragraph 39.4 of this Lease, are conditions of this Option.

(iii) Except for the provisions of this Lease granting an option or options to extend the term, all of the terms and conditions of this Lease except where specifically modified by this option shall apply.

(iv) This Option is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and without the intention of thereafter assigning or subletting.

(v) The monthly rent for each month of the option period shall be calculated as follows, using the method(s) indicated below: (Check Method(s) to be Used and Fill in Appropriately)

- Cost of Living Adjustment(s) (COLA)
a. On (Fill in COLA Dates):

the Base Rent shall be adjusted by the change, if any, from the Base Month specified below, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): CPI W (Urban Wage Earners and Clerical Workers) or CPI U (All Urban Consumers), for (Fill in Urban Area):

All Items (1982-1984 = 100), herein referred to as "CPI".

b. The monthly rent payable in accordance with paragraph A.i.a. of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the CPI of the calendar month 2 months prior to the month(s) specified in paragraph A.i.a. above during which the adjustment is to take effect, and the denominator of which shall be the CPI of the calendar month which is 2 months prior to (select one): the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or (Fill in Other "Base Month"):

The sum so calculated shall constitute the new monthly rent hereunder, but in no event, shall any such new monthly rent be less than the rent payable for the month immediately preceding the rent adjustment.

c. In the event the compilation and/or publication of the CPI shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the CPI shall be used to make such calculation. In the event that the Parties cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said Association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitration shall be paid equally by the Parties.

- Market Rental Value Adjustment(s) (MRV)
a. On (Fill in MRV Adjustment Date(s))

the Base Rent shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to each Market Rental Value Adjustment Date described above, the Parties shall attempt to agree upon what the new MRV will be on the adjustment date. If agreement cannot be reached, within thirty days, then:

(a) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the Parties, or

(b) Both Lessor and Lessee shall each immediately make a reasonable determination of the MRV and submit such determination, in writing, to

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arbitration in accordance with the following provisions:

(i) Within 15 days thereafter, Lessor and Lessee shall each select an appraiser or broker ("Consultant" - check one) of their choice to act as an arbitrator. The two arbitrators so appointed shall immediately select a third mutually acceptable Consultant to act as a third arbitrator.

(ii) The 3 arbitrators shall within 30 days of the appointment of the third arbitrator reach a decision as to what the actual MRV for the Premises is, and whether Lessor's or Lessee's submitted MRV is the closest thereto. The decision of a majority of the arbitrators shall be binding on the Parties. The submitted MRV which is determined to be the closest to the actual MRV shall thereafter be used by the Parties.

(iii) If either of the Parties fails to appoint an arbitrator within the specified 15 days, the arbitrator timely appointed by one of them shall reach a decision on his or her own, and said decision shall be binding on the Parties.

(iv) The entire cost of such arbitration shall be paid by the party whose submitted MRV is not selected, i.e. the one that is NOT the closest to the actual MRV.

2) Notwithstanding the foregoing, the new MRV shall not be less than the rent payable for the month immediately preceding the rent adjustment.

b. Upon the establishment of each New Market Rental Value:

- 1) the new MRV will become the new "Base Rent" for the purpose of calculating any further Adjustments, and
- 2) the first month of each Market Rental Value term shall become the new "Base Month" for the purpose of calculating any further Adjustments.

III. Fixed Rental Adjustment(s) (FRA)

The Base Rent shall be increased to the following amounts on the dates set forth below:

On (Fill in FRA Adjustment Date(s)):	The New Base Rent shall be:
<u>October 1, 2023</u>	<u>\$99,578.45</u>
<u>October 1, 2032</u>	<u>\$174,638.50</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

B. NOTICE:
Unless specified otherwise herein, notice of any rental adjustments, other than Fixed Rental Adjustments, shall be made as specified in paragraph 23 of the Lease.

C. BROKER'S FEE:
The Brokers shall be paid a Brokerage Fee for each adjustment specified above in accordance with paragraph 15 of the Lease.

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AIR COMMERCIAL REAL ESTATE ASSOCIATION
GUARANTY OF LEASE

WHEREAS, Desert Springs Financial, LLC, hereinafter "Lessor", and Ramon Palm Lane, Inc., hereinafter "Lessee", are about to execute a document entitled "Lease" dated July 29, 2008 concerning the premises commonly known as 68051 Ramon Road, Cathedral City, CA wherein Lessor will lease the premises to Lessee, and WHEREAS, Jin Yeol Lee and Jun Hei Shin hereinafter "Guarantors" have a financial interest in Lessee, and WHEREAS, Lessor would not execute the Lease if Guarantors did not execute and deliver to Lessor this Guaranty of Lease.

NOW THEREFORE, in consideration of the execution of said Lease by Lessor and as a material inducement to Lessor to execute said Lease, Guarantors hereby jointly, severally, unconditionally and irrevocably guarantee the prompt payment by Lessee of all rents and all other sums payable by Lessee under said Lease and the faithful and prompt performance by Lessee of each and every one of the terms, conditions and covenants of said Lease to be kept and performed by Lessee.

It is specifically agreed by Lessor and Guarantors that: (i) the terms of the foregoing Lease may be modified by agreement between Lessor and Lessee, or by a course of conduct, and (ii) said Lease may be assigned by Lessor or any assignee of Lessor without consent or notice to Guarantors and that this Guaranty shall guarantee the performance of said Lease as so modified.

This Guaranty shall not be released, modified or affected by the failure or delay on the part of Lessor to enforce any of the rights or remedies of the Lessor under said Lease.

No notice of default by Lessee under the Lease need be given by Lessor to Guarantors, it being specifically agreed that the guarantee of the undersigned is a continuing guarantee under which Lessor may proceed immediately against Lessee and/or against Guarantors following any breach or default by Lessee or for the enforcement of any rights which Lessor may have as against Lessee under the terms of the Lease or at law or in equity.

Lessor shall have the right to proceed against Guarantors following any breach or default by Lessee under the Lease without first proceeding against Lessee and without previous notice to or demand upon either Lessee or Guarantors.

Guarantors hereby waive (a) notice of acceptance of this Guaranty, (b) demand of payment, presentation and protest, (c) all right to assert or plead any statute of limitations relating to this Guaranty or the Lease, (d) any right to require the Lessor to proceed against the Lessee or any other Guarantor or any other person or entity liable to Lessor, (e) any right to require Lessor to apply to any default any security deposit or other security it may hold under the Lease, (f) any right to require Lessor to proceed under any other remedy Lessor may have before proceeding against Guarantors, (g) any right of subrogation that Guarantors may have against Lessee.

Guarantors do hereby subordinate all existing or future indebtedness of Lessee to Guarantors to the obligations owed to Lessor under the Lease and this Guaranty.

If a Guarantor is married, such Guarantor expressly agrees that recourse may be had against his or her separate property for all of the obligations hereunder.

The obligations of Lessee under the Lease to execute and deliver estoppel statements and financial statements, as therein provided, shall be deemed to also require the Guarantors to do and provide the same to Lessor. The failure of the Guarantors to provide the same to Lessor shall constitute a default under the Lease.

The term "Lessor" refers to and means the Lessor named in the Lease and also Lessor's successors and assigns. So long as Lessor's interest in the Lease, the leased premises or the rents, issues and profits therefrom, are subject to any mortgage or deed of trust or assignment for security, no acquisition by Guarantors of the Lessor's interest shall affect the continuing obligation of Guarantors under this Guaranty which shall nevertheless continue in full force and effect for the benefit of the mortgagee, beneficiary, trustee or assignee under such mortgage, deed of trust or assignment and their successors and assigns.

The term "Lessee" refers to and means the Lessee named in the Lease and also Lessee's successors and assigns. Any recovery by Lessor from any other guarantor or insurer shall first be credited to the portion of Lessee's indebtedness to Lessor which exceeds the maximum liability of Guarantors under this Guaranty.

Any recovery by Lessor from any other guarantor or insurer shall first be credited to the portion of Lessee's indebtedness to Lessor which exceeds the maximum liability of Guarantors under this Guaranty.

No provision of this Guaranty or right of the Lessor can be waived, nor can the Guarantors be released from their obligations except in writing signed by the Lessor.

Any litigation concerning this Guaranty shall be initiated in a state court of competent jurisdiction in the county in which the leased premises are located and the Guarantors consent to the jurisdiction of such court. This Guaranty shall be governed by the laws of the State in which the leased premises are located and for the purposes of any rules regarding conflicts of law the parties shall be treated as if they were all residents or domiciles of such State.

In the event any action be brought by said Lessor against Guarantors hereunder to enforce the obligation of Guarantors hereunder, the unsuccessful party in such action shall pay to the prevailing party therein a reasonable attorney's fee. The attorney's fee award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorney's fees reasonably incurred.

If any Guarantor is a corporation, partnership, or limited liability company, each individual executing this Guaranty on said entity's behalf represents and warrants that he or she is duly authorized to execute this Guaranty on behalf of such entity.

If this Form has been filled in, it has been prepared for submission to your attorney for his approval. No representation or recommendation is made by the AIR Commercial Real Estate Association, the real estate broker or its agents or employees as to the legal sufficiency, legal effect, or tax consequences of this Form or the transaction relating thereto.

Executed at: Cathedral City, CA
On:
Address:

JIN Y LEE
JUN HEI SHIN

"GUARANTORS"

Exhibit "B"



LOAN OFFER AND ACCEPTANCE AGREEMENT

Date: 9/26/2016

Mr. Murray Altman

Sent via email: MAltman582@aol.com

Dear Mr. Altman,


This Loan Offer and Acceptance Agreement is a joint pledge. It does not constitute final approval of a loan, but rather is a pledge both by you ("the Borrower"), and Socotra Capital, Inc. ("the Company") to employ their best efforts to marshal all information and materials necessary to achieve final loan approval.

The details of the proposed loan are as follows:

Collateral Address:	68051 Ramon, Palm Springs CA 92264
Purpose of Loan:	Refinance
Property Description:	Single Tenant Retail Building
Borrower:	Desert Springs Financial, LLC (please confirm)
Guarantor(s):	Murray Altman
Loan Amount:	\$2,575,000.00
Loan Type:	Interest Only, fixed
Loan Position:	1st Position
Term:	36 Months
Interest Rate:	10.5%
Minimum Interest:	0 Months
Origination:	2.75 Pts
Procuring Broker Origination:	N/A
Processing:	\$500
Underwriting:	\$500
Loan File Set-Up:	\$400
Loan Docs:	\$650

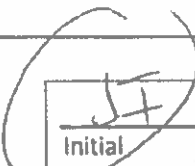
Borrower will be responsible for all closing costs and associated fees, including but not limited to those fees/costs outlined immediately below. By signing below, the Borrower agrees to pay the following within 3 days of signing this letter:

Appraisal	Payable to: BAAR Realty	\$3,500
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 Initial

2208 29th Street, #100, Sacramento, CA 95817
 CA Bureau of Real Estate #01859201 - NMLS #266090



 Initial

All material gathered over the course of funding are for internal purposes only. The loan file may be shared with the underwriting department, servicing department, and with prospective investors funding the loan. This material is the property of Socotra Capital, Inc. and constitutes as a trade secret to be held in confidence. Reproduction of this material without express written consent, including the appraisal, is prohibited.


This Loan Offer shall expire three (3) days from the date of this letter.

If you have any questions or comments regarding this matter, please contact Loan Officer Chris Baumann at (916) 617-2220, chris@socotracapital.com.


We look forward to doing business with you, and hope we can meet your borrowing needs.

Sincerely,

Socotra Capital, Inc.


By: 
John Ingoglia
Sales Manager
CalBRE License #01423081

Borrower accepts the terms and conditions as presented above this _____ day of _____.


Murray Altman
FEE DORSET Springs Financial LLC
MANAGER


Initial

2208 29th Street, #100, Sacramento, CA 95817
CA Bureau of Real Estate #01859201 - NMLS #266090


Initial

Radius Report	Payable to: Farshad Vakili	\$550
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The proceeds from the check(s) will be applied towards third party costs incurred, prior to final loan approval.

It is further agreed that upon procuring either a written or verbal commitment to make the above loan from one or more of the Company's investment pools or investment partners ("the Lender(s)") constitutes a completed procurement of a loan within the meaning of this agreement and the Borrower authorizes the Company to proceed to the close of escrow. The Company is authorized to deposit this Agreement, hereinafter referred to as the Expression of Interest, into any escrow, and when so deposited it shall constitute the Borrower irrevocable authorization and instructions to escrow to pay the Company's costs, expenses, charges, and commissions, as set forth herein. Any commitment by a Lender(s) is the sole and exclusive commitment of the Lender(s) alone, and does not constitute a commitment by the Company to either fund the loan or take any other action.


This letter is not a commitment to lend. Lender has not nor will not fully approve the Loan until Lender has deposited funds into an escrow account and has instructed the escrow company to disburse the funds to the Borrower directly and/or to third parties on the Borrower's behalf. No oral modification of this condition is valid or effective. The Lender reserves the right to request additional information, other than that set forth, which it may deem necessary to facilitate the closing of this transaction. Lender will not fully approve the Loan until other potential conditions and requirements by Lender not specified in this document have been satisfied to Lender's satisfaction, in its sole discretion. Rates and fees may change without prior notice. ACH is mandatory for the repayment of the loan.

You are required to pay a fee for the appraisal as it is a cost associated with the origination of your loan, however Socotra Capital, Inc. is the sole owner of the appraisal as it is being created specifically for the purpose of the loan. The sole client for the appraisal will be Socotra Capital, Inc. and their successors or assigns. If anyone uses the appraisal they may do so only by written approval by Socotra Capital, Inc. regardless of who paid the fee. Socotra is an expert in this market, and the report will be tailored to Socotra's specific expertise and exclusive benefit. It may not be suitable for any other uses.

In connection with the loan for which you are applying through Socotra Capital, Inc., you hereby authorize Company to obtain a credit report from any credit reporting agency of its choice. Copies of the report may be given to the intended lender or lenders for the purpose of lender's or lenders' reliance when making the decision to fund the loan. Further credit reports may be obtained by Company at any time during the loan term. Authorization is hereby granted to obtain information regarding my employment, bank accounts, and outstanding credit. There may be an appraisal ordered to determine the property's value and you will be charged for this appraisal.

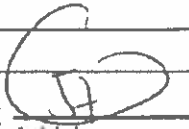
You waive your right to receive a copy of the appraisal with regard to the ECOA section 701(e).

Authorization is further granted to use a photostatic copy of your signature below, to obtain information regarding any of the aforementioned items.



Initial

2208 29th Street, #100, Sacramento, CA 95817
CA Bureau of Real Estate #01859201 - NMLS #266090



Initial

Exhibit "C"



AIR COMMERCIAL REAL ESTATE ASSOCIATION
STANDARD INDUSTRIAL/COMMERCIAL SINGLE-TENANT LEASE -- GROSS
(DO NOT USE THIS FORM FOR MULTI-TENANT BUILDINGS)

1. Basic Provisions ("Basic Provisions").
1.1 Parties: This Lease ("Lease"), dated for reference purposes only July 29, 2008, is made by and between Desert Springs Financial, LLC

and Ramon Palm Lane, Inc. ("Lessor")
("Lessee"),

(collectively the "Parties," or individually a "Party").
1.2 Premises: That certain real property, including all improvements therein or to be provided by Lessor under the terms of this Lease, and commonly known as 68051 Ramon Road, Cathedral City 92234 located in the County of Riverside, State of California and generally described as (describe briefly the nature of the property and, if applicable, the "Project", if the property is located within a Project) A commercial building consisting of approximately 25,000 sq. ft., 28 lanes, snack bar and grill.

1.3 Term: Fifteen years and No (0) months ("Original Term") commencing October 1, 2008 ("Premises"). (See also Paragraph 2) ("Commencement Date") and ending September 30, 2023 ("Expiration Date"). (See also Paragraph 3)

1.4 Early Possession: N/A ("Early Possession Date"). (See also Paragraphs 3.2 and 3.3)

1.5 Base Rent: \$33,700.00 per month ("Base Rent"), payable on the First day of each month commencing October 1, 2008** Lease shall commence immediately following the close of escrow for the sale of Palm Springs Lane between Lessor & Lessee. (See also Paragraph 4)

[X] If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted.

1.6 Base Rent and Other Monies Paid Upon Execution:
(a) Base Rent: \$33,700.00 for the period First Month
(b) Security Deposit: \$67,400.00 ("Security Deposit"). (See also Paragraph 5)
(c) Association Fees: \$N/A for the period N/A
(d) Other: \$N/A for N/A

(e) Total Due Upon Execution of this Lease: \$101,100.00

1.7 Agreed Use: Bowling Alley/Snack Bar & Grill and related use only (See also Paragraph 6)

1.8 Insuring Party: Lessor is the "insuring Party". The annual "Base Premium" is \$ (See also Paragraph 8)

1.9 Real Estate Brokers: (See also Paragraph 15)

(a) Representation: The following real estate brokers (the "Brokers") and brokerage relationships exist in this transaction (check applicable boxes):
[] represents Lessor exclusively ("Lessor's Broker");
[] represents Lessee exclusively ("Lessee's Broker"); or [] represents both Lessor and Lessee ("Dual Agency").

(b) Payment to Brokers: Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Broker the fee agreed to in their separate written agreement (or if there is no such agreement, the sum of or % of the total Base Rent) for the brokerage services rendered by the Brokers.

1.10 Guarantor. The obligations of the Lessee under this Lease are to be guaranteed by Yun Hei Shin & Jin Yeol Lee ("Guarantor"). (See also Paragraph 37)

1.11 Attachments. Attached hereto are the following, all of which constitute a part of this Lease:
[X] an Addendum consisting of Paragraphs 51 through 53;
[] a plot plan depicting the Premises;
[] a current set of the Rules and Regulations;
[] a Work Letter;
[] other (specify):

2. Premises.
2.1 Letting. Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of size set forth in this Lease, or that may have been used in calculating Rent, is an approximation which the Parties agree is reasonable and any payments based thereon are not subject to revision whether

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not the actual size is more or less. Note: Lessee is advised to verify the actual size prior to executing this Lease.
2.2 Condition. Lessor shall deliver the Premises to Lessee broom clean and free of debris on the Commencement Date or the Early Possession Date, whichever first occurs ("Start Date"), and, so long as the required service contracts described in Paragraph 7.1(b) below are obtained by Lessee and in effect within thirty days following the Start Date, warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems ("HVAC"), loading doors, sump pumps, if any, and all other such elements in the Premises, other than those constructed by Lessee, shall be in good operating condition on said date and that the surface and structural elements of the roof, bearing walls and foundation of any buildings on the Premises (the "Building") shall be free of material defects, and that the Unit does not contain hazardous levels of any mold or fungi defined as toxic under applicable state or federal law. If a non-compliance with said warranty exists as of the Start Date, or if one of such systems or elements should malfunction or fail within the appropriate warranty period, Lessor shall, as Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, malfunction or failure, rectify same at Lessor's expense. The warranty periods shall be as follows: (i) 6 months as to the HVAC systems, and (ii) 30 days as to the remaining systems and other elements of the Building. If Lessee does not give Lessor the required notice within the appropriate warranty period, correction of any such non-compliance, malfunction or failure shall be the obligation of Lessee at Lessee's sole cost and expense, except for the roof, foundations, and bearing walls which are handled as provided in paragraph 7.

2.3 Compliance. Lessor warrants that to the best of its knowledge the Improvements on the Premises comply with the building codes, applicable laws, covenants or restrictions of record, regulations, and ordinances ("Applicable Requirements") that were in effect at the time that each improvement, or portion thereof, was constructed. Said warranty does not apply to the use to which Lessee will put the Premises, modifications which may be required by the Americans with Disabilities Act or any similar laws as a result of Lessee's use (see Paragraph 50), or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a)) made or to be made by Lessee. NOTE: Lessee is responsible for determining whether or not the Applicable Requirements, and especially the zoning, are appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed. If the Premises do not comply with said warranty, Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within 6 months following the Start Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Premises and/or Building, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Unit, Premises and/or Building ("Capital Expenditure"), Lessor and Lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and an amount equal to 6 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor shall pay for such Capital Expenditure and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date that on which the Base Rent is due, an amount equal to 144th of the portion of such costs reasonably attributable to the Premises. Lessee shall pay interest on the balance but may prepay its obligation at any time. If, however, such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall either: (i) immediately cease such changed use or intensity of use and/or take such other steps as may be necessary to eliminate the requirement for such Capital Expenditure, or (ii) complete such Capital Expenditure at its own expense. Lessee shall not, however, have any right to terminate this Lease.

2.4 Acknowledgements. Lessee acknowledges that: (a) It has been advised by Lessor and/or Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler systems, security, environmental aspects, and compliance with Applicable Requirements and the Americans with Disabilities Act), and their suitability for Lessee's intended use, (b) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to its occupancy of the Premises, and (c) neither Lessor, Lessor's agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's sole responsibility to investigate the financial capability and/or suitability of all proposed tenants.

2.5 Lessee as Prior Owner/Occupant. The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

3. Term.

3.1 Term. The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

3.2 Early Possession. If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early possession. All other terms of this Lease (including but not limited to the obligations to pay Real Property Taxes and insurance premiums and to maintain the Premises) shall be in effect during such period. Any such early possession shall not affect the Expiration Date.

3.3 Delay in Possession. Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession by such date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until Lessor delivers possession of the Premises and any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession is not delivered within 60 days after the Commencement Date, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. If possession of the Premises is not delivered within 120 days after the Commencement Date, this Lease shall terminate unless other agreements are reached between Lessor and Lessee, in writing.

3.4 Lessee Compliance. Lessor shall not be required to deliver possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. Rent.

4.1 Rent Defined. All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be Rent ("Rent").

4.2 Payment. Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. All monetary amounts shall be rounded to the nearest whole dollar. In the event that any invoice prepared by Lessor is inaccurate such inaccuracy shall not constitute a waiver and Lessee shall be obligated to pay the amount set forth in this Lease. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of \$25 in addition to any Late Charge and Lessor, at its option, may require all future payments to be made by Lessee to be by cashier's check. Payments will be applied first to accrued late charges and attorney's fees, second to accrued interest, then to Base Rent and Operating Expense Increase, and any remaining amount to any other outstanding charges or costs.

4.3 Association Fees. In addition to the Base Rent, Lessee shall pay to Lessor each month an amount equal to any owner's association or condominium fees levied or assessed against the Premises. Said monies shall be paid at the same time and in the same manner as the Base Rent.

5. Security Deposit. Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its

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obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease, Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due already due Lessor, for Rents which will be due in the future, and/ or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the Initial Security Deposit bore to the Initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sublessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary. In Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 90 days after the expiration or termination of this Lease, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease.

6. Use.

6.1 Use. Lessee shall use and occupy the Premises only for the Agreed Use, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. Other than guide, signal and seeing eye dogs, Lessee shall not keep or allow in the Premises any pets, animals, birds, fish, or reptiles. Lessor shall not unreasonably withhold or delay its consent to any written request for a modification of the Agreed Use, so long as the same will not impair the structural integrity of the improvements on the Premises or the mechanical or electrical systems therein, and/or is not significantly more burdensome to the Premises. If Lessor elects to withhold consent, Lessor shall within 7 days after such request give written notification of same, which notice shall include an explanation of Lessor's objections to the change in the Agreed Use.

6.2 Hazardous Substances.

(a) Reportable Uses Require Consent. The term "Hazardous Substance" as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. "Reportable Use" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, ordinary office supplies (copier toner, liquid paper, glue, etc.) and common household cleaning materials, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability, including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) Duty to Inform Lessor. If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) Lessee Remediation. Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, comply with all Applicable Requirements and take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) Lessee Indemnification. Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from adjacent properties not caused or contributed to by Lessee). Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

(e) Lessor Indemnification. Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which result from Hazardous Substances which existed on the Premises prior to Lessee's occupancy or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) Investigations and Remediations. Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to Lessee's occupancy, unless such remediation measure is required as a result of Lessee's use (including "Alterations", as defined in paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) Lessor Termination Option. If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or \$100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or \$100,000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 Lessee's Compliance with Applicable Requirements. Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the such Requirements, without regard to whether such Requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements. Likewise, Lessee shall immediately give written notice to Lessor of: (i) any water damage to the Premises and any suspected seepage, pooling, dampness or other condition conducive to the production of mold; or (ii) any mustiness or other odors that might indicate the presence of mold in the Premises.

6.4 Inspection; Compliance. Lessor and Lessor's "Lender" (as defined in Paragraph 30) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times after reasonable notice, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of

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Applicable Requirements, or a Hazardous Substance Condition (see paragraph 9.1) is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination. In addition, Lessee shall provide copies of all relevant material safety data sheets (MSDS) to Lessor within 10 days of the receipt of a written request therefor.

7. Maintenance; Repairs; Utility Installations; Trade Fixtures and Alterations.

7.1 Lessee's Obligations.

(a) In General. Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations (intended for Lessee's exclusive use, no matter where located), and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fire protection system, fixtures, walls (interior and exterior), ceilings, floors, windows, doors, plate glass, skylights, landscaping, driveways, parking lots, fences, retaining walls, signs, sidewalks and parkways located in, on, or adjacent to the Premises. Lessee is also responsible for keeping the roof and roof drainage clean and free of debris. Lessor shall keep the surface and structural elements of the roof, foundations, and bearing walls in good repair (see paragraph 7.2). Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. Lessee shall, during the term of this Lease, keep the exterior appearance of the Building in a first-class condition (including, e.g. graffiti removal) consistent with the exterior appearance of other similar facilities of comparable age and size in the vicinity, including, when necessary, the exterior repainting of the Building.

(b) Service Contracts. Lessee shall, at Lessee's sole expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (i) HVAC equipment, (ii) boiler, and pressure vessels, (iii) fire extinguishing systems, including fire alarm and/or smoke detection, (iv) landscaping and irrigation systems, and (v) clarifiers. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain any or all of such service contracts, and Lessee shall reimburse Lessor, upon demand, for the cost thereof.

(c) Failure to Perform. If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after 10 days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, and Lessee shall promptly pay to Lessor a sum equal to 115% of the cost thereof.

(d) Replacement. Subject to Lessee's indemnification of Lessor as set forth in Paragraph 8.7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if an item described in Paragraph 7.1(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such item, then such item shall be replaced by Lessor, and the cost thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is 144 (ie. 1/144th of the cost per month). Lessee shall pay interest on the unamortized balance but may prepay its obligation at any time.

7.2 Lessor's Obligations. Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 9 (Damage or Destruction) and 14 (Condemnation), it is intended by the Parties hereto that Lessor have no obligation, in any manner whatsoever, to repair and maintain the Premises, or the equipment therein, all of which obligations are intended to be that of the Lessee, except for the surface and structural elements of the roof, foundations and bearing walls, the repair of which shall be the responsibility of Lessor upon receipt of written notice that such a repair is necessary. It is the intention of the Parties that the terms of this Lease govern the respective obligations of the Parties as to maintenance and repair of the Premises, and they expressly waive the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease.

7.3 Utility Installations; Trade Fixtures; Alterations.

(a) Definitions. The term "Utility Installations" refers to all floor and window coverings, air and/or vacuum lines, power panels, electrical distribution, security and fire protection systems, communication cabling, lighting fixtures, plumbing, and fencing in or on the Premises. The term "Trade Fixtures" shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term "Alterations" shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. "Lessee Owned Alterations and/or Utility Installations" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) Consent. Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, will not affect the electrical, plumbing, HVAC, and/or life safety systems, and the cumulative cost thereof during this Lease as extended does not exceed a sum equal to 3 month's Base Rent in the aggregate or a sum equal to one month's Base Rent in any one year. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) Liens; Bonds. Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 Ownership; Removal; Surrender; and Restoration.

(a) Ownership. Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) Removal. By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) Surrender; Restoration. Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Premises, or if applicable, the Premises) even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. Any personal property of Lessee not removed on or before the Expiration Date or any earlier termination date shall be deemed to have been abandoned by Lessee and may be disposed of or retained by Lessor as Lessor may desire. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below.

8. Insurance; Indemnity.

8.1 Payment of Premium Increases.

(a) Lessee shall pay to Lessor any insurance cost increase ("Insurance Cost Increase") occurring during the term of this Lease.

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Insurance Cost Increase is defined as any increase in the actual cost of the insurance required under Paragraph 8.2(b), 8.3(a) and 8.3(b) ("Required Insurance"), over and above the Base Premium as hereinafter defined calculated on an annual basis. Insurance Cost Increase shall include but not be limited to increases resulting from the nature of Lessee's occupancy, any act or omission of Lessee, requirements of the holder of mortgage or deed of trust covering the Premises, increased valuation of the Premises and/or a premium rate increase. The parties are encouraged to fill in the Base Premium in paragraph 1.8 with a reasonable premium for the Required Insurance based on the Agreed Use of the Premises. If the parties fail to insert a dollar amount in Paragraph 1.8, then the Base Premium shall be the lowest annual premium reasonably obtainable for the Required Insurance as of the commencement of the Original Term for the Agreed Use of the Premises. In no event, however, shall Lessee be responsible for any portion of the increase in the premium cost attributable to liability insurance carried by Lessor under Paragraph 8.2(b) in excess of \$2,000,000 per occurrence.

(b) Lessee shall pay any such Insurance Cost Increase to Lessor within 30 days after receipt by Lessee of a copy of the premium statement or other reasonable evidence of the amount due. If the insurance policies maintained hereunder cover other property besides the Premises, Lessor shall also deliver to Lessee a statement of the amount of such Insurance Cost Increase attributable only to the Premises showing in reasonable detail the manner in which such amount was computed. Premiums for policy periods commencing prior to, or extending beyond the term of this Lease, shall be prorated to correspond to the term of this Lease.

8.2 Liability Insurance.

(a) Carried by Lessee. Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than \$1,000,000 per occurrence with an annual aggregate of not less than \$2,000,000. Lessee shall add Lessor as an additional insured by means of an endorsement at least as broad as the Insurance Service Organization's "Additional Insured-Managers or Lessors of Premises" Endorsement. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. Lessee shall provide an endorsement on its liability policy(ies) which provides that its insurance shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

(b) Carried by Lessor. Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 Property Insurance - Building, Improvements and Rental Value.

(a) Building and Improvements. The Insuring Party shall obtain and keep in force a policy or policies in the name of Lessor, with loss payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full insurable replacement cost of the Premises, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. If Lessor is the Insuring Party, however, Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee under Paragraph 8.4 rather than by Lessor. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender or included in the Base Premium), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed \$1,000 per occurrence, and Lessee shall be liable for such deductible amount in the event of an Insured Loss.

(b) Rental Value. The Insuring Party shall obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("Rental Value Insurance"). Said insurance shall contain an agreed valuation provision in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month period. Lessee shall be liable for any deductible amount in the event of such loss.

(c) Adjacent Premises. If the Premises are part of a larger building, or of a group of buildings owned by Lessor which are adjacent to the Premises, the Lessee shall pay for any increase in the premiums for the property insurance of such building or buildings if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

8.4 Lessee's Property; Business Interruption Insurance.

(a) Property Damage. Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed \$1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property, Trade Fixtures and Lessee Owned Alterations and Utility Installations. Lessee shall provide Lessor with written evidence that such insurance is in force.

(b) Business Interruption. Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent lessees in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(c) No Representation of Adequate Coverage. Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 Insurance Policies.

Insurance required herein shall be by companies duly licensed or admitted to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least A-, VI, as set forth in the most current issue of "Best's Insurance Guide", or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required insurance. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Lessor. Lessee shall, at least 10 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.

8.6 Waiver of Subrogation.

Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 Indemnity.

Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 Exemption of Lessor and Its Agents from Liability.

Notwithstanding the negligence or breach of this Lease by Lessor or its agents, neither Lessor nor its agents shall be liable under any circumstances for: (i) injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, indoor air quality, the presence of mold or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the building of which the Premises are a part, or from other sources or places, (ii) any damages arising from any act or neglect of any other tenant of Lessor or from the failure of Lessor or its agents to enforce the provisions of any other lease in the Project, or (iii) injury to Lessee's business or for any loss of income or profit therefrom. Instead, it is intended that Lessee's sole recourse in the event of such damages or injury be to file a claim on the insurance policy(ies) that Lessee is required to maintain pursuant to the provisions of paragraph 8.

8.9 Failure to Provide Insurance.

Lessee acknowledges that any failure on its part to obtain or maintain the insurance required herein will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, for any month or portion thereof that Lessee does not maintain the required insurance and/or does not provide Lessor with the required binders or certificates evidencing the existence of the required insurance, the Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or \$100, whichever is greater. The parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/ costs that Lessor will incur by reason of Lessee's failure to maintain the required insurance. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to the failure to maintain such insurance, prevent the exercise of any of the other rights and remedies granted hereunder, nor relieve Lessee of its obligation to maintain the insurance specified in this Lease.

9. Damage or Destruction.

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9.1 Definitions.

(a) "Premises Partial Damage" shall mean damage or destruction to the Improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 6 months or less from the date of the damage or destruction. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total. Notwithstanding the foregoing, Premises Partial Damage shall not include damage to windows, doors, and/or other similar items which Lessee has the responsibility to repair or replace pursuant to the provisions of Paragraph 7.1.

(b) "Premises Total Destruction" shall mean damage or destruction to the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which cannot reasonably be repaired in 6 months or less from the date of the damage or destruction. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) "Insured Loss" shall mean damage or destruction to Improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) "Replacement Cost" shall mean the cost to repair or rebuild the Improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) "Hazardous Substance Condition" shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises which requires repair, remediation, or restoration.

9.2 Partial Damage - Insured Loss. If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is \$10,000 or less and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds (except as to the deductible which is Lessee's responsibility) as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the Improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 Partial Damage - Uninsured Loss. If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 Total Destruction. Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6.

9.5 Damage Near End of Term. If at any time during the last 8 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 Abatement of Rent; Lessee's Remedies.

(a) Abatement. In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value Insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) Remedies. If Lessor is obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 Termination; Advance Payments. Upon termination of this Lease pursuant to Paragraph 8.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

10. Real Property Taxes.

10.1 Definition. As used herein, the term "Real Property Taxes" shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Premises or the Project, Lessor's right to other income therefrom, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Building address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Premises are located. Real Property Taxes shall also include any tax, fee, levy, assessment or charge, or any increase therein: (i) imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Premises, and (ii) levied or assessed on machinery or equipment provided by Lessor to Lessee pursuant to this Lease.

10.2

(a) Payment of Taxes. Lessor shall pay the Real Property Taxes applicable to the Premises provided, however, that Lessee shall pay to Lessor the amount, if any, by which Real Property Taxes applicable to the Premises increase over the fiscal tax year during which the Commencement Date Occurs ("Tax Increase"). Payment of any such Tax Increase shall be made by Lessee to Lessor within 30 days after receipt of Lessor's written statement setting forth the amount due and computation thereof. If any such taxes shall cover any period of time prior to or after the expiration or termination of this Lease, Lessee's share of such taxes shall be prorated to cover only that portion of the tax bill applicable to the period that this Lease is in effect. In the event Lessee incurs a late charge on any Rent payment, Lessor may estimate the current Real Property Taxes, and require that the Tax Increase be paid in advance to Lessor by Lessee monthly in advance with the payment of the Base Rent. Such monthly payment shall be an amount equal to the amount of the estimated installment of the Tax Increase divided by the number of months remaining before the month in which said installment becomes delinquent. When the actual amount of the applicable Tax Increase is known, the amount of such equal monthly advance payments shall be adjusted as required to provide the funds needed to pay the applicable Tax Increase. If the amount collected by Lessor is insufficient to pay the Tax Increase when due, Lessee shall pay Lessor, upon demand, such additional sums as are necessary to pay such obligations. Advance payments may be intermingled with other moneys of Lessor and shall not bear interest. In the event of a Breach by Lessee in the performance of its obligations under this Lease, then any such advance payments may be treated by


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Lessor as an additional Security Deposit.

(b) Additional Improvements. Notwithstanding anything to the contrary in this Paragraph 10.2, Lessee shall pay to Lessor upon demand therefor the entirety of any increase in Real Property Taxes assessed by reason of Alterations or Utility Installations placed upon the Premises by Lessee or at Lessee's request or by reason of any alterations or improvements to the Premises made by Lessor subsequent to the execution of this Lease by the Parties.

10.3 Joint Assessment. If the Premises are not separately assessed, Lessee's liability shall be an equitable proportion of the Tax Increase for all of the land and improvements included within the tax parcel assessed, such proportion to be conclusively determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available.

10.4 Personal Property Taxes. Lessee shall pay, prior to delinquency, all taxes assessed against and levied upon Lessee Owned Alterations, Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

11. Utilities and Services. Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. If any such services are not separately metered or billed to Lessee, Lessee shall pay a reasonable proportion, to be determined by Lessor, of all charges jointly metered or billed. There shall be no abatement of rent and Lessor shall not be liable in any respect whatsoever for the inadequacy, stoppage, interruption or discontinuance of any utility or service due to riot, strike, labor dispute, breakdown, accident, repair or other cause beyond Lessor's reasonable control or in cooperation with governmental request or directions.

12. Assignment and Subletting.

12.1 Lessor's Consent Required.

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, "assign or assignment") or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

(b) Unless Lessee is a corporation and its stock is publicly traded on a national stock exchange, a change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. "Net Worth of Lessee" shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

(f) Lessor may reasonably withhold consent to a proposed assignment or subletting if Lessee is in Default at the time consent is requested.

(g) Notwithstanding the foregoing, allowing a de minimis portion of the Premises, i.e. 20 square feet or less, to be used by a third party vendor in connection with the installation of a vending machine or payphone shall not constitute a subletting.

12.2 Terms and Conditions Applicable to Assignment and Subletting.

(a) Regardless of Lessor's consent, no assignment or subletting shall: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) alter the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefor to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of \$500 as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested. (See also Paragraph 36)

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment, entering into such sublease, or entering into possession of the Premises or any portion thereof, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

(g) Lessor's consent to any assignment or subletting shall not transfer to the assignee or sublessee any Option granted to the original Lessee by this Lease unless such transfer is specifically consented to by Lessor in writing. (See Paragraph 39.2)

12.3 Additional Terms and Conditions Applicable to Subletting. The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. In the event that the amount collected by Lessor exceeds Lessee's then outstanding obligations any such excess shall be refunded to Lessee. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary.

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. Default; Breach; Remedies.

13.1 Default; Breach. A "Default" is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A "Breach" is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of 3 business days following written notice to Lessee. THE ACCEPTANCE BY LESSOR

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OF A PARTIAL PAYMENT OF RENT OR SECURITY DEPOSIT SHALL NOT CONSTITUTE A WAIVER OF ANY OF LESSOR'S RIGHTS, INCLUDING LESSOR'S RIGHT TO RECOVER POSSESSION OF THE PREMISES.

(c) The failure of Lessee to allow Lessor and/or its agents access to the Premises or the commission of waste, act or acts constituting public or private nuisance, and/or an illegal activity on the Premises by Lessee, where such actions continue for a period of 3 business days following written notice to Lessee.

(d) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate or financial statements, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 42, (viii) material safety data sheets (MSDS), or (ix) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(e) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 40 hereof, other than those described in subparagraphs 13.1(a), (b), (c) or (d), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(f) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a "debtor" as defined in 11 U.S.C. §101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(g) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(h) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 Remedies. If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. Lessee shall pay to Lessor an amount equal to 115% of the costs and expenses incurred by Lessor in such performance upon receipt of an invoice therefor. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 Inducement Recapture. Any agreement for free or abated rent or other charges, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "Inducement Provisions," shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 Late Charges. Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall immediately pay to Lessor a one-time late charge equal to 10% of each such overdue amount or \$100, whichever is greater. The Parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessee's option, become due and payable quarterly in advance.

13.5 Interest. Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due as to scheduled payments (such as Base Rent) or within 30 days following the date on which it was due for non-scheduled payment, shall bear interest from the date when due, as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest ("Interest") charged shall be computed at the rate of 10% per annum but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 Breach by Lessor.

(a) Notice of Breach. Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its performance, then Lessor shall not be in breach if performance is commenced within such 30 day period and thereafter diligently pursued to completion.

(b) Performance by Lessee on Behalf of Lessor. In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent the actual and reasonable cost to perform such cure, provided however, that such offset shall not exceed an amount equal to the greater of one month's Base Rent or the Security Deposit, reserving Lessee's right to seek reimbursement from Lessor for any such expense in excess of such offset. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. Condemnation. If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "Condemnation"), this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than 10% of the Building, or more than 25% of that portion of the Premises not occupied by any building, is taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or

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In the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminates this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided, however, that Lessee shall be entitled to any compensation paid by the condemnor for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefor. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

15. Brokerage Fees.

15.1 Additional Commission. In addition to the payments owed pursuant to Paragraph 1.9 above, and unless Lessor and the Brokers otherwise agree in writing, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee or anyone affiliated with Lessee acquires any rights to the Premises or other premises owned by Lessor and located within the same Project, if any, within which the Premises is located, (c) if Lessee remains in possession of the Premises, with the consent of Lessor, after the expiration of this Lease, or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the schedule of the Brokers in effect at the time of the execution of this Lease.

15.2 Assumption of Obligations. Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.9, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.

15.3 Representations and Indemnities of Broker Relationships. Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying party, including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. Estoppel Certificates.

(a) Each Party (as "Responding Party") shall within 10 days after written notice from the other Party (the "Requesting Party") execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current "Estoppel Certificate" form published by the AIR Commercial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) If the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall within 10 days after written notice from Lessor deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. Definition of Lessor. The term "Lessor" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.

18. Severability. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. Days. Unless otherwise specifically indicated to the contrary, the word "days" as used in this Lease shall mean and refer to calendar days.

20. Limitation on Liability. The obligations of Lessor under this Lease shall not constitute personal obligations of Lessor or its partners, members, directors, officers or shareholders, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse against Lessor's partners, members, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. Time of Essence. Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. No Prior or Other Agreements; Broker Disclaimer. This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party.

23. Notices.

23.1 Notice Requirements. All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may by written notice to the other specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 Date of Notice. Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 72 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. Waivers.

(a) No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent.

(b) The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

(c) THE PARTIES AGREE THAT THE TERMS OF THIS LEASE SHALL GOVERN WITH REGARD TO ALL MATTERS RELATED THERETO AND HEREBY WAIVE THE PROVISIONS OF ANY PRESENT OR FUTURE STATUTE TO THE EXTENT THAT SUCH STATUTE IS INCONSISTENT WITH THIS LEASE.

25. Disclosures Regarding The Nature of a Real Estate Agency Relationship.

(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:

(i) Lessor's Agent. A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: To the Lessor: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings

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with the Lessor. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) Lessee's Agent: An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations. To the Lessee: a. Fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessee. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(iii) Agent Representing Both Lessor and Lessee: A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lessor or the Lessee. b. Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing or that the Lessee is willing to pay a higher rent than that offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The Parties agree that no lawsuit or other legal proceeding involving any breach of duty, error or omission relating to this Lease may be brought against Broker more than one year after the Start Date and that the liability (including court costs and attorneys' fees), of any Broker with respect to any such lawsuit and/or legal proceeding shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

(c) Lessor and Lessee agree to identify to Brokers as "Confidential" any communication or information given to Brokers that is considered by such Party to be confidential.

26. No Right To Holdover. Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. Covenants and Conditions; Construction of Agreement. All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. Binding Effect; Choice of Law. This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. Subordination; Attornment; Non-Disturbance.
30.1 Subordination. This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "Security Device"), now or hereafter placed upon the Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as "Lender") shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 Attornment. In the event that Lessor transfers title to the Premises, or the Premises are acquired by another upon the foreclosure or termination of a Security Device to which this Lease is subordinated (i) Lessee shall, subject to the non-disturbance provisions of Paragraph 30.3, attorn to such new owner, and upon request, enter into a new lease, containing all of the terms and provisions of this Lease, with such new owner for the remainder of the term hereof, or, at the election of the new owner, this Lease will automatically become a new lease between Lessee and such new owner, and (ii) Lessor shall thereafter be relieved of any further obligations hereunder and such new owner shall assume all of Lessor's obligations, except that such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor which was not paid or credited to such new owner.

30.3 Non-Disturbance. With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a "Non-Disturbance Agreement") from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall, if requested by Lessee, use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 Self-Executing. The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. Attorneys' Fees. If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, "Prevailing Party" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach (\$200 is a reasonable minimum per occurrence for such services and consultation).

32. Lessor's Access; Showing Premises; Repairs. Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times after reasonable prior notice for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary or desirable and the erecting, using and maintaining of utilities, services, pipes and conduits through the Premises and/or other premises as long as there is no material adverse effect to Lessee's use of the Premises. All such activities shall be without abatement of rent or liability to Lessee.

33. Auctions. Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. Signs. Lessor may place on the Premises ordinary "For Sale" signs at any time and ordinary "For Lease" signs during the last 6 months of the term hereof. Except for ordinary "for sublease" signs, Lessee shall not place any sign upon the Premises without Lessor's prior written consent. All signs must comply with all Applicable Requirements.

35. Termination; Merger. Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor's election to have such event constitute the termination of such interest.

36. Consents. Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to

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consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the Imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. Guarantor.
37.1 Execution. The Guarantors, if any, shall each execute a guaranty in the form most recently published by the AIR Commercial Real Estate Association.

37.2 Default. It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantor's behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

38. Quiet Possession. Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. Options. If Lessee is granted an Option, as defined below, then the following provisions shall apply:
39.1 Definition. "Option" shall mean: (a) the right to extend or reduce the term of or renew this Lease or to extend or reduce the term of or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Premises or other property of Lessor; (c) the right to purchase, the right of first offer to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 Options Personal To Original Lessee. Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 Multiple Options. In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised.

39.4 Effect of Default on Options.
(a) Lessee shall have no right to exercise an Option: (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term or completion of the purchase, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), or (ii) if Lessee commits a Breach of this Lease.

40. Multiple Buildings. If the Premises are a part of a group of buildings controlled by Lessor, Lessee agrees that it will abide by and conform to all reasonable rules and regulations which Lessor may make from time to time for the management, safety, and care of said properties, including the care and cleanliness of the grounds and including the parking, loading and unloading of vehicles, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessee also agrees to pay its fair share of common expenses incurred in connection with such rules and regulations.

41. Security Measures. Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

42. Reservations. Lessor reserves to itself the right, from time to time, to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, and to cause the recordation of parcel maps and restrictions, so long as such easements, rights, dedications, maps and restrictions do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate any such easement rights, dedication, map or restrictions.

43. Performance Under Protest. If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay. A Party who does not initiate suit for the recovery of sums paid "under protest" within 6 months shall be deemed to have waived its right to protest such payment.

44. Authority; Multiple Parties; Execution.
(a) If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. Each Party shall, within 30 days after request, deliver to the other Party satisfactory evidence of such authority.

(b) If this Lease is executed by more than one person or entity as "Lessee", each such person or entity shall be jointly and severally liable hereunder. It is agreed that any one of the named Lessees shall be empowered to execute any amendment to this Lease, or other document ancillary thereto and bind all of the named Lessees, and Lessor may rely on the same as if all of the named Lessees had executed such document.

(c) This Lease may be executed by the Parties in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

45. Conflict. Any conflict between the printed provisions of this Lease and typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

46. Offer. Preparation of this Lease by either Party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

47. Amendments. This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

48. Waiver of Jury Trial. THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS AGREEMENT.

49. Mediation and Arbitration of Disputes. An Addendum requiring the Mediation and/or the Arbitration of disputes between the Parties and/or Brokers arising out of this Lease is is not attached to this Lease.

50. Americans with Disabilities Act. Since compliance with the Americans with Disabilities Act (ADA) is dependent upon Lessee's specific use of the Premises, Lessor makes no warranty or representation as to whether or not the Premises comply with ADA or any similar legislation. In the event that Lessee's use of the Premises requires modifications or additions to the Premises in order to be in ADA compliance, Lessee agrees to make any such necessary modifications and/or additions at Lessee's expense.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AIR COMMERCIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

- 1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE.
- 2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES,

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RENT ADJUSTMENT(S)
STANDARD LEASE ADDENDUM

Dated July 29, 2008

By and Between (Lessor) Desert Springs Financial, LLC

(Lessee) Ramon Palm Lane, Inc.

Address of Premises: 68051 Ramon Road
Cathedral City, CA 92234

Paragraph 51

A RENT ADJUSTMENTS:

The monthly rent for each month of the adjustment period(s) specified below shall be increased using the method(s) indicated below:

(Check Method(s) to be Used and Fill in Appropriately)

I. Cost of Living Adjustment(s) (COLA)

a. On (Fill in COLA Dates):

the Base Rent shall be adjusted by the change, if any, from the Base Month specified below, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): CPI W (Urban Wage Earners and Clerical Workers) or CPI U (All Urban Consumers), for (Fill in Urban Area):

All Items

(1982-1984 = 100), herein referred to as "CPI"

b. The monthly rent payable in accordance with paragraph A.I.a. of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the CPI of the calendar month 2 months prior to the month(s) specified in paragraph A.I.a. above during which the adjustment is to take effect, and the denominator of which shall be the CPI of the calendar month which is 2 months prior to (select one): the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or (Fill in Other "Base Month"). The sum so calculated shall constitute the new monthly rent hereunder, but in no event, shall any such new monthly rent be less than the rent payable for the month immediately preceding the rent adjustment.

c. In the event the compilation and/or publication of the CPI shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the CPI shall be used to make such calculation. In the event that the Parties cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said Association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitration shall be paid equally by the Parties.

II. Market Rental Value Adjustment(s) (MRV)

a. On (Fill in MRV Adjustment Date(s)):

the Base Rent shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to each Market Rental Value Adjustment Date described above, the Parties shall attempt to agree upon what the new MRV will be on the adjustment date. If agreement cannot be reached within thirty days, then:

(a) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the Parties, or

(b) Both Lessor and Lessee shall each immediately make a reasonable determination of the MRV and submit such determination, in writing, to arbitration in accordance with the following provisions:

(i) Within 15 days thereafter, Lessor and Lessee shall each select an appraiser or broker ("Consultant" - check one) of their choice to act as an arbitrator. The two arbitrators so appointed shall immediately select a third mutually acceptable Consultant to act as a third arbitrator.

(ii) The 3 arbitrators shall within 30 days of the appointment of the third arbitrator reach a decision as to what the actual MRV for the Premises is, and whether Lessor's or Lessee's submitted MRV is the closest thereto. The decision of a majority of the arbitrators shall be binding on the Parties. The submitted MRV which is determined to be the closest to the actual MRV shall thereafter be used by the Parties.

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(iii) If either of the Parties fails to appoint an arbitrator within the specified 15 days, the arbitrator timely appointed by one of them shall reach a decision on his or her own, and said decision shall be binding on the Parties.

(iv) The entire cost of such arbitration shall be paid by the party whose submitted MRV is not selected, i.e., the one that is NOT the closest to the actual MRV.

2) Notwithstanding the foregoing, the new MRV shall not be less than the rent payable for the month immediately preceding the rent adjustment.

b. Upon the establishment of each New Market Rental Value:

- 1) the new MRV will become the new "Base Rent" for the purpose of calculating any further Adjustments, and
- 2) the first month of each Market Rental Value term shall become the new "Base Month" for the purpose of calculating any further Adjustments.

III. Fixed Rental Adjustment(s) (FRA)

The Base Rent shall be increased to the following amounts on the dates set forth below:

On (Fill in FRA Adjustment Date(s)):	The New Base Rent shall be:
<u>October 1, 2009</u>	<u>\$36,227.50</u>
<u>October 1, 2010</u>	<u>\$38,944.56</u>
<u>October 1, 2011</u>	<u>\$41,865.40</u>
<u>October 1, 2012</u>	<u>\$45,005.31</u>
<u>October 1, 2013</u>	<u>\$48,380.71</u>
<u>October 1, 2014</u>	<u>\$52,009.26</u>
<u>October 1, 2015</u>	<u>\$55,909.95</u>
<u>October 1, 2016</u>	<u>\$60,103.20</u>
<u>October 1, 2017</u>	<u>\$64,610.94</u>
<u>October 1, 2018</u>	<u>\$69,456.76</u>

Years 2019 to 2022

October 1, 2019	\$74,666.02
October 1, 2020	\$80,265.90
October 1, 2021	\$86,285.92
October 1, 2022	\$92,575.36

B. NOTICE:


Unless specified otherwise herein, notice of any such adjustments, other than Fixed Rental Adjustments, shall be made as specified in paragraph 23 of the Lease.

C. BROKER'S FEE:

The Brokers shall be paid a Brokerage Fee for each adjustment specified above in accordance with paragraph 15 of the Lease.

NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 800 W 6th Street, Suite 600, Los Angeles, CA 90017. Telephone No. (213) 687-8777. Fax No.: (213) 687-8616.


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RIGHT OF FIRST OFFER TO PURCHASE
STANDARD LEASE ADDENDUM

Dated: July 29, 2008

By and Between (Lessor) Desert Springs Financial, LLC

(Lessee) Ramon Palm Lane, Inc.

Address of Premises: 68051 Ramon Road
Cathedral City, CA 92234

Paragraph 53

- a. Subject to the provisions of this paragraph, during the lease term and any extensions thereof (the "First Offer Period"), Lessee shall have a right of First Offer to purchase the Premises.
b. If, at any time during the First Offer Period, Lessor decides, in its sole and absolute discretion, that it is interested in selling the Premises Lessor shall notify Lessee in writing of such interest (the "First Offer Notice").
c. If Lessor should send a First Offer Notice to Lessee and Lessee wishes to exercise Lessee's right of First Offer with respect to the Premises, then within fifteen (15) days of delivery of the First Offer Notice to Lessee, Lessee shall deliver notice to Lessor of Lessee's exercise of its right of First Offer.
d. If Lessee does not deliver to Lessor its Offer with respect to the Premises within the specified delivery period, time being of the essence, then Lessee's right of First Offer shall terminate.
e. If Lessee delivers the required Offer in a timely fashion then Lessor shall review said Offer and decide whether or not it wishes to sell the Premises on the terms contained therein.
f. In addition to the provisions of paragraph 39 if this Lease or Lessee's right to possession of all or any portion of the Premises shall terminate in any manner whatsoever, then immediately upon such termination the Right of First Offer herein granted shall simultaneously terminate and become null and void and of no force or effect whatsoever.
g. Lessee's right of First Offer is intended to apply only to voluntary transfers involving third party transferees and shall not apply therefore: where the Premises or any portion of either is taken by eminent domain or sold under threat of condemnation, to transfers to an entity related to the Lessor, to intra-family or intra-ownership transfers, or to transfers by Lessor to a trust created by Lessor or if Lessor is a trust to transfers to a trust beneficiary.

NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 600 W 5th Street, Suite 800, Los Angeles, CA 90017. Telephone No.: (213) 687-8777. Fax No.: (213) 687-8616.

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OPTION(S) TO EXTEND STANDARD LEASE ADDENDUM

Dated July 29, 2008

By and Between (Lessor) Desert Springs Financial, LLC

By and Between (Lessee) Ramon Palm Lane, Inc.

Address of Premises: 68051 Ramon Road Cathedral City, CA 92234

Paragraph 52

A. OPTION(S) TO EXTEND:

Lessor hereby grants to Lessee the option to extend the term of this Lease for Two (2) additional One Hundred Twenty (120) month period(s) commencing when the prior term expires upon each and all of the following terms and conditions:

(i) In order to exercise an option to extend, Lessee must give written notice of such election to Lessor and Lessor must receive the same at least 6 but not more than 9 months prior to the date that the option period would commence, time being of the essence. If proper notification of the exercise of an option is not given and/or received, such option shall automatically expire. Options (if there are more than one) may only be exercised consecutively.

(ii) The provisions of paragraph 39, including those relating to Lessee's Default set forth in paragraph 39.4 of this Lease, are conditions of this Option.

(iii) Except for the provisions of this Lease granting an option or options to extend the term, all of the terms and conditions of this Lease except where specifically modified by this option shall apply.

(iv) This Option is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and without the intention of thereafter assigning or subletting.

(v) The monthly rent for each month of the option period shall be calculated as follows, using the method(s) indicated below. (Check Method(s) to be Used and Fill in Appropriately)

- Cost of Living Adjustment(s) (COLA)
a. On (Fill in COLA Dates):

the Base Rent shall be adjusted by the change, if any, from the Base Month specified below, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): CPI W (Urban Wage Earners and Clerical Workers) or CPI U (All Urban Consumers), for (Fill in Urban Area):

All Items (1982-1984 = 100), herein referred to as "CPI".

b. The monthly rent payable in accordance with paragraph A.1.a. of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the CPI of the calendar month 2 months prior to the month(s) specified in paragraph A.1.a. above during which the adjustment is to take effect, and the denominator of which shall be the CPI of the calendar month which is 2 months prior to (select one): the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or (Fill in Other "Base Month"):

The sum so calculated shall constitute the new monthly rent hereunder, but in no event, shall any such new monthly rent be less than the rent payable for the month immediately preceding the rent adjustment.

c. In the event the compilation and/or publication of the CPI shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the CPI shall be used to make such calculation. In the event that the Parties cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said Association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitration shall be paid equally by the Parties.

- Market Rental Value Adjustment(s) (MRV)
a. On (Fill in MRV Adjustment Date(s))

the Base Rent shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to each Market Rental Value Adjustment Date described above, the Parties shall attempt to agree upon what the new MRV will be on the adjustment date. If agreement cannot be reached, within thirty days, then:

(a) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the Parties, or

(b) Both Lessor and Lessee shall each immediately make a reasonable determination of the MRV and submit such determination, in writing, to

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arbitration in accordance with the following provisions:

(i) Within 15 days thereafter, Lessor and Lessee shall each select an appraiser or broker ("Consultant" - check one) of their choice to act as an arbitrator. The two arbitrators so appointed shall immediately select a third mutually acceptable Consultant to act as a third arbitrator.

(ii) The 3 arbitrators shall within 30 days of the appointment of the third arbitrator reach a decision as to what the actual MRV for the Premises is, and whether Lessor's or Lessee's submitted MRV is the closest thereto. The decision of a majority of the arbitrators shall be binding on the Parties. The submitted MRV which is determined to be the closest to the actual MRV shall thereafter be used by the Parties.

(iii) If either of the Parties fails to appoint an arbitrator within the specified 15 days, the arbitrator timely appointed by one of them shall reach a decision on his or her own, and said decision shall be binding on the Parties.

(iv) The entire cost of such arbitration shall be paid by the party whose submitted MRV is not selected, i.e. the one that is NOT the closest to the actual MRV.

2) Notwithstanding the foregoing, the new MRV shall not be less than the rent payable for the month immediately preceding the rent adjustment.

b. Upon the establishment of each New Market Rental Value:

- 1) the new MRV will become the new "Base Rent" for the purpose of calculating any further Adjustments, and
- 2) the first month of each Market Rental Value term shall become the new "Base Month" for the purpose of calculating any further Adjustments.

III. Fixed Rental Adjustment(s) (FRA)

The Base Rent shall be increased to the following amounts on the dates set forth below:

On (Fill in FRA Adjustment Date(s)):	The New Base Rent shall be:
October 1, 2023	\$99,578.45
October 1, 2032	\$174,638.50
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

B. NOTICE: Unless specified otherwise herein, notice of any rental adjustments, other than Fixed Rental Adjustments, shall be made as specified in paragraph 23 of the Lease.

C. BROKER'S FEE: The Brokers shall be paid a Brokerage Fee for each adjustment specified above in accordance with paragraph 15 of the Lease.

NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 600 W 6th Street, Suite 800, Los Angeles, CA 90017. Telephone No. (213) 687-8777. Fax No.: (213) 687-8616.



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AIR COMMERCIAL REAL ESTATE ASSOCIATION
GUARANTY OF LEASE

WHEREAS, Desert Springs Financial, LLC, hereinafter "Lessor", and Ramon Palm Lane, Inc., hereinafter "Lessee", are about to execute a document entitled "Lease" dated July 29, 2008 concerning the premises commonly known as 68051 Ramon Road, Cathedral City, CA

WHEREAS, Jin Yeol Lee and Jun Hei Shin hereinafter "Guarantors" have a financial interest in Lessee, and WHEREAS, Lessor would not execute the Lease if Guarantors did not execute and deliver to Lessor this Guaranty of Lease.

NOW THEREFORE, In consideration of the execution of said Lease by Lessor and as a material inducement to Lessor to execute said Lease, Guarantors hereby jointly, severally, unconditionally and irrevocably guarantee the prompt payment by Lessee of all rents and all other sums payable by Lessee under said Lease and the faithful and prompt performance by Lessee of each and every one of the terms, conditions and covenants of said Lease to be kept and performed by Lessee.

It is specifically agreed by Lessor and Guarantors that: (i) the terms of the foregoing Lease may be modified by agreement between Lessor and Lessee, or by a course of conduct, and (ii) said Lease may be assigned by Lessor or any assignee of Lessor without consent or notice to Guarantors and that this Guaranty shall guarantee the performance of said Lease as so modified

This Guaranty shall not be released, modified or affected by the failure or delay on the part of Lessor to enforce any of the rights or remedies of the Lessor under said Lease.

No notice of default by Lessee under the Lease need be given by Lessor to Guarantors, it being specifically agreed that the guarantee of the undersigned is a continuing guarantee under which Lessor may proceed immediately against Lessee and/or against Guarantors following any breach or default by Lessee or for the enforcement of any rights which Lessor may have as against Lessee under the terms of the Lease or at law or in equity.

Lessor shall have the right to proceed against Guarantors following any breach or default by Lessee under the Lease without first proceeding against Lessee and without previous notice to or demand upon either Lessee or Guarantors.

Guarantors hereby waive (a) notice of acceptance of this Guaranty, (b) demand of payment, presentation and protest, (c) all right to assert or plead any statute of limitations relating to this Guaranty or the Lease, (d) any right to require the Lessor to proceed against the Lessee or any other Guarantor or any other person or entity liable to Lessor, (e) any right to require Lessor to apply to any default any security deposit or other security it may hold under the Lease, (f) any right to require Lessor to proceed under any other remedy Lessor may have before proceeding against Guarantors, (g) any right of subrogation that Guarantors may have against Lessee.

Guarantors do hereby subordinate all existing or future indebtedness of Lessee to Guarantors to the obligations owed to Lessor under the Lease and this Guaranty.

If a Guarantor is married, such Guarantor expressly agrees that recourse may be had against his or her separate property for all of the obligations hereunder.

The obligations of Lessee under the Lease to execute and deliver estoppel statements and financial statements, as therein provided, shall be deemed to also require the Guarantors to do and provide the same to Lessor. The failure of the Guarantors to provide the same to Lessor shall constitute a default under the Lease.

The term "Lessor" refers to and means the Lessor named in the Lease and also Lessor's successors and assigns. So long as Lessor's interest in the Lease, the leased premises or the rents, issues and profits therefrom, are subject to any mortgage or deed of trust or assignment for security, no acquisition by Guarantors of the Lessor's interest shall affect the continuing obligation of Guarantors under this Guaranty which shall nevertheless continue in full force and effect for the benefit of the mortgagee, beneficiary, trustee or assignee under such mortgage, deed of trust or assignment and their successors and assigns.

The term "Lessee" refers to and means the Lessee named in the Lease and also Lessee's successors and assigns. Any recovery by Lessor from any other guarantor or insurer shall first be credited to the portion of Lessee's indebtedness to Lessor which exceeds the maximum liability of Guarantors under this Guaranty.

Any recovery by Lessor from any other guarantor or insurer shall first be credited to the portion of Lessee's indebtedness to Lessor which exceeds the maximum liability of Guarantors under this Guaranty.

No provision of this Guaranty or right of the Lessor can be waived, nor can the Guarantors be released from their obligations except in writing signed by the Lessor.

Any litigation concerning this Guaranty shall be initiated in a state court of competent jurisdiction in the county in which the leased premises are located and the Guarantors consent to the jurisdiction of such court. This Guaranty shall be governed by the laws of the State in which the leased premises are located and for the purposes of any rules regarding conflicts of law the parties shall be treated as if they were all residents or domiciles of such State.

In the event any action be brought by said Lessor against Guarantors hereunder to enforce the obligation of Guarantors hereunder, the unsuccessful party in such action shall pay to the prevailing party therein a reasonable attorney's fee. The attorney's fee award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorney's fees reasonably incurred.

If any Guarantor is a corporation, partnership, or limited liability company, each individual executing this Guaranty on said entity's behalf represents and warrants that he or she is duly authorized to execute this Guaranty on behalf of such entity.

If this Form has been filled in, it has been prepared for submission to your attorney for his approval. No representation or recommendation is made by the AIR Commercial Real Estate Association, the real estate broker or its agents or employees as to the legal sufficiency, legal effect, or tax consequences of this Form or the transaction relating thereto.

Executed at: Cathedral City, CA
On:
Address:

JIN Y LEE
JUN HEI SHIN

"GUARANTORS"

Exhibit "G"



Fidelity National Title Company
3237 E Guasti Road, Suite 105, Ontario, CA 91761
Phone: (909) 569-0226 • Fax: (800) 507-0841

Date: June 20, 2016

Gayk Akhsharumov and Levon Akhsharumov
13547 Ventura Blvd., Ste. 271
Sherman Oaks, CA 91423

Desert Springs Financial, LLC, a California limited liability company
121 S. Palm Canyon Drive., #216
Palm Springs, CA 92262

RE: Property: 68031 Ramon Road, "Ramon Towers", Cathedral City, CA 92234
 Escrow Number: 23079124-012-JDL
 Seller: Desert Springs Financial, LLC, a California limited liability company
 Buyer: Gayk Akhsharumov and Levon Akhsharumov

Ladies and Gentlemen:

This letter shall serve as notification of the opening of escrow on the above referenced property. The escrow opening date is May 27, 2016, the date on which we received a fully executed copy of the Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate ("Agreement") dated May 26, 2016, by and between Desert Springs Financial, LLC, a California limited liability company ("Seller") and Gayk Akhsharumov and Levon Akhsharumov ("Buyer"). In addition, we are in receipt of the Buyer's deposit in the amount of \$100,000.

Fidelity National Title Company hereby accepts its designation as Escrow Holder for the parties insofar as the terms and conditions contained in the Agreement pertain to Escrow Holder to close this escrow. The parties will hand you all the documents and funds and comply with all the terms, conditions and provisions called for therein. Fidelity National Title Company General Provisions are attached hereto and incorporated herein by this reference.

In the event we can be of further assistance, at this time, please do not hesitate to contact the undersigned.

Sincerely,
Fidelity National Title Company

Janette DeLap

Janette DeLap
Senior Commercial Escrow Officer

ACCPTRLTR

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Date: June 20, 2016
Escrow No.: 23079124-012-JDL

GENERAL PROVISIONS

1. DEPOSIT OF FUNDS

The law dealing with the disbursement of funds requires that all funds be available for withdrawal as a matter of right by the title entity's escrow and/or sub escrow account prior to disbursement of any funds. Only cash or wire transferred funds can be given immediate availability upon deposit. Cashier's checks, teller's checks and Certified checks may be available one business day after deposit. All other funds such as personal, corporate or partnership checks and drafts are subject to mandatory holding periods which may cause material delays in disbursement of funds in this escrow. In order to avoid delays, all fundings should be wire transfer. Outgoing wire transfers will not be authorized until confirmation of the respective incoming wire transfer or of availability of deposited checks.

Deposit of funds into general escrow account unless instructed otherwise. You may instruct Escrow Holder to deposit your funds into an interest bearing account by signing and returning the "Escrow Instructions - Interest Bearing Account", which has been provided to you. If you do not so instruct us, then all funds received in this escrow shall be deposited with other escrow funds in one or more general escrow trust accounts, which include both non-interest bearing demand accounts and other depository accounts of Escrow Holder, in any state or national bank or savings and loan association insured by the Federal Deposit Insurance Corporation (the "depository institutions") and may be transferred to other such escrow trust accounts of Escrow Holder or one of its affiliates, either within or outside the State of California. A general escrow trust account is restricted and protected against claims by third parties and creditors of Escrow Holder and its affiliates.

Receipt of benefits by Escrow Holder and affiliates. The parties to this escrow acknowledge that the maintenance of such general escrow trust accounts with some depository institutions may result in Escrow Holder or its affiliates being provided with an array of bank services, accommodations or other benefits by the depository institution. Some or all of these benefits may be considered interest due you under California Insurance Code Section 12413.5. Escrow Holder or its affiliates also may elect to enter into other business transactions with or obtain loans for investment or other purposes from the depository institution. All such services, accommodations, and other benefits shall accrue to Escrow Holder or its affiliates and Escrow Holder shall have no obligation to account to the parties to this escrow for the value of such services, accommodations, interest or other benefits.

Said funds will not earn interest unless the instructions otherwise specifically state that funds shall be deposited in an interest-bearing account. All disbursements shall be made by check of Fidelity National Title Company - Builder Services. The principals to this escrow are hereby notified that the funds deposited herein are insured only to the limit provided by the Federal Deposit Insurance Corporation. Any instruction for bank wire will provide reasonable time or notice for Escrow Holder's compliance with such instruction. Escrow Holder's sole duty and responsibility shall be to place said wire transfer instructions with its wiring bank upon confirmation of (1) satisfaction of conditions precedent or (2) document recordation at close of escrow. Escrow Holder will NOT be held responsible for lost interest due to wire delays caused by any bank or the Federal Reserve System, and recommends that all parties make themselves aware of banking regulations with regard to placement of wires.

In the event there is insufficient time to place a wire upon any such confirmation or the wires have closed for the day, the parties agree to provide written instructions for an alternative method of disbursement. WITHOUT AN ALTERNATIVE DISBURSEMENT INSTRUCTION, FUNDS WILL BE HELD IN TRUST IN A NON-INTEREST BEARING ACCOUNT UNTIL THE NEXT OPPORTUNITY FOR WIRE PLACEMENT.

2. PRORATIONS AND ADJUSTMENTS

All prorations and/or adjustments called for in this escrow are to be made on the basis of a thirty (30) day month unless otherwise instructed in writing. You are to use information contained on last available tax statement, rental statement as provided by the Seller, beneficiary's statement and fire insurance policy delivered into escrow for the prorations provided for herein.

3. SUPPLEMENTAL TAXES

The within described property may be subject to supplemental real property taxes due to the change of ownership taking place through this escrow. Any supplemental real property taxes arising as a result of the transfer of the property to Buyer shall be the sole responsibility of Buyer and any supplemental real property taxes arising prior to the closing date shall be the sole responsibility of the Seller. TAX BILLS ISSUED AFTER CLOSE OF ESCROW SHALL BE HANDLED DIRECTLY BETWEEN BUYER AND SELLER.

4. UTILITIES/POSSESSION

Transfer of utilities and possession of the premises are to be settled by the parties directly and outside escrow

5. PREPARATION AND RECORDATION OF INSTRUMENTS

Escrow Holder is authorized to prepare, obtain, record and deliver the necessary instruments to carry out the terms and conditions of this escrow and to order the policy of title insurance to be issued at close of escrow as called for in these instructions. Close of escrow shall mean the date instruments are recorded.

6. AUTHORIZATION TO FURNISH COPIES

You are authorized to furnish copies of these instructions, supplements, amendments, notices of cancellation and closing statements, to the Real Estate Broker(s) and Lender(s) named in this escrow

7. RIGHT OF CANCELLATION

Any principal instructing you to cancel this escrow shall file notice of cancellation in your office in writing. You shall, within two (2) working days thereafter, deliver, one copy of such notice to each of the other principals at the addresses stated in this escrow UNLESS WRITTEN OBJECTION TO CANCELLATION IS FILED IN YOUR OFFICE BY A PRINCIPAL WITHIN TEN (10) DAYS AFTER DATE OF SUCH DELIVERY, YOU ARE AUTHORIZED TO COMPLY WITH SUCH NOTICE AND DEMAND PAYMENT OF YOUR CANCELLATION CHARGES. If written objection is filed, you are authorized to hold all money and instruments in this escrow and take no further action until otherwise directed, either by the principals' mutual written instructions, or by final order of a court of competent jurisdiction.

8. PERSONAL PROPERTY

No examination or insurance as to the amount or payment of personal property taxes is required unless specifically requested. By signing these General Provisions, the parties to the escrow hereby acknowledge that they are indemnifying the Escrow Holder against any and all matters relating to any "Bulk Sales" requirements, and instruct Escrow Agent to proceed with the closing of escrow without any consideration of matter of any nature whatsoever regarding "Bulk Sales" being handled through escrow

9. RIGHT OF RESIGNATION

Escrow Holder has the right to resign upon ten (10) days written notice delivered to the principals herein. If such right is exercised, all funds and documents shall be returned to the party who deposited them and Escrow Holder shall have no liability hereunder.

10. AUTHORIZATION TO EXECUTE ASSIGNMENT OF HAZARD INSURANCE POLICIES

Either Buyer, Seller and/or Lender may hand you the insurance agent's name and insurance policy information, and you are to execute, on behalf of the principals hereto, form assignments of interest in any insurance policy (other than title insurance) called for in this escrow, forward assignment and policy to the insurance agent, requesting that the insurer consent to such transfer and/or attach a loss payable clause and/or such other endorsements as may be required, and forward such policy(s) to the principals entitled thereto. It is not your responsibility to verify the information handed you or the assignability of said insurance. Your sole duty is to forward said request to insurance agent at close of escrow.

Further, there shall be no responsibility upon the part of Escrow Holder to renew hazard insurance policy(s) upon expiration or otherwise keep it in force either during or subsequent to the close of escrow. Cancellation of any existing hazard insurance policies is to be handled directly by the principals, and outside of escrow.

11. ACTION IN INTERPLEADER

The principals hereto expressly agree that you, as Escrow Holder, have the absolute right at your election to file an action in interpleader requiring the principals to answer and litigate their several claims and rights among themselves and you are authorized to deposit with the clerk of the court all documents and funds held in this escrow. In the event such action is filed, the principals jointly and severally agree to pay your cancellation charges and costs, expenses and reasonable attorney's fees which you are required to expend or incur in such interpleader action, the amount thereof to be fixed and judgment therefor to be rendered by the court. Upon the filing of such action, you shall thereupon be fully released and discharged from all obligations imposed by the terms of this escrow or otherwise.

12. TERMINATION OF AGENCY OBLIGATION

If there is no action taken on this escrow within six (6) months after the "time limit date" as set forth in the escrow instructions or written extension thereof, your agency obligation shall terminate at your option and all documents, monies or other items held by you shall be returned to the parties depositing same. In the event of cancellation of this escrow, whether it be at the request of any of the principals or otherwise, the fees and charges due Fidelity National Title Company - Builder Services, including

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Escrow No.: 23079124-012-JDL

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expenditures incurred and/or authorized shall be borne equally by the parties hereto (unless otherwise agreed to specifically).

13. CONFLICTING INSTRUCTIONS

Upon receipt of any conflicting instructions, you are to take no action in connection with this escrow until non-conflicting instructions are received from all of the principals to this escrow (subject to sections 7, 9, 11 and 12 above).

14. DELIVERY/RECEIPT

Delivery to principals as used in these instructions unless otherwise stated herein is to be by hand in person to the principal, regular mail, email or fax to any of the contact information provided in these instructions. If delivered by regular mail receipt is determined to be 72 hours after such mailing. All documents, balances and statements due to the undersigned may be delivered to the contact information shown herein. All notices, change of instructions, communications and documents are to be delivered in writing to the office of Fidelity National Title Company as set forth herein.

15. STATE/FEDERAL CODE NOTIFICATIONS

According to Federal Law, the Seller, when applicable, will be required to complete a sales activity report that will be utilized to generate a 1099 statement to the Internal Revenue Service.

Pursuant to State Law, prior to the close of escrow, Buyer will provide Escrow Holder with a Preliminary Change of Ownership Report. In the event said report is not handed to Escrow Holder for submission to the County in which subject property is located, upon recording of the Grant Deed, Buyers acknowledge that the applicable fee will be assessed by said County and Escrow Holder shall debit the account of Buyer for same at close of escrow.

16. NON-RESIDENT ALIEN

The Foreign Investment in Real Property Tax Act (FIRPTA), Title 26 U.S.C., Section 1445, and the regulations thereunder, provide in part, that a transferee (buyer) of a U.S. real property interest from a foreign person (non-resident alien) must withhold a tax equal to ten percent (10%) of the amount realized on the disposition, report the transaction and remit the withholding to the Internal Revenue Service within twenty (20) days after the transfer. Fidelity National Title Company - Builder Services has not and will not participate in any determination of whether the FIRPTA tax provisions are applicable to the subject transaction, nor act as a Qualified Substitute nor furnish tax advice to any party to the transaction. Fidelity National Title Company - Builder Services is not responsible for determining whether the transaction will qualify for an exception or an exemption and is not responsible for the filing of any tax forms with the Internal Revenue Service as they relate to FIRPTA. Fidelity National Title Company - Builder Services is not the agent for the Buyer for the purposes of receiving and analyzing any evidence or documentation that the Seller in the subject transaction is a U.S. citizen or resident alien. The Buyer is advised they must independently make a determination of whether the contemplated transaction is taxable or non-taxable and the applicability of the withholding requirement to the subject transaction, and should seek the advice of their attorney or accountant. Fidelity National Title Company - Builder Services is not responsible for the payment of this tax and/or penalty and/or interest incurred in connection therewith and such taxes are not a matter covered by the Owner's Policy of Title Insurance to be issued to the Buyer. The Buyer is advised they bear full responsibility for compliance with the tax withholding requirement if applicable and/or for payment of any tax, interest, penalties and/or other expenses that may be due on the subject transaction.

17. ENCUMBRANCES

Escrow Holder is to act upon any statements furnished by a lienholder or his agent without liability or responsibility for the accuracy of such statements. Any adjustments necessary because of a discrepancy between the information furnished Escrow Holder and any amount later determined to be correct shall be settled between the parties direct and outside of escrow.

You are authorized, without the need for further approval, to debit my account for any fees and charges that I have agreed to pay in connection with this escrow, and for any amounts that I am obligated to pay to the holder of any lien or encumbrance to establish the title as insured by the policy of title insurance called for in these instructions. If for any reason my account is not debited for such amounts at the time of closing, I agree to pay them immediately upon demand, or to reimburse any other person or entity who has paid them.

18. ENVIRONMENTAL ISSUES

Fidelity National Title Company - Builder Services has made no investigation concerning said property as to environmental/toxic waste issues. Any due diligence required or needed to determine environmental impact as to forms of toxification, if applicable, will be done directly and by principals outside of escrow. Fidelity National Title Company - Builder Services is released of any responsibility and/or liability in connection therewith.

19. USURY

Escrow Holder is not to be concerned with any questions of usury in any loan or encumbrance involved in the processing of this escrow and is hereby released of any responsibility or liability therefore.

20. DISCLOSURE

Escrow Holder's knowledge of matters affecting the property, provided such facts do not prevent compliance with these instructions, does not create any liability or duty in addition to these instructions.

21. FACSIMILE SIGNATURE

Escrow Holder is hereby authorized and instructed that, in the event any party utilizes "facsimile" transmitted signed documents or instructions to Escrow Holder, you are to rely on the same for all escrow instruction purposes and the closing of escrow as if they bore original signatures.

22. CLARIFICATION OF DUTIES

Fidelity National Title Company - Builder Services serves ONLY as an Escrow Holder in connection with these instructions and cannot give legal advice to any party hereto.

Escrow Holder is not to be held accountable or liable for the sufficiency or correctness as to form, manner of execution, or validity of any instrument deposited in this escrow, nor as to the identity, authority or rights of any person executing the same. Escrow Holder's duties hereunder shall be limited to the proper handling of such money and the proper safekeeping of such instruments, or other documents received by Escrow Holder, and for the disposition of same in accordance with the written instructions accepted by Escrow Holder.

The agency and duties of Escrow Holder commence only upon receipt of copies of these Escrow Instructions executed by all parties.

23. FUNDS HELD IN ESCROW

When the company has funds remaining in escrow over 90 days after close of escrow or estimated close of escrow, the Company shall impose a monthly holding fee of \$25.00 that is to be charged against the funds held by the Company.

THIS AGREEMENT IN ALL PARTS APPLIES TO, INURES TO THE BENEFIT OF, AND BINDS ALL PARTIES HERETO, THEIR HEIRS, LEGATEES, DEVISEES, ADMINISTRATORS, EXECUTORS, SUCCESSORS AND ASSIGNS, AND WHENEVER THE CONTEXT SO REQUIRES THE MASCULINE GENDER INCLUDES THE FEMININE AND NEUTER, AND THE SINGULAR NUMBER INCLUDES THE PLURAL. THESE INSTRUCTIONS AND ANY OTHER AMENDMENTS MAY BE EXECUTED IN ANY NUMBER OF COUNTERPARTS, EACH OF WHICH SHALL BE CONSIDERED AS AN ORIGINAL AND BE EFFECTIVE AS SUCH.

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MY SIGNATURE HERETO CONSTITUTES INSTRUCTION TO ESCROW HOLDER OF ALL TERMS AND CONDITIONS CONTAINED IN THIS AND ALL PRECEDING PAGES AND FURTHER SIGNIFIES THAT I HAVE READ AND UNDERSTAND THESE GENERAL PROVISIONS.

FIDELITY NATIONAL TITLE COMPANY CONDUCTS ESCROW BUSINESS UNDER CERTIFICATE OF AUTHORITY NO. 305 ISSUED BY THE CALIFORNIA DEPARTMENT OF INSURANCE.

BUYER:

Gayk Akhsharumov

Levon Akhsharumov

SELLER:

Desert Springs Financial, LLC,
a California limited liability company

By: _____

Its: _____

Name: _____

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FIDELITY NATIONAL FINANCIAL PRIVACY NOTICE

Fidelity National Financial, Inc. and its majority-owned subsidiary companies providing real estate- and loan-related services (collectively, "FNF", "our" or "we") respect and are committed to protecting your privacy. This Privacy Notice lets you know how and for what purposes your Personal Information (as defined herein) is being collected, processed and used by FNF. We pledge that we will take reasonable steps to ensure that your Personal Information will only be used in ways that are in compliance with this Privacy Notice.

This Privacy Notice is only in effect for any generic information and Personal Information collected and/or owned by FNF, including collection through any FNF website and any online features, services and/or programs offered by FNF (collectively, the "Website"). This Privacy Notice is not applicable to any other web pages, mobile applications, social media sites, email lists, generic information or Personal Information collected and/or owned by any entity other than FNF.

Collection and Use of Information

The types of personal information FNF collects may include, among other things (collectively, "Personal Information"): (1) contact information (e.g., name, address, phone number, email address); (2) demographic information (e.g., date of birth, gender marital status); (3) Internet protocol (or IP) address or device ID/UDID; (4) social security number (SSN), student ID (SIN), driver's license, passport, and other government ID numbers; (5) financial account information; and (6) information related to offenses or criminal convictions.

In the course of our business, we may collect Personal Information about you from the following sources:

- Applications or other forms we receive from you or your authorized representative;
- Information we receive from you through the Website;
- Information about your transactions with or services performed by us, our affiliates, or others; and
- From consumer or other reporting agencies and public records maintained by governmental entities that we either obtain directly from those entities, or from our affiliates or others.

Information collected by FNF is used for three main purposes:

- To provide products and services to you or one or more third party service providers (collectively, "Third Parties") who are obtaining services on your behalf or in connection with a transaction involving you.
- To improve our products and services that we perform for you or for Third Parties.
- To communicate with you and to inform you about FNF's, FNF's affiliates and third parties' products and services.

Additional Ways Information is Collected Through the Website

Browser Log Files. Our servers automatically log each visitor to the Website and collect and record certain information about each visitor. This information may include IP address, browser language, browser type, operating system, domain names, browsing history (including time spent at a domain, time and date of your visit), referring/exit web pages and URLs, and number of clicks. The domain name and IP address reveal nothing personal about the user other than the IP address from which the user has accessed the Website.

Cookies. From time to time, FNF or other third parties may send a "cookie" to your computer. A cookie is a small piece of data that is sent to your Internet browser from a web server and stored on your computer's hard drive and that can be re-sent to the serving website on

subsequent visits. A cookie, by itself, cannot read other data from your hard disk or read other cookie files already on your computer. A cookie, by itself, does not damage your system. We, our advertisers and other third parties may use cookies to identify and keep track of, among other things, those areas of the Website and third party websites that you have visited in the past in order to enhance your next visit to the Website. You can choose whether or not to accept cookies by changing the settings of your Internet browser, but some functionality of the Website may be impaired or not function as intended. See the Third Party Opt Out section below.

Web Beacons. Some of our web pages and electronic communications may contain images, which may or may not be visible to you, known as Web Beacons (sometimes referred to as "clear gifs"). Web Beacons collect only limited information that includes a cookie number; time and date of a page view; and a description of the page on which the Web Beacon resides. We may also carry Web Beacons placed by third party advertisers. These Web Beacons do not carry any Personal Information and are only used to track usage of the Website and activities associated with the Website. See the Third Party Opt Out section below.

Unique Identifier. We may assign you a unique internal identifier to help keep track of your future visits. We may use this information to gather aggregate demographic information about our visitors, and we may use it to personalize the information you see on the Website and some of the electronic communications you receive from us. We keep this information for our internal use, and this information is not shared with others.

Third Party Opt Out. Although we do not presently, in the future we may allow third-party companies to serve advertisements and/or collect certain anonymous information when you visit the Website. These companies may use non-personally identifiable information (e.g., click stream information, browser type, time and date, subject of advertisements clicked or scrolled over) during your visits to the Website in order to provide advertisements about products and services likely to be of greater interest to you. These companies typically use a cookie or third party Web Beacon to collect this information, as further described above. Through these technologies, the third party may have access to and use non-personalized information about your online usage activity.

You can opt-out of online behavioral services through any one of the ways described below. After you opt-out, you may continue to receive advertisements, but those advertisements will no longer be as relevant to you.

- You can opt-out via the Network Advertising Initiative industry opt-out at <http://www.networkadvertising.org/>.
- You can opt-out via the Consumer Choice Page at www.aboutads.info.
- For those in the U.K., you can opt-out via the IAB UK's industry opt-out at www.youronlinechoices.com.
- You can configure your web browser (Chrome, Firefox, Internet Explorer, Safari, etc.) to delete and/or control the use of cookies.

More information can be found in the Help system of your browser. Note: If you opt-out as described above, you should not delete your cookies. If you delete your cookies, you will need to opt-out again.

When Information Is Disclosed By FNF

We may provide your Personal Information (excluding information we receive from consumer or other credit reporting agencies) to various individuals and companies, as permitted by law, without obtaining your

prior authorization. Such laws do not allow consumers to restrict these disclosures. Disclosures may include, without limitation, the following:

- To agents, brokers, representatives, or others to provide you with services you have requested, and to enable us to detect or prevent criminal activity, fraud, material misrepresentation, or nondisclosure in connection with an insurance transaction;
- To third-party contractors or service providers who provide services or perform marketing services or other functions on our behalf;
- To law enforcement or other governmental authority in connection with an investigation, or civil or criminal subpoenas or court orders; and/or
- To lenders, lien holders, judgment creditors, or other parties claiming an encumbrance or an interest in title whose claim or interest must be determined, settled, paid or released prior to a title or escrow closing.

In addition to the other times when we might disclose information about you, we might also disclose information when required by law or in the good-faith belief that such disclosure is necessary to: (1) comply with a legal process or applicable laws; (2) enforce this Privacy Notice; (3) respond to claims that any materials, documents, images, graphics, logos, designs, audio, video and any other information provided by you violates the rights of third parties; or (4) protect the rights, property or personal safety of FNF, its users or the public.

We maintain reasonable safeguards to keep the Personal Information that is disclosed to us secure. We provide Personal Information and non-Personal Information to our subsidiaries, affiliated companies, and other businesses or persons for the purposes of processing such information on our behalf and promoting the services of our trusted business partners, some or all of which may store your information on servers outside of the United States. We require that these parties agree to process such information in compliance with our Privacy Notice or in a similar, industry-standard manner, and we use reasonable efforts to limit their use of such information and to use other appropriate confidentiality and security measures. The use of your information by one of our trusted business partners may be subject to that party's own Privacy Notice. We do not, however, disclose information we collect from consumer or credit reporting agencies with our affiliates or others without your consent, in conformity with applicable law, unless such disclosure is otherwise permitted by law.

We also reserve the right to disclose Personal Information and/or non-Personal Information to take precautions against liability, investigate and defend against any third-party claims or allegations, assist government enforcement agencies, protect the security or integrity of the Website, and protect the rights, property, or personal safety of FNF, our users or others.

We reserve the right to transfer your Personal Information, as well as any other information, in connection with the sale or other disposition of all or part of the FNF business and/or assets. We also cannot make any representations regarding the use or transfer of your Personal Information or other information that we may have in the event of our bankruptcy, reorganization, insolvency, receivership or an assignment for the benefit of creditors, and you expressly agree and consent to the use and/or transfer of your Personal Information or other information in connection with a sale or transfer of some or all of our assets in any of the above described proceedings. Furthermore, we cannot and will not be responsible for any breach of security by any third parties or for any actions of any third parties that receive any of the information that is disclosed to us.

Information from Children

We do not collect Personal Information from any person that we know to be under the age of thirteen (13). Specifically, the Website is not intended or designed to attract children under the age of thirteen (13). You affirm that you are either more than 18 years of age, or an emancipated minor, or possess legal parental or guardian consent, and are fully able and competent to enter into the terms, conditions, obligations, affirmations, representations, and warranties set forth in this Privacy Notice, and to abide by and comply with this Privacy Notice. In any case, you affirm that you are over the age of 13, as **THE WEBSITE IS NOT INTENDED FOR CHILDREN UNDER 13 THAT ARE UNACCOMPANIED BY HIS OR HER PARENT OR LEGAL GUARDIAN.**

Parents should be aware that FNF's Privacy Notice will govern our use of Personal Information, but also that information that is voluntarily given by children – or others – in email exchanges, bulletin boards or the like may be used by other parties to generate unsolicited communications. FNF encourages all parents to instruct their children in the safe and responsible use of their Personal Information while using the Internet.

Privacy Outside the Website

The Website may contain various links to other websites, including links to various third party service providers. FNF is not and cannot be responsible for the privacy practices or the content of any of those other websites. Other than under agreements with certain reputable organizations and companies, and except for third party service providers whose services either we use or you voluntarily elect to utilize, we do not share any of the Personal Information that you provide to us with any of the websites to which the Website links, although we may share aggregate, non-Personal Information with those other third parties. Please check with those websites in order to determine their privacy policies and your rights under them.

European Union Users

If you are a citizen of the European Union, please note that we may transfer your Personal Information outside the European Union for use for any of the purposes described in this Privacy Notice. By providing FNF with your Personal Information, you consent to both our collection and such transfer of your Personal Information in accordance with this Privacy Notice.

Choices with Your Personal Information

Whether you submit Personal Information to FNF is entirely up to you. You may decide not to submit Personal Information, in which case FNF may not be able to provide certain services or products to you.

You may choose to prevent FNF from disclosing or using your Personal Information under certain circumstances ("opt out"). You may opt out of any disclosure or use of your Personal Information for purposes that are incompatible with the purpose(s) for which it was originally collected or for which you subsequently gave authorization by notifying us by one of the methods at the end of this Privacy Notice. Furthermore, even where your Personal Information is to be disclosed and used in accordance with the stated purposes in this Privacy Notice, you may elect to opt out of such disclosure to and use by a third party that is not acting as an agent of FNF. As described above, there are some uses from which you cannot opt-out.

Please note that opting out of the disclosure and use of your Personal Information as a prospective employee may prevent you from being hired as an employee by FNF to the extent that provision of your Personal Information is required to apply for an open position.

If FNF collects Personal Information from you, such information will not be disclosed or used by FNF for purposes that are incompatible with the purpose(s) for which it was originally collected or for which you subsequently gave authorization unless you affirmatively consent to such disclosure and use.

You may opt out of online behavioral advertising by following the instructions set forth above under the above section "Additional Ways That Information Is Collected Through the Website," subsection "Third Party Opt Out."

Access and Correction

To access your Personal Information in the possession of FNF and correct inaccuracies of that information in our records, please contact us in the manner specified at the end of this Privacy Notice. We ask individuals to identify themselves and the information requested to be accessed and amended before processing such requests, and we may decline to process requests in limited circumstances as permitted by applicable privacy legislation.

Your California Privacy Rights

Under California's "Shine the Light" law, California residents who provide certain personally identifiable information in connection with obtaining products or services for personal, family or household use are entitled to request and obtain from us once a calendar year information about the customer information we shared, if any, with other businesses for their own direct marketing uses. If applicable, this information would include the categories of customer information and the names and addresses of those businesses with which we shared customer information for the immediately prior calendar year (e.g., requests made in 2013 will receive information regarding 2012 sharing activities).

To obtain this information on behalf of FNF, please send an email message to privacy@fnf.com with "Request for California Privacy Information" in the subject line and in the body of your message. We will provide the requested information to you at your email address in response.

Please be aware that not all information sharing is covered by the "Shine the Light" requirements and only information on covered sharing will be included in our response.

Additionally, because we may collect your Personal Information from time to time, California's Online Privacy Protection Act requires us to disclose how we respond to "do not track" requests and other similar mechanisms. Currently, our policy is that we do not recognize "do not track" requests from Internet browsers and similar devices.

Your Consent to This Privacy Notice

By submitting Personal Information to FNF, you consent to the collection and use of information by us as specified above or as we otherwise see fit, in compliance with this Privacy Notice, unless you inform us otherwise by means of the procedure identified below. If we decide to change this Privacy Notice, we will make an effort to post those changes on the Website. Each time we collect information from you following any amendment of this Privacy Notice will signify your assent to and acceptance of its revised terms for all previously collected information and information collected from you in the future. We may use comments, information or feedback that you may submit in any manner that we may choose without notice or compensation to you.

If you have additional questions or comments, please let us know by sending your comments or requests to:

Fidelity National Financial, Inc.
601 Riverside Avenue
Jacksonville, Florida 32204
Attn: Chief Privacy Officer
(888) 934-3354
privacy@fnf.com

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EFFECTIVE AS OF: JANUARY 24, 2014

LAST UPDATED: JANUARY 24, 2014

FIDELITY NATIONAL TITLE COMPANY
 FIDELITY NATIONAL TITLE COMPANY Page 9 of 64

3237 E Guasti Road, Suite 105, Ontario, CA 91761

Phone: (909) 569-0226 Fax: (800) 507-0841

Sellers Closing Statement
Estimated

Escrow No: 23079124 - 012 JDL **Close Date:** 09/30/2016 **Proration Date:** 09/30/2016 **Disbursement Date:**

Seller(s): Desert Springs Financial, LLC, a California limited liability company

Buyer(s)/Borrower(s): Gayk Akhsharumov and Levon Akhsharumov

Property: 68031 Ramon Road
 "Ramon Towers"
 Cathedral City, CA 92234

Description	Debit	Credit
TOTAL CONSIDERATION:		
Total Consideration		2,290,000.00
ESCROW CHARGES:		
Escrow Fee Split 50/50 to Fidelity National Title Company	1,587.50	
Messenger/Courier Fee (est) to Fidelity National Title Company	50.00	
TITLE CHARGES:		
Owners Policy for \$2,290,000.00 to Fidelity National Title Company	4,533.00	
RECORDING FEES:		
County Transfer Tax to Fidelity National Title Company	2,519.00	
Recording Fee to Fidelity National Title Company	45.00	
Recording Fee Release(s) to Fidelity National Title Company	100.00	
ADDITIONAL CHARGES:		
Natural Hazard Disclosure Report - Inv. 160602-00482 to Disclosure Source	205.00	
Code Compliance Lien to City of Cathedral City Building and Safety	1.00	
Payment of Judgment to J&K Drywall	1.00	
Payment of Judgment to Ramon Palm Lane Inc.	1.00	
PRORATIONS AND ADJUSTMENTS:		
Property Taxes from 7/1/2016 to 9/30/2016 based on the Semi-Annual amount of \$9,859.68	4,929.84	
Rents	1.00	
Security Deposits	1.00	
COMMISSIONS:		
\$80,150.00 to Coldwell Banker	80,150.00	
PAYOFFS:		
Palm Desert National Bank Principal balance	1.00	1.00
PROPERTY TAXES		
Delinquent Taxes to Riverside County Tax Collector	11,216.83	
NSF fee to Riverside County Tax Collector	76.88	
Sub Totals	105,419.05	2,290,000.00
Proceeds Due Seller	2,184,580.95	
Totals	2,290,000.00	2,290,000.00

It is agreed by the undersigned that the foregoing statement may change if a change in the escrow closing occurs or if other unforeseen contingencies arise. In the event changes in the statement become necessary, you are nevertheless authorized to close this escrow. It is understood that we will receive a final statement of account if the above totals are changed.

APPROVED AND ACCEPTED THIS _____ DAY OF _____

3237 E Guasti Road, Suite 105, Ontario, CA 91761

Phone: (909) 569-0226 Fax: (800) 507-0841

Sellers Closing Statement

Estimated

Escrow No: 23079124 - 012 JDL **Close Date:** 09/30/2016 **Proration Date:** 09/30/2016 **Disbursement Date:**

Seller(s):

Desert Springs Financial, LLC,
a California limited liability company

By: _____

Its: _____

Name: _____

Exhibit "H"

When Recorded Return to: }
CITY OF CATHEDRAL CITY }
CITY CLERK }
68700 Avenida Lalo Guerrero }
Cathedral City, CA 92234 }
} }
}

2016-0363103

08/24/2016 01:47 PM

Customer Copy Label

The paper to which this label is affixed
has not been compared with the
filed/recorded document

Peter Aldana
County Of Riverside
Assessor-County Clerk-Recorder

**NOTICE OF APPROVAL OF
LOT LINE ADJUSTMENT NO. 2016-484
(Government Code Sec. 66412d)**

An application for Lot Line Adjustment No. 2016-484, for the adjustment of property lines between the following described two (2) adjoining parcels, located south of Ramon Road, opposite Landau Boulevard, was received by the City of Cathedral City from the following record owners of the said parcels:

Parcel "C" of Parcel Map No. 30704, in the City of Cathedral City, County of Riverside, State of California, as per map filed in Book 212, at Pages 4 through 7, inclusive, of Parcel Maps, in the office of the County Recorder of Riverside County, California. (APN 680-190-036).

Record Owner: Ramon Tower Business Park, Inc., a California mutual benefit non profit corporation.

Parcel 3 of Parcel Map No. 30704, in the City of Cathedral City, County of Riverside, State of California, as per map filed in Book 212, at Pages 4 through 7, inclusive, of Parcel Maps, in the office of the County Recorder of Riverside County, California. (APN 680-190-035).

Record Owner: Desert Springs Financial, LLC, a Clifornia limited liability company.

A legal description of the two parcels, as adjusted, marked Exhibit "A", is attached hereto and made a part hereof.

A sketch of the two parcels, as adjusted, marked Exhibit "B", is attached hereto and made a part hereof.

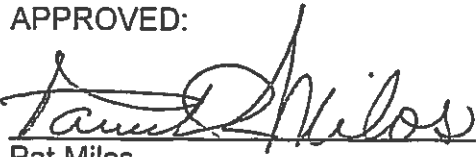
The said application has been duly reviewed in accordance with the Municipal Code of the City of Cathedral City, and the parcels as adjusted conform with the City General Plan, applicable Specific Plans, and the City zoning ordinance.

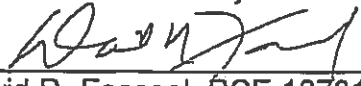
Lot Line Adjustment No. 2016-484 as described and shown on said Exhibit "A" and Exhibit "B" is hereby APPROVED, subject to the recordation of a deed or deeds between the record owners to effectuate the lot line adjustment within thirty (30) days of the recordation date of this Notice. If this lot line adjustment is not effectuated within the thirty (30) day period, then this approval shall be considered null and void.

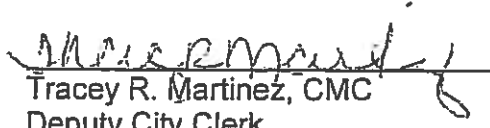
Development of the adjusted parcels described herein or their further subdivision or adjustment may require issuance of a permit or permits, or other grants of approval. The two adjusted parcels described herein may not be divided or adjusted further without compliance with the Subdivision Map Act and the provisions of the Cathedral City Municipal Code.

Dated: 8/22, 2016

REVIEWED:
John A. Corella, P.E.
City Engineer
City of Cathedral City

APPROVED:

Pat Milos,
Director of Community Development
City of Cathedral City

By: 
David R. Faessel, RCE 18731
Engineering Division
As delegated by the City Engineer
pursuant to Government Code Sec. 66416.5(c)

ATTEST:

Tracey R. Martinez, CMC
Deputy City Clerk
City of Cathedral City



Attachment:
Exhibit A: legal descriptions
Exhibit B: sketch

EXHIBIT "A"
LEGAL DESCRIPTION
LOT LINE ADJUSTMENT
LLA NO. 2016-484

PARCEL "D" AS ADJUSTED:

PARCEL C AND THAT PORTION OF PARCEL 3 OF PARCEL MAP 30704 AS FILED IN PARCEL MAP BOOK 212 AT PAGES 4 THROUGH 7 INCLUSIVE, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, DESCRIBED AS FOLLOWS;

BEGINNING AT THE NORTHEAST CORNER OF SAID PARCEL C, THE FOLLOWING 10 COURSES ALONG THE NORTH AND WEST LINES OF SAID PARCEL C, THENCE SOUTH 89°-51'-00" WEST, ALONG THE NORTH LINE OF SAID PARCEL C, A DISTANCE OF 90.03 FEET;

THENCE SOUTH 00°-09'-00" EAST, A DISTANCE OF 5.00 FEET;

THENCE SOUTH 89°-51'-00" WEST, A DISTANCE OF 25.00 FEET;

THENCE NORTH 00°-09'-00" WEST, A DISTANCE OF 5.00 FEET;

THENCE SOUTH 89°-51'-00" WEST, A DISTANCE OF 145.06 FEET;

THENCE SOUTH 66°-01'-37" WEST, A DISTANCE OF 37.17 FEET;

THENCE SOUTH 00°-20'-50" EAST, A DISTANCE OF 140.31 FEET TO A POINT ON A TANGENT CURVE CONCAVE WESTERLY AND HAVING A RADIUS OF 150.50 FEET;

THENCE SOUTHWESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 11°-27'-33" AND AN ARC DISTANCE OF 30.10 FEET TO THE POINT OF REVERSE CURVATURE CONCAVE EASTERLY AND HAVING A RADIUS OF 150.50 FEET;

THENCE SOUTHERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 11°-27'-33" AND AN ARC DISTANCE OF 30.10 FEET;

THENCE SOUTH 00°-20'-50" EAST, A DISTANCE OF 204.56 FEET TO A POINT ON A TANGENT CURVE CONCAVE NORTHEASTERLY AND HAVING A RADIUS OF 110.00 FEET;

THENCE SOUTHERLY ALONG THE ARC OF SAID CURVE, ALSO BEING THE WEST LINE OF SAID PARCEL 3, THROUGH A CENTRAL ANGLE OF 15°-50'-26" AND AN ARC DISTANCE OF 30.41 FEET;

THENCE EAST, A DISTANCE OF 295.97 FEET TO A POINT ON THE EAST LINE OF SAID PARCEL 3;

THENCE NORTH 00°-20'-50" WEST ALONG SAID EAST LINE OF SAID PARCELS 3 AND C, A DISTANCE OF 450.49 FEET TO *THE POINT OF BEGINNING*.

CONTAINING 97,644 SQ. FT./ 2.242 ACRES MORE OR LESS.
SUBJECT TO EASEMENTS OF RECORD IF ANY.

PREPARED BY
SANBORN A/E, INC



STEVEN J. VAN, PLS 6500

06/28/16

WO 16-134



EXHIBIT "A"
LEGAL DESCRIPTION
LOT LINE ADJUSTMENT
LLA NO. 2016-484

PARCEL "E" AS ADJUSTED:

THAT PORTION OF PARCEL 3 OF PARCEL MAP 30704 AS FILED IN PARCEL MAP BOOK 212 AT PAGES 4 THROUGH 7 INCLUSIVE, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, DESCRIBED AS FOLLOWS;

COMMENCING AT THE NORTHEAST CORNER OF PARCEL C OF PARCEL MAP 30704, AS FILED IN PARCEL MAP BOOK 212 AT PAGES 4 THROUGH 7 INCLUSIVE, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, THENCE SOUTH 00°20'-50" EAST, A DISTANCE OF 450.49 FEET TO **THE TRUE POINT OF BEGINNING**;

THENCE WEST, A DISTANCE OF 295.97 FEET TO THE A POINT ON A NON-TANGENT CURVE CONCAVE NORTHEASTERLY AND HAVING A RADIUS OF 110.00 FEET;

THE FOLLOWING 6 COURSES BEING ALONG THE WEST AND EAST LINES OF SAID PARCEL 3. THENCE SOUTHERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 07°-29'-53" AND AN ARC DISTANCE OF 14.39 FEET;

THENCE SOUTH 23°-41'-09" EAST, A DISTANCE OF 50.00 FEET TO A POINT ON A TANGENT CURVE CONCAVE NORTHWESTERLY AND HAVING A RADIUS OF 39.00 FEET;

THENCE SOUTHWESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 137°-33'-31" AND AN ARC DISTANCE OF 93.63 FEET;

THENCE SOUTH 00°-20'-50" EAST, A DISTANCE OF 174.04 FEET TO A POINT ON A NON-TANGENT CURVE CONCAVE SOUTHWESTERLY AND HAVING A RADIUS OF 33,000.00 FEET;

THENCE SOUTHEASTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 02°-31'-16" AND AN ARC DISTANCE OF 1452.05 FEET;

THENCE NORTH 00°-20'-50" WEST, A DISTANCE OF 1698.24 FEET TO **THE TRUE POINT OF BEGINNING**;

CONTAINING 307,691 SQ. FT./ 7.06 ACRES MORE OR LESS.

SUBJECT TO EASEMENTS OF RECORD IF ANY.

PREPARED BY
SANBORN A/E, INC



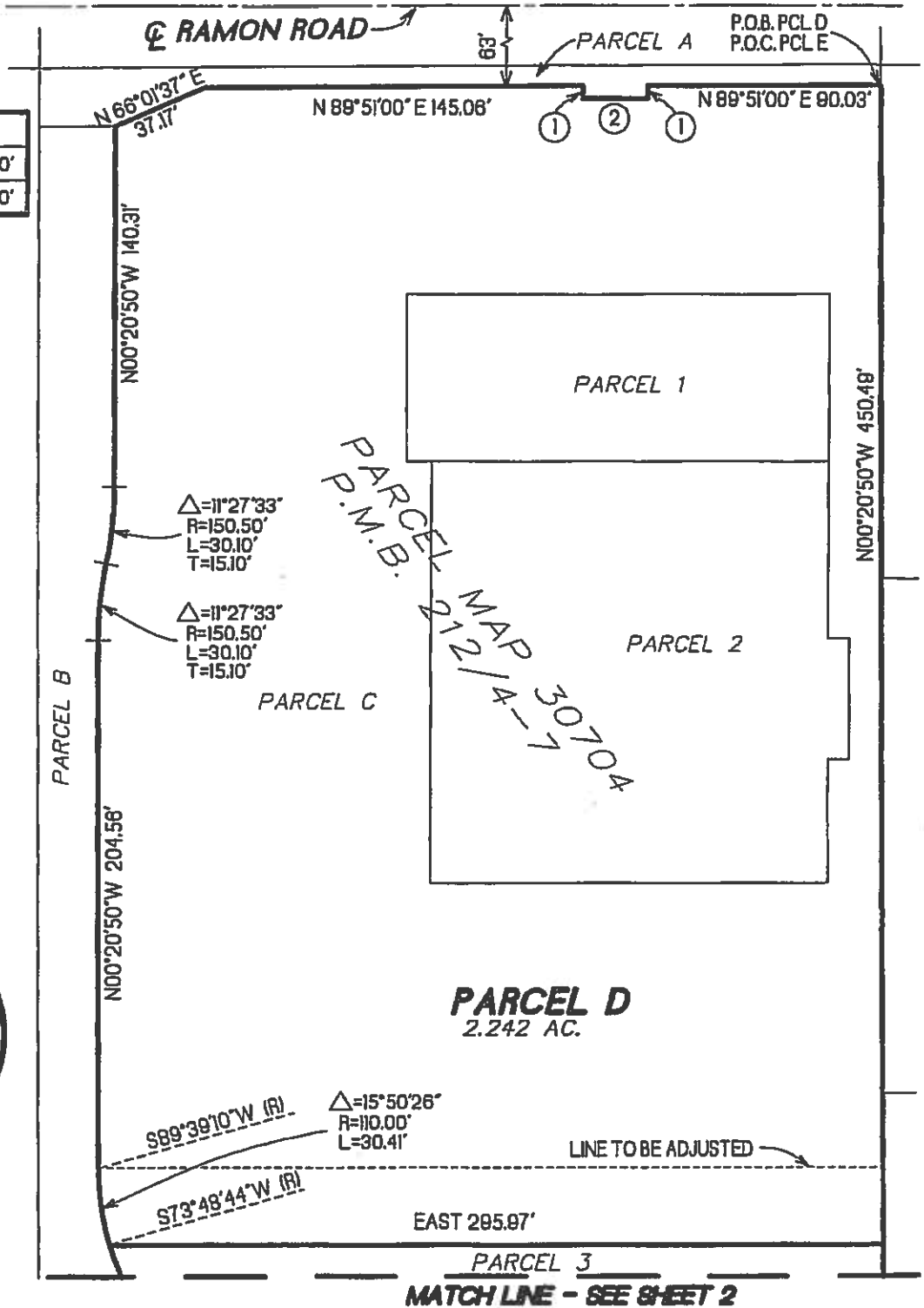
STEVEN J. VAN, PLS 6500
06/28/16 WO 16-124



EXHIBIT "B"

LINE DATA

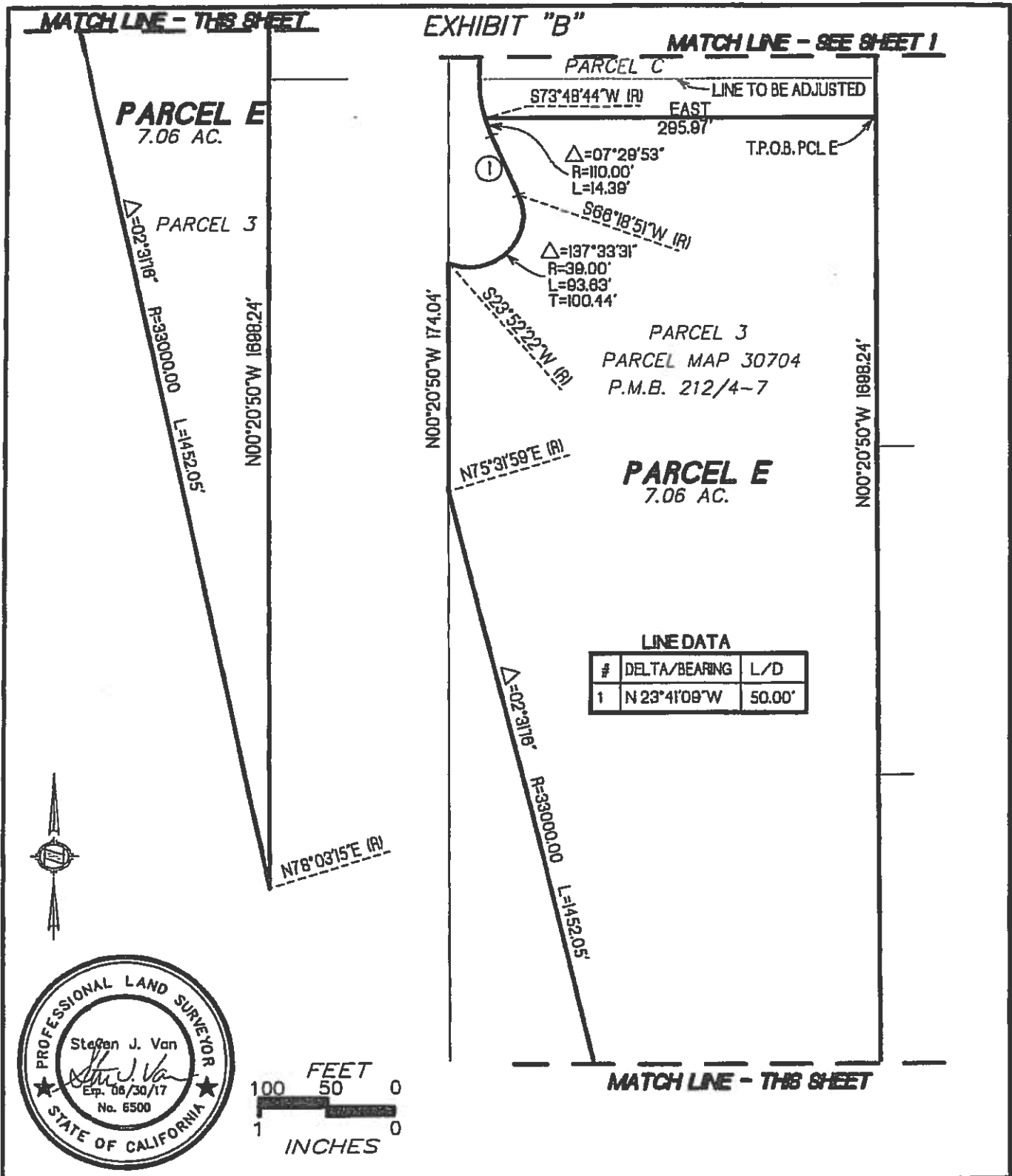
#	DELTA/BEARING	L/D
1	N 00°09'00"W	5.00'
2	N 89°51'00"E	25.00'



City of Cathedral City
 68-700 Avenida Lata Guerrero
 Cathedral City, Ca. 92234
 Ph. (760) 770-0340

LOT LINE ADJUSTMENT 2016-484
DESERT SPRINGS FINANCIAL, LLC
DEPARTMENT OF COMMUNITY DEVELOPMENT

SCALE: 1"=60'
DATE: 6/16/16
SHEET NO.: 1 OF 2
DESIGN BY: A.M.S.
CHECKED BY: S.J.V.



<p>City of Cathedral City 68-700 Avenida Lola Guerrero Cathedral City, Ca. 92234 Ph. (760) 770-0340</p>	<p>LOT LINE ADJUSTMENT 2016-484 DESERT SPRINGS FINANCIAL, LLC</p>	<p>SCALE: 1"=100'</p>
	<p>DEPARTMENT OF COMMUNITY DEVELOPMENT</p>	<p>DATE: 6/16/16</p>
	<p></p>	<p>SHEET NO.: 2 OF 2</p> <p>DESIGN BY: A.M.S. CHECKED BY: S.J.V.</p>

000007

RECORDING REQUESTED BY AND WHEN RECORDED MAIL TO:

Ramon Tower Business Park, Inc.
121 S. Palm Canyon Dr., Ste. 216
Palm Springs, CA 92262

2016-0363104

08/24/2016 01:47 PM

Customer Copy Label

The paper to which this label is affixed has not been compared with the filed/recorded document

Peter Aldana
County Of Riverside
Assessor-County Clerk-Recorder

(Space Above This Line for Recorder's Office Use Only)

SECOND AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS

THIS AMENDMENT TO DECLARATION is made this 5th day of August, 2016, by Desert Springs Financial, L.L.C., ("DSF") a California limited liability company, and Ramon Tower Business Park, Inc., ("RTBP") a California nonprofit mutual benefit corporation, with reference to the following:

A. DSF is shown the owner of the real property referred to as Parcels 1 and 2 legally described on **Exhibit "A"** attached hereto and incorporated herein by reference ("DSF Property") which .

B. RTBP is shown the owner of the real property legally described as Parcel C on **Exhibit "A"**, attached hereto and incorporated herein by reference ("RTBP Property")

C. The DSF Property and RTBP Property are collectively referred to in the CC&Rs, as defined below, as the "Property".

D. DSF, as the "Declarant" referred to in the CC&Rs, caused to be recorded as instrument number 2005-0165081 that certain Declaration of Covenants, Conditions, Restrictions and Easements for Desert Springs Business Park on March 1, 2005 (the "CC&Rs").

E. DSF, as the Declarant, caused to be recorded that certain AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS on March 17, 2005 as Instrument Number 2005-0212762 (collectively with the original CC&Rs the "CC&Rs")

F. DSF and RTBP wish to amend the CC&Rs to change the legal description of the Common Area, as defined therein (Parcel C of Parcel Map 30704), to reflect its revised configuration as a result of a lot line adjustment (CASE NO. LLA 2016-484) approved by the City of Cathedral City, California;

AMENDMENT

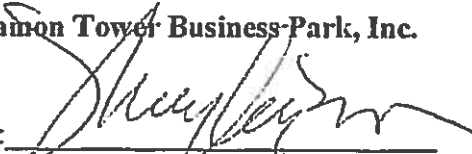
Section 1.8 of the CC&Rs is hereby amended to read as follows:

"1.8 "Common Area" or "Common Areas" shall mean and refer to the portions of the Project and all improvements thereon owned by the Association for the common use and enjoyment of the Owners. Common Areas within the Property are indicated on Exhibit "B" attached hereto."

"1.9 "Common Area Parcel" shall mean any legally subdivided parcel within the Project which is intended for use, in whole or in part, as Common Area as indicated on Exhibit "B" attached hereto."

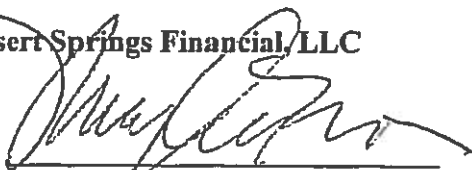
IN WITNESS WHERE OF, the undersigned, being the owners of the Property as defined in the CC&Rs herein, have executed this SECOND AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS this 5th day of August, 2016.

Ramon Tower Business Park, Inc.

By: 
Murray Altman, President

Date: 8/23/2016

Desert Springs Financial, LLC

By: 
Murray Altman, Manager

Date: 8/23/2016

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Riverside)

On 08-23-2016, before me, PENNYE GRIFFIN, a Notary Public, personally appeared Murray Altman, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: *Pennye Griffin*
Notary Public



EXHIBIT "A"
LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF CATHEDRAL CITY, IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCELS 1, 2 AND LETTERED PARCEL C OF PARCEL MAP NO. 30704, IN THE CITY OF CATHEDRAL CITY, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP FILED IN BOOK 212, PAGES 4 THROUGH 7, INCLUSIVE OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF RIVERSIDE COUNTY, CALIFORNIA.

Assessor Parcel No. 680-190-033, 034 and 036)

EXHIBIT "B"

**LEGAL DESCRIPTION OF PARCEL "C" AS RECONFIGURED BY
LOT LINE ADJUSTMENT (LLA NO. 2016-484)**

PARCEL C AND THAT PORTION OF PARCEL 3 OF PARCEL MAP 30704 AS FILED IN PARCEL MAP BOOK 212 AT PAGES 4 THROUGH 7 INCLUSIVE, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, DESCRIBED AS FOLLOWS;

BEGINNING AT THE NORTHEAST CORNER OF SAID PARCEL C, THE FOLLOWING 10 COURSES ALONG THE NORTH AND WEST LINES OF SAID PARCEL C, THENCE SOUTH 89°-51'-00" WEST, ALONG THE NORTH LINE OF SAID PARCEL C, A DISTANCE OF 90.03 FEET;

THENCE SOUTH 00°-09"-00" EAST, A DISTANCE OF 5.00 FEET;

THENCE SOUTH 89°-51'-00" WEST, A DISTANCE OF 25.00 FEET;

THENCE NORTH 00°-09"-00" WEST, A DISTANCE OF 5.00 FEET;

THENCE SOUTH 89°-51'-00" WEST, A DISTANCE OF 145.06 FEET;

THENCE SOUTH 66°-01'-37" WEST, A DISTANCE OF 37.17 FEET;

THENCE SOUTH 00°-20'-50" EAST, A DISTANCE OF 140.31 FEET TO A POINT ON A TANGENT CURVE CONCAVE WESTERLY AND HAVING A RADIUS OF 150.50 FEET;

THENCE SOUTHWESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 11°-27'-33" AND AN ARC DISTANCE OF 30.10 FEET TO THE POINT OF REVERSE CURVATURE CONCAVE EASTERLY AND HAVING A RADIUS OF 150.50 FEET;

THENCE SOUTHERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 11°27'-33" AND AN ARC DISTANCE OF 30.10 FEET;

THENCE SOUTH 00°-20'-50" EAST, A DISTANCE OF 204.56 FEET TO A POINT ON A TANGENT CURVE CONCAVE NORTHEASTERLY AND HAVING A RADIUS OF 110.00 FEET;

THENCE SOUTHERLY ALONG THE ARC OF SAID CURVE, ALSO BEING THE WEST LINE OF SAID PARCEL 3, THROUGH A CENTRAL ANGLE OF 15°-50'-26" AND AN ARC DISTANCE OF 30.41 FEET;

THENCE EAST, A DISTANCE OF 295.97 FEET TO A POINT ON THE EAST LINE OF SAID PARCEL 3;

THENCE NORTH 00°-20'-50" WEST ALONG SAID EAST LINE OF SAID PARCELS 3 AND C, A DISTANCE OF 450.49 FEET TO *THE POINT OF BEGINNING. CONTAINING 97,644 SQ. FT./ 2.242 ACRES MORE OR LESS.*

LENDER CONSENT

The undersigned hereby certifies that Mitchell Altman, his successor and assigns, is the record beneficiary under that certain Deed of Trust recorded March 5, 2014, as Instrument No. 2014-0082911, of official records of Riverside County, California, executed by Desert Springs Financial, LLC as Trustor in favor of Mitchell Altman, as beneficiary.

The real property described in said Assignment of Deed of Trust and Assignment of Assignment of Rents is commonly known as Parcel 3 of Parcel Map No. 30704, as filed in Parcel Map Book 212, at Pages 4 through 7, in the office of the County Recorder of said Riverside County. (Assessor Parcel No. 680-190-035)

The undersigned has reviewed the SECOND AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS as submitted by Desert Springs Financial, LLC and Ramon Tower Business Park, Inc. and hereby consents to the SECOND AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS.

Beneficiary:

By: 

Mitchell Altman

Date: 8/4/16

ACKNOWLEDGMENT OF NOTARY PUBLIC

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF

Texas ~~CALIFORNIA~~)

Williamson) ss.)
COUNTY OF RIVERSIDE)

Crystal Martinez

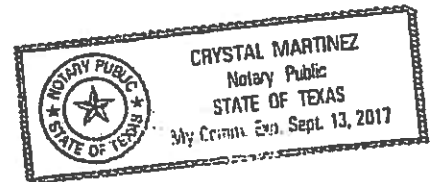
On 8.04.2016 before me, ~~George Altman~~ ^{Witch} Notary Public, personally appeared Mitch Altman who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Crystal Martinez
Notary Public

(Seal)



ACKNOWLEDGMENT OF NOTARY PUBLIC

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF

CALIFORNIA)

COUNTY OF RIVERSIDE) ss.)

On _____ before me, _____, Notary Public, personally appeared _____ who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____
Notary Public

(Seal)

RECORDING REQUESTED BY)
AND WHEN RECORDED RETURN TO:)
)
)
Desert Springs Financial, LLC)
121 S. Palm Canyon Dr. #216)
Palm Springs, CA 92262)
)
)
)

2016-0363105

08/24/2016 01:47 PM

Customer Copy Label

The paper to which this label is affixed has not been compared with the filed/recorded document

Peter Aldana
County Of Riverside
Assessor-County Clerk-Recorder

(This space for Recorder's use only)

**LOT LINE ADJUSTMENT
GRANT DEED**

APN: 680-190-035-0 & 680-190-036-1

There is no consideration for this transfer. There is no documentary transfer tax due.

GRANTOR: DESERT SPRINGS FINANCIAL, LLC, a California Limited Liability Company

hereby grants to

GRANTEE: RAMON TOWER BUSINESS PARK, INC., a California mutual benefit non profit corporation

that certain portion of Grantor's property in the City of Cathedral City, County of Riverside, State of California included in the approved legal description identified as Parcel D, more particularly described in Exhibit "A", pages 1 and 2 of Lot Line Adjustment 2016-484 (LLA 2016-484), and depicted on Exhibit "B", comprising 2 pages, attached hereto and made a part hereof.

The remainder portion of Grantor's property, is not granted to Grantee, and is identified as Parcel E, more particularly described in Exhibit "A", page 3 of Lot Line Adjustment 2016-484 (LLA 2016-484), and depicted on Exhibit "B", comprising 2 pages, attached hereto and made a part hereof.

Note: This Grant Deed implements the revised lot configurations pursuant to the Notice of Approval of Lot Line Adjustment 2016-484 (LLA 2016-484) as approved by the City of Cathedral City and recorded on 8/24/16 as Instrument No. 2016-0363103. The primary function of this Grant Deed is to provide constructive notice of the revised lot configurations pursuant to Government Code Section 66412(d), and to perfect the intent of LLA 2016-484 as approved to comply with the California Subdivision Map Act Code Section 66499.35.

Desert Springs Financial, LLC

Dated: 8/18/2016

By: 
Murray Altman, Manager

ACKNOWLEDGMENT
OF NOTARY PUBLIC

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STA
TE
OF

CALIFORNIA)

) ss.

COUNTY OF RIVERSIDE)

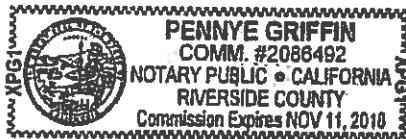
On 08-18-2016 before me, PENNYE GRIFFIN, Notary Public, personally appeared MURRAY ALTMAN who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that ~~she~~^{he} executed the same in her authorized capacity, and that by ~~her~~^{his} signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature *Pennye Griffin*
Notary Public

(Seal)



OWNER'S AFFIDAVIT FOR LOT LINE ADJUSTMENT

IN ACCORDANCE WITH CITY OF CATHEDRAL CITY
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

I, the undersigned, do hereby certify that I am the Managing Member of Desert Springs Financial, LLC, a California limited liability company, which is the only party having any record title interest in the property as described in the attached description and plat and do hereby approve of, join in, and consent to the preparation and execution of this Affidavit for Lot Line Adjustment as described in the attached description and plat.

Date: 5/18/2016

Desert Springs Financial, LLC
By: *Murray Altman*
Murray Altman, Manager

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

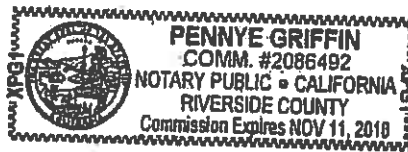
State of California)
County of Riverside)

On 08-18-2016, before me, PENNYE GRIFFIN, a Notary Public, personally appeared Murray Altman, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: *Penny Griffin*
Notary Public



OWNER'S AFFIDAVIT FOR LOT LINE ADJUSTMENT

IN ACCORDANCE WITH CITY OF CATHEDRAL CITY
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

I, the undersigned, do hereby certify that I am the President of Ramon Tower Business Park, Inc., a California Corporation, which is the only party having any record title interest in the property as described in the attached description and plat and do hereby approve of, join in, and consent to the preparation and execution of this Affidavit for Lot Line Adjustment as described in the attached description and plat.

Date: 8/18/2016

Ramon Tower Business Park, Inc.
By: *Murray Altman*
Murray Altman, President

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Riverside)

On 08-18-2016, before me, PENNYE GRIFFIN, a Notary Public, personally appeared Murray Altman, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/hers/their authorized capacity(ies), and that by his/hers/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: *Pennye Griffin*
Notary Public

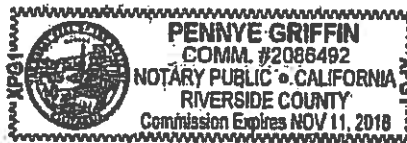


EXHIBIT "A"
LEGAL DESCRIPTION
LOT LINE ADJUSTMENT
LLA NO. 2016-484

PARCEL "D" AS ADJUSTED:

PARCEL C AND THAT PORTION OF PARCEL 3 OF PARCEL MAP 30704 AS FILED IN PARCEL MAP BOOK 212 AT PAGES 4 THROUGH 7 INCLUSIVE, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, DESCRIBED AS FOLLOWS;

BEGINNING AT THE NORTHEAST CORNER OF SAID PARCEL C, THE FOLLOWING 10 COURSES ALONG THE NORTH AND WEST LINES OF SAID PARCEL C, THENCE SOUTH 89°-51'-00" WEST, ALONG THE NORTH LINE OF SAID PARCEL C, A DISTANCE OF 90.03 FEET;

THENCE SOUTH 00°-09'-00" EAST, A DISTANCE OF 5.00 FEET;

THENCE SOUTH 89°-51'-00" WEST, A DISTANCE OF 25.00 FEET;

THENCE NORTH 00°-09'-00" WEST, A DISTANCE OF 5.00 FEET;

THENCE SOUTH 89°-51'-00" WEST, A DISTANCE OF 145.06 FEET;

THENCE SOUTH 66°-01'-37" WEST, A DISTANCE OF 37.17 FEET;

THENCE SOUTH 00°-20'-50" EAST, A DISTANCE OF 140.31 FEET TO A POINT ON A TANGENT CURVE CONCAVE WESTERLY AND HAVING A RADIUS OF 150.50 FEET;

THENCE SOUTHWESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 11°-27'-33" AND AN ARC DISTANCE OF 30.10 FEET TO THE POINT OF REVERSE CURVATURE CONCAVE EASTERLY AND HAVING A RADIUS OF 150.50 FEET;

THENCE SOUTHERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 11°-27'-33" AND AN ARC DISTANCE OF 30.10 FEET;

THENCE SOUTH 00°-20'-50" EAST, A DISTANCE OF 204.56 FEET TO A POINT ON A TANGENT CURVE CONCAVE NORTHEASTERLY AND HAVING A RADIUS OF 110.00 FEET;

THENCE SOUTHERLY ALONG THE ARC OF SAID CURVE, ALSO BEING THE WEST LINE OF SAID PARCEL 3, THROUGH A CENTRAL ANGLE OF 15°-50'-26" AND AN ARC DISTANCE OF 30.41 FEET;

THENCE EAST, A DISTANCE OF 295.97 FEET TO A POINT ON THE EAST LINE OF SAID PARCEL 3;

THENCE NORTH 00°-20'-50" WEST ALONG SAID EAST LINE OF SAID PARCELS 3 AND C, A DISTANCE OF 450.49 FEET TO *THE POINT OF BEGINNING*.

CONTAINING 97,644 SQ. FT./ 2.242 ACRES MORE OR LESS.
SUBJECT TO EASEMENTS OF RECORD IF ANY.

PREPARED BY
SANBORN A/E, INC



STEVEN J. VAN, PLS 6500

06/28/16

WO 16-134



EXHIBIT "A"
LEGAL DESCRIPTION
LOT LINE ADJUSTMENT
LLA NO. 2016-484

PARCEL "E" AS ADJUSTED:

THAT PORTION OF PARCEL 3 OF PARCEL MAP 30704 AS FILED IN PARCEL MAP BOOK 212 AT PAGES 4 THROUGH 7 INCLUSIVE, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, DESCRIBED AS FOLLOWS;

COMMENCING AT THE NORTHEAST CORNER OF PARCEL C OF PARCEL MAP 30704, AS FILED IN PARCEL MAP BOOK 212 AT PAGES 4 THROUGH 7 INCLUSIVE, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, THENCE SOUTH 00°20'-50" EAST, A DISTANCE OF 450.49 FEET TO *THE TRUE POINT OF BEGINNING*;

THENCE WEST, A DISTANCE OF 295.97 FEET TO THE A POINT ON A NON-TANGENT CURVE CONCAVE NORTHEASTERLY AND HAVING A RADIUS OF 110.00 FEET;

THE FOLLOWING 6 COURSES BEING ALONG THE WEST AND EAST LINES OF SAID PARCEL 3. THENCE SOUTHERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 07°-29'-53" AND AN ARC DISTANCE OF 14.39 FEET;

THENCE SOUTH 23°-41'-09" EAST, A DISTANCE OF 50.00 FEET TO A POINT ON A TANGENT CURVE CONCAVE NORTHWESTERLY AND HAVING A RADIUS OF 39.00 FEET;

THENCE SOUTHWESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 137°-33'-31" AND AN ARC DISTANCE OF 93.63 FEET;

THENCE SOUTH 00°-20'-50" EAST, A DISTANCE OF 174.04 FEET TO A POINT ON A NON-TANGENT CURVE CONCAVE SOUTHWESTERLY AND HAVING A RADIUS OF 33,000.00 FEET;

THENCE SOUTHEASTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 02°-31'-16" AND AN ARC DISTANCE OF 1452.05 FEET;

THENCE NORTH 00°-20'-50" WEST, A DISTANCE OF 1698.24 FEET TO *THE TRUE POINT OF BEGINNING*;

CONTAINING 307,691 SQ. FT./ 7.06 ACRES MORE OR LESS.

SUBJECT TO EASEMENTS OF RECORD IF ANY.

PREPARED BY
SANBORN A/E, INC

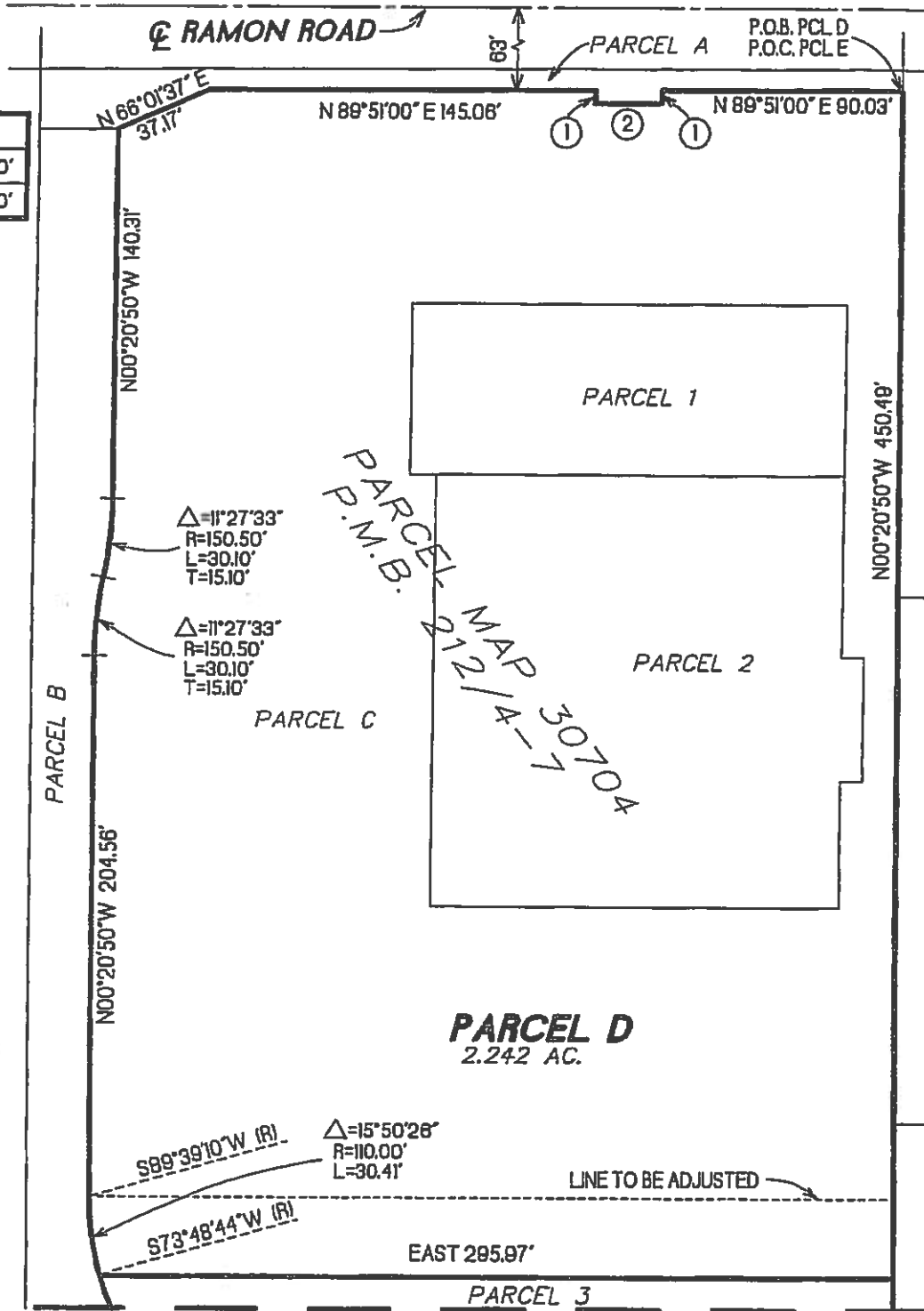


STEVEN J. VAN, PLS 6500
06/28/16 WO 16-124



EXHIBIT "B"

LNE DATA		
#	DELTA/BEARING	L/D
1	N 00°08'00"W	5.00'
2	N 88°51'00"E	25.00'



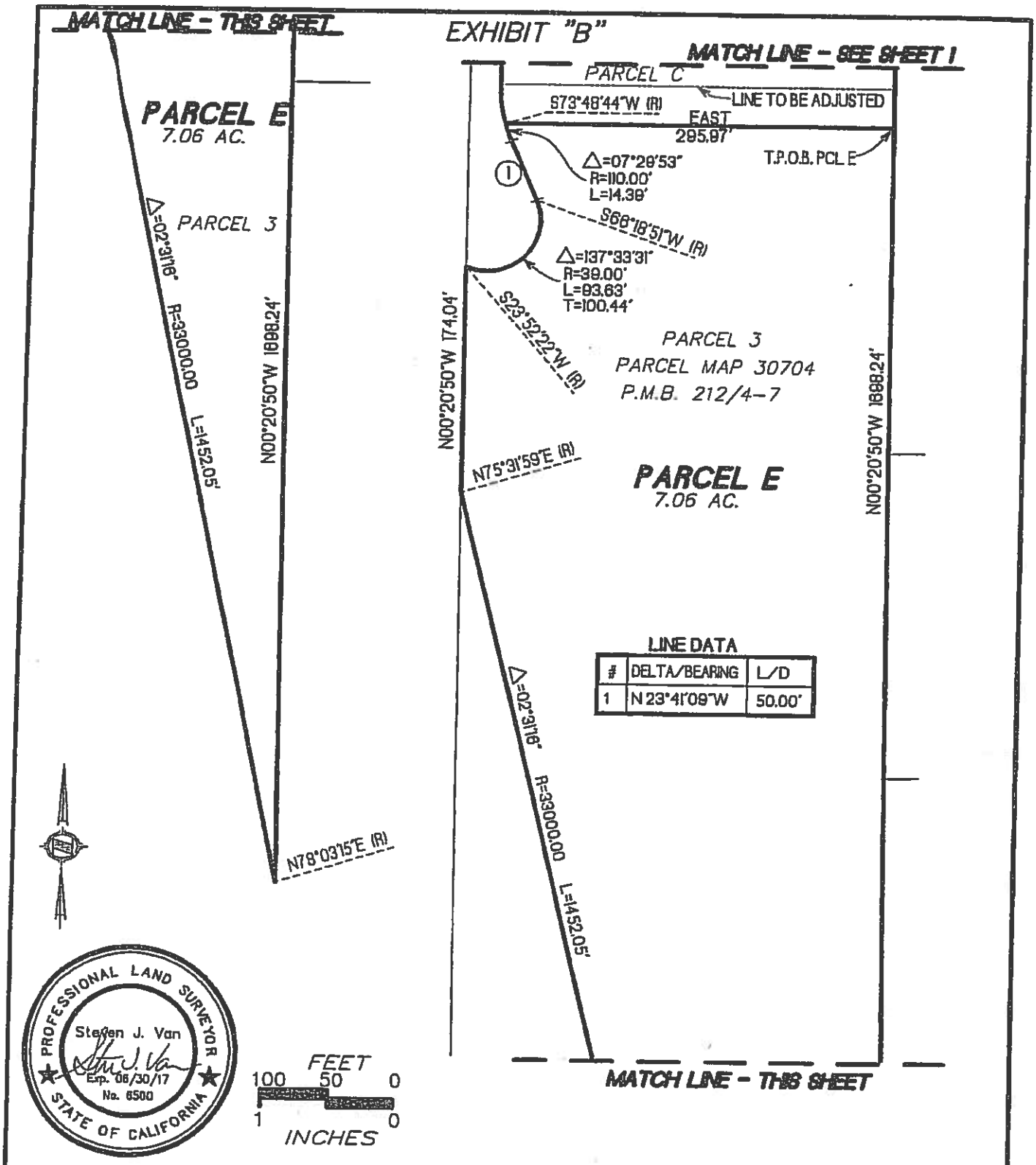
City of Cathedral City
 68-700 Avenida Lala Guerrero
 Cathedral City, Ca. 92234
 Ph. (760) 770-0340

LOT LINE ADJUSTMENT 2016-484
 DESERT SPRINGS FINANCIAL, LLC

DEPARTMENT OF COMMUNITY DEVELOPMENT

SCALE: 1"=60'
 DATE: 6/16/16
 SHEET NO.: 1 OF 2
 DESIGN BY: A.M.S.
 CHECKED BY: S.J.V.

000022



City of Cathedral City
City of Cathedral City
68-700 Avenida Lola Guerrero
Cathedral City, Ca. 92234
Ph. (760) 770-0340

LOT LINE ADJUSTMENT 2016-484
DESERT SPRINGS FINANCIAL, LLC

DEPARTMENT OF COMMUNITY DEVELOPMENT

SCALE: 1"=100'
DATE: 6/16/16
SHEET NO.: 2 OF 2
DESIGN BY: A.M.S.
CHECKED BY: S.J.V.

000023

Exhibit "I"



Fidelity National Title Company
3237 E Guasti Road, Suite 105, Ontario, CA 91761
Phone: (909) 569-0226 • Fax: (800) 507-0841

ASSIGNMENT OF BUYER

To: Fidelity National Title Company
Date: August 4, 2016
Escrow No.: 23079124-012JDL
Property Address: 68031 Ramon Road, "Ramon Towers", Cathedral City, CA 92234

Assignment: Gayk Akhsharumov, Karen Sarkisyan, and Levon Akhsharumov, herein assigns to GK Real Estate Group, LLC., a California limited liability company

1. All interest in and to all right to acquire title to the property which is the subject of this escrow.
2. All funds now on deposit to the account of the undersigned in this escrow. No consideration is to be paid to the undersigned through this escrow for or on account of this agreement.

Agreement: IT IS AGREED BETWEEN Gayk Akhsharumov, Karen Sarkisyan and Levon Akhsharumov, as Assignor and GK Real Estate Group, LLC., a California limited liability company as Assignee ("Buyer"), with respect to the Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate dated May 26, 2016 ("the Purchase Agreement") in Escrow No. 23079124-012JDL as follows:

1. Assignee agrees to perform in accordance with the Purchase Agreement and to be bound by all terms thereof in all respects as if he were the original party to the Purchase Agreement in place of Assignor.
2. In the event of cancellation of this escrow, funds to be returned to non-defaulting buyer, if any, less costs, if any, shall be forwarded to new buyer (assignee) as shown herein.

The above named Assignee has received, read and familiarized itself with the original Purchase Agreement and hereby approves same in its entirety along with any and all amendment(s) to said Purchase Agreement and requests that you proceed therewith on its behalf. Subject to the Purchase Agreement, any deposit in this escrow shall be used for the benefit of the Assignee named herein at the expense of the Assignor. In the event of cancellation of this escrow, funds to be returned to non-defaulting Buyer, if any, less costs, if any, shall be forwarded to new Buyer(s) (Assignee(s)) as shown herein.

ASSIGNEE/BUYER:

ASSIGNOR:

GK Real Estate Group, LLC.,
a California limited liability company

By: 
Garnik Gevorgyan, Manager


Gayk Akhsharumov


Levon Akhsharumov


Karen Sarkisyan

AmdFreeForm

000001

Exhibit "J"



Loan Pre-Approval

October 3, 2016

Dear Mr. Garnik Gevorgyan

This letter is to inform you that your SBA loan request of \$1,832,000 to purchase the property located at 68031 Ramon Road, Cathedral City, CA 92234 has been approved. The funding of the loan will be contingent upon the successful execution of the loan documentation along with approval by the Bankruptcy Court for sale of the subject property, in addition to the satisfaction of all Investor funding requirements.

Prior to the funding of the loan, there shall not have been any change, adverse and/or detrimental to the Bank/Investor in or to the collateral, or the financial condition of the borrower. Furthermore, no material, documents, or statements provided to the lender by the borrower, should prove to be misrepresentative, false, and/or misleading in any manner.

If you have any questions, please feel free to call the undersigned at (818) 521-0063.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom S. Tumyan", written over a horizontal line.

Tom S. Tumyan

Director of Operations

620 North Brand Blvd, Suite 404
Glendale, CA 91203
NMLSR #236355

Phone 818.500.4009
Fax 818.500.4041
info@paramountls.com

000001

Exhibit "K"

Current Day Account Detail
 Fidelity National Title Company
 SinglePoint

Reported Activity as of 06/20/2016
 Printed on 06/20/2016 at 12:00 PM PDT

Transaction Summary for 06/20/2016

Account Name/ Account Number	CCY	Amount	Transaction Description	BAI Code
FNTC - Newport Beach, CA 153495511674	USD	\$100,000.00	Incoming Fedwire(s)	195

Transaction Detail For 06/20/2016

PAR Number: 160620002959

Fed Ref: 000810

Date/Time Received: 06/20/2016 07:35:21 AM

Originator: D808722933 GARNIK GEVORGYAN 12241 INDUSTRIAL BLVD STE 204 VICTORVILLE, CA 923958301

Sending Bank: 021000021JPMORGAN CHASE* JPMCHASE NYC

Receiving Bank: 122235821 US BANK SO CAL

Beneficiary: /153495511674 FIDELITY NATIONAL TITLE CO

Beneficiary Ref: DCD OF 16/06/17

Originator To Beneficiary Info: ESCROW #23079124-012-JDL

IMAD: 20160620B1QGC02C000810

Exhibit "L"



Fidelity National Title Company
1300 Dove Street, Suite 310, Newport Beach, CA 92660
Phone: (949) 622-5000 • Fax:

Issuing Policies of Fidelity National Title Insurance Company

Title Officer: Keith Masner (MA)
Escrow Officer: Janette DeLap

Order No.: 012-23079124-D-KM5

TO:

Coldwell Banker
3998 Inland Empire Blvd, Suite 400
Ontario, CA 91764

ATTN: .Mike Radlovic
YOUR REFERENCE:

PROPERTY ADDRESS: 68031 Ramon Road, "Ramon Towers", Cathedral City, CA

AMENDED PRELIMINARY REPORT

In response to the application for a policy of title insurance referenced herein, Fidelity National Title Company hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a policy or policies of title insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an exception herein or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations or Conditions of said policy forms.

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Attachment One. The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Attachment One. Copies of the policy forms should be read. They are available from the office which issued this report.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

The policy(s) of title insurance to be issued hereunder will be policy(s) of Fidelity National Title Insurance Company, a California Corporation.

Please read the exceptions shown or referred to herein and the exceptions and exclusions set forth in Attachment One of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects and encumbrances affecting title to the land.

Countersigned by:

Authorized Signature



Fidelity National Title Company
1300 Dove Street, Suite 310, Newport Beach, CA 92660
Phone: (949) 622-5000 • Fax:

AMENDED PRELIMINARY REPORT

EFFECTIVE DATE: August 23, 2016 at 7:30 a.m., Amended: September 1, 2016, Amendment No. D

ORDER NO.: 012-23079124-D-KM5

The form of policy or policies of title insurance contemplated by this report is:

CLTA Standard Coverage Policy (04-08-14)

1. THE ESTATE OR INTEREST IN THE LAND HEREINAFTER DESCRIBED OR REFERRED TO COVERED BY THIS REPORT IS:

A FEE

2. TITLE TO SAID ESTATE OR INTEREST AT THE DATE HEREOF IS VESTED IN:

DESERT SPRINGS FINANCIAL, LLC, a California limited liability company, subject to proceedings pending in the bankruptcy court where a petition for relief was filed.

Name of Debtor: Desert Springs Financial LLC

Date of Filing: May 30, 2016

U.S. District Court: Central District of California

Case No: 6:16-bk-14859-MW

3. THE LAND REFERRED TO IN THIS REPORT IS DESCRIBED AS FOLLOWS:

See Exhibit A attached hereto and made a part hereof.

PRELIMINARY REPORT
Your Reference:

Fidelity National Title Company
Order No.: 012-23079124-D-KM5

EXHIBIT A
LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF CATHEDRAL CITY, IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL I PARCEL MAP NO. 30704, IN THE CITY OF CATHEDRAL CITY, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP FILED IN BOOK 212, PAGES 4 THROUGH 7, INCLUSIVE OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF RIVERSIDE COUNTY, CALIFORNIA.

EXCEPTING ALL URANIUM, THORIUM AND OTHER FISSIONABLE MATERIALS, ALL OIL, GAS PETROLEUM, ASPHALTUM AND OTHER HYDROCARBON SUBSTANCES AND OTHER MINERALS AND MINERAL ORES OF EVERY KIND AND CHARACTER, WHETHER SIMILAR TO THOSE HEREIN SPECIFIED OR NOT, WITHIN OR UNDERLYING OR WHICH MAY BE PRODUCED FROM THE HEREINBEFORE DESCRIBED LAND, TOGETHER WITH THE RIGHT TO USE THAT PORTION ONLY OF SAID LAND WHICH UNDERLIES A PLANE PARALLEL TO AND 500 FEET BELOW THE PRESENT SURFACE OF SAID LAND, FOR THE PURPOSE OF PROSPECTING OR DEVELOPMENT AND/OR EXTRACTING SAID GAS, PETROLEUM, ASPHALTUM AND OTHER MINERAL OR HYDROCARBON SUBSTANCES FROM SAID LAND, IT BEING EXPRESSLY UNDERSTOOD AND AGREED THAT SAID SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, ITS SUCCESSORS AND ASSIGNS, SHALL HAVE NO RIGHT TO ENTER UPON THE SURFACE OF SAID REAL PROPERTY, OR TO USE SAID REAL PROPERTY OR ANY PORTION THEREOF SAID DEPTH OF 500 FEET, FOR ANY PURPOSE WHATSOEVER, AS RESERVED UNTO SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, ITS SUCCESSORS AND ASSIGNS IN THE DEED RECORDED FEBRUARY 27, 1979 AS INSTRUMENT NO. 38918, OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

APN(s): 680-190-033-8

PRELIMINARY REPORT
Your Reference:

Fidelity National Title Company
Order No.: 012-23079124-D-KM5

EXCEPTIONS

AT THE DATE HEREOF, ITEMS TO BE CONSIDERED AND EXCEPTIONS TO COVERAGE IN ADDITION TO THE PRINTED EXCEPTIONS AND EXCLUSIONS IN SAID POLICY FORM WOULD BE AS FOLLOWS:

A. Property taxes, which are a lien not yet due and payable, including any assessments collected with taxes to be levied for the fiscal year 2016-2017.

B. Property taxes, including any personal property taxes and any assessments collected with taxes, are as follows:

Tax Identification No.: 680-190-033-8
Fiscal Year: 2015-2016
1st Installment: \$9,859.68, paid.
2nd Installment: \$9,859.68, delinquent (Delinquent after April 10)
Penalty and Cost: \$1,024.68
Homeowners Exemption: \$0.00
Code Area: 019-052

Affects: Parcel 1

C. Said property has been declared tax defaulted for non-payment of delinquent taxes for the fiscal year 2015-2016.

APN No.: 680-190-033-8

Amounts to redeem for the above-stated fiscal year (and subsequent years if any) are:

Amount: \$11,364.73, by September 30, 2016
Amount: \$11,512.62, by October 31, 2016

D. The lien of supplemental or escaped assessments of property taxes, if any, made pursuant to the provisions of Chapter 3.5 (commencing with Section 75) or Part 2, Chapter 3, Articles 3 and 4, respectively, of the Revenue and Taxation Code of the State of California as a result of the transfer of title to the vestee named in Schedule A or as a result of changes in ownership or new construction occurring prior to Date of Policy.

E. A Notice

Entitled: Notice of Assessment
For: Assessment District No. 86-1
Executed by: City Clerk of the City of Cathedral City
Recording Date: January 8, 1988
Recording No: 6261, Official Records

Reference is hereby made to said document for full particulars.

- 1. Water rights, claims or title to water, whether or not disclosed by the public records.
- 2. INTENTIONALLY DELETED
- 3. INTENTIONALLY DELETED

PRELIMINARY REPORT
Your Reference:

Fidelity National Title Company
Order No.: 012-23079124-D-KM5

EXCEPTIONS
(Continued)

4. Easement(s) for the purpose(s) shown below and rights incidental thereto as granted in a document.

Granted to:	Southern California Edison Company, a corporation, its successors and assigns
Purpose:	Utilities
Recorded:	<u>February 15, 1980, Instrument No. 32015, of Official Records</u>
Affects:	The location of said easements set forth therein

5. Easement(s) for the purpose(s) shown below and rights incidental thereto as granted in a document.

Granted to:	County of Riverside
Purpose:	Temporary easements for driveway and detour purposes for use during the construction of the Ramon Road Bridge
Recorded:	<u>June 17, 1981, Instrument No. 112978, of Official Records</u>
Affects:	A portion of the land

6. An ordinance of the City of Cathedral City adopting specific plan Right-of-Way Alignment Plan No. SP-10-017 for the area on Landau Boulevard south of Ramon /Road to Dinah Shore Drive (34th Avenue), which recorded May 18, 1987 as Instrument No. 137805 Official Records.

7. The fact that said land is included within a project area of the Redevelopment Agency shown below, and that proceedings for the redevelopment of said project have been instituted under the Redevelopment Law (such redevelopment to proceed only after the adoption of the redevelopment plan) as disclosed by a document.

Redevelopment Agency:	Cathedral City Redevelopment Project No. 3
Recorded:	<u>July 21, 2003, Instrument No. 2003-542987, of Official Records</u>

8. INTENTIONALLY DELETED

9. The recital on said Parcel Map 30704:

Improvement Note:

Development of Parcel 3 may require the issuance of a permit or permits or other grant or grants of approval by the City of Cathedral City which may include the requirements to acquire street right of way for the West half of the Landau extension as shown hereon, to construct roadway fill and public street improvements and appurtenances on both sides of Landau Blvd. extensions and to construct traffic signal improvements striping and appurtenances at the intersection of Ramon Road and extension of Landau.

Improvements Statement:

Pursuant to section 66411.1 of the California Subdivision Map Act, fulfillment of the following conditions of approval of this parcel map as contained in City Council Resolution No. 03-33, adopted June 25, 2003 and the construction of offsite and onsite improvements on an individual lot basis, including but not limited to the following, shall be required when building permits for each lot are issued. etc. etc. (see sheet 4 of 4 of Parcel Map 30704).

PRELIMINARY REPORT
Your Reference:

Fidelity National Title Company
Order No.: 012-23079124-D-KM5

EXCEPTIONS
(Continued)

10. Covenants, conditions and restrictions in the declaration of restrictions but omitting any covenants or restrictions, if any, including, but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law.

Recorded: March 1, 2005, Instrument No. 2005-0165081, of Official Records

Said covenants, conditions and restrictions provide that a violation thereof shall not defeat the lien of a first mortgage or first deed of trust made in good faith and for value.

Said covenants, conditions and restriction provide for an easement;

For: Maintenance, encroachment, access and other various easement shown therein

Modification(s) of said covenants, conditions and restrictions

Recorded: March 17, 2005, Instrument No. 2005-0212762, of Official Records

Modification(s) of said covenants, conditions and restrictions

Recording Date: August 24, 2016
Recording No: 2016-0363104, Official Records

11. A deed of trust to secure an indebtedness in the amount shown below,

Amount: \$3,600,000.00
Dated: May 16, 2005
Trustor/Grantor: Desert Springs Financial LLC, a California limited liability company
Trustee: Palm Desert National Bank
Beneficiary: Palm Desert National Bank
Loan No.: 7641/47656
Recording Date: May 19, 2005
Recording No: 2005-0400100, Official Records

Affects: The herein described Land and other land.

Note: At the time of recording the trustor therein was not the record owner of lettered Parcel "C"

An assignment of the beneficial interest under said deed of trust which names:

Assignee: Pacific Premier Bank, its successors and assigns
Recording Date: July 15, 2013
Recording No: 2013-0338906, Official Records

PRELIMINARY REPORT
Your Reference:

Fidelity National Title Company
Order No.: 012-23079124-D-KM5

EXCEPTIONS
(Continued)

12. An assignment of all the moneys due, or to become due as rental, as additional security for the obligations secured by deed of trust shown as item no. 11

Assigned to: Palm Desert National Bank
Recording Date: May 19, 2005
Recording No: 2005-0400101, Official Records

Note: At the time of recording the grantor therein was not the record owner of lettered Parcel "C"

An assignment of the beneficial interest under said deed of trust assignment of rents which names:

Assignee: Pacific Premier Bank, its successors and assigns
Recording Date: July 15, 2013
Recording No: 2013-0338906, Official Records

13. Intentionally deleted.

14. Any boundary discrepancies, rights or claims which may exist or arise as disclosed by a Record of Survey, as per map on file in Book 37, Page 67 of Records of Survey, in the office of the county recorder of Riverside County, California.

15. Intentionally deleted.

16. Intentionally deleted.

17. Matters contained in that certain document

Entitled: Memorandum of License
Dated: May 1, 2012
Executed by: Los Angeles SMSA Limited Partnership, a California limited partnership, d/b/a Verizon Wireless and Metro/PCS California, LLC, a Delaware limited liability company
Recording Date: August 9, 2012
Recording No: 2012-0378457, Official Records

Reference is hereby made to said document for full particulars.

18. Intentionally deleted..

19. Notice of Pendency of Administrative Proceedings and the lien of any assessment arising therefrom by the Department of Building and Safety of the City of Cathedral City, in the matter of unlawful or unsafe conditions on the herein described Land.

Property Owner: Desert Springs Financial
Recording Date: January 17, 2013
Recording No.: 2013-0028509, Official Records

Reference is hereby made to said document for full particulars.

Affects: Parcel 1

PRELIMINARY REPORT
Your Reference:

Fidelity National Title Company
Order No.: 012-23079124-D-KM5

**EXCEPTIONS
(Continued)**

20. Intentionally deleted.

21. Intentionally deleted.

22. Intentionally deleted.

23. An abstract of judgment for the amount shown below and any other amounts due:

Amount: \$14,883.61
Debtor: Desert Springs Financial LLC
Creditor: J & K Drywall
Date entered: May 5, 2010
County: Riverside
Court: Superior
Case No.: INC 069033
Recording Date: September 30, 2010
Recording No: 2010-0467008, Official Records

24. An abstract of judgment for the amount shown below and any other amounts due:

Amount: \$As provided therein
Debtor: Desert Springs Financial, LLC, a California limited liability company
Creditor: Ramon Palm Lane, Inc., a California corporation
Date entered: December 23, 2015
County: Riverside
Court: Superior
Case No.: INC 10003583
Recording Date: January 4, 2016
Recording No: 2016-0000427, Official Records

25. Any rights of the parties in possession of a portion of, or all of, said Land, which rights are not disclosed by the public records.

The Company will require, for review, a full and complete copy of any unrecorded agreement, contract, license and/or lease, together with all supplements, assignments and amendments thereto, before issuing any policy of title insurance without excepting this item from coverage.

The Company reserves the right to except additional items and/or make additional requirements after reviewing said documents.

26. Any easements not disclosed by the public records as to matters affecting title to real property, whether or not said easements are visible and apparent.

27. Matters which may be disclosed by an inspection and/or by a correct ALTA/NSPS Land Title Survey of said Land that is satisfactory to the Company, and/or by inquiry of the parties in possession thereof.

28. Any policy of title insurance issued under this application will not insure a legal right of access to and from said Land. Insuring Provision to be deleted will be deleted.

PRELIMINARY REPORT
Your Reference:

Fidelity National Title Company
Order No.: 012-23079124-D-KM5

EXCEPTIONS
(Continued)

29. Any matters arising out of or by virtue of that certain bankruptcy case:

Name of Debtor: Desert Springs Financial LLC
Date of Filing: May 30, 2016
U. S. District Court: Central District of California
State: California
Case No.: 6:16-BK-14859-MW
Chapter: 11
Attorney: M. Wayne Tucker
Attorney's Address: ORROCK, POPKA, FORTINO, TUCKER & DOLEN
1710 Plum Lane, Suite A
Redlands, CA 92374
Attorney's Phone No: (951) 683-6014

**PLEASE REFER TO THE "INFORMATIONAL NOTES" AND "REQUIREMENTS" SECTIONS WHICH
FOLLOW FOR INFORMATION NECESSARY TO COMPLETE THIS TRANSACTION.**

END OF EXCEPTIONS

Your Reference:

REQUIREMENTS SECTION

1. The Company will require the following documents for review prior to the issuance of any title insurance predicated upon a conveyance or encumbrance from the entity named below:

Limited Liability Company: Desert Springs Financial, LLC, a California limited liability company

- a) A copy of its operating agreement, if any, and any and all amendments, supplements and/or modifications thereto, certified by the appropriate manager or member
- b) If a domestic Limited Liability Company, a copy of its Articles of Organization and all amendments thereto with the appropriate filing stamps
- c) If the Limited Liability Company is member-managed, a full and complete current list of members certified by the appropriate manager or member
- d) If the Limited Liability Company was formed in a foreign jurisdiction, evidence, satisfactory to the Company, that it was validly formed, is in good standing and authorized to do business in the state of origin
- e) If less than all members, or managers, as appropriate, will be executing the closing documents, furnish evidence of the authority of those signing.

The Company reserves the right to add additional items or make further requirements after review of the requested documentation.

2. Furnish for review a full and complete copy of any unrecorded agreement, contract, license and/or lease together with all supplements, assignments and amendments thereto, prior to the close of this transaction.

The Company reserves the right to add additional items or make further requirements after review of the requested documentation.

3. Unrecorded matters which may be disclosed by an Owner's Affidavit or Declaration. A form of the Owner's Affidavit/Declaration is attached to this Preliminary Report/Commitment. This Affidavit/Declaration is to be completed by the record owner of the land and submitted for review prior to the closing of this transaction. Your prompt attention to this requirement will help avoid delays in the closing of this transaction. Thank you.

The Company reserves the right to add additional items or make further requirements after review of the requested Affidavit/Declaration.

4. Furnish proof satisfactory to the Company that the proposed conveyance/mortgage necessary for the proposed insured transaction complies with all requirements of the United States Bankruptcy Code for the following person or entity:

Name of possible debtor: Desert Springs Financial, LLC

END OF REQUIREMENTS

Your Reference:

INFORMATIONAL NOTES SECTION

1. None of the items shown in this report will cause the Company to decline to attach CLTA Endorsement Form 100 to an Extended Coverage Loan Policy, when issued.
2. The Company is not aware of any matters which would cause it to decline to attach CLTA Endorsement Form 116 indicating that there is located on said Land Commercial property, known as 68031 Ramon Road, "Ramon Towers", located within the city of Cathedral City, California, to an Extended Coverage Loan Policy.
3. Note: The policy of title insurance will include an arbitration provision. The Company or the insured may demand arbitration. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the insured arising out of or relating to this policy, any service of the Company in connection with its issuance or the breach of a policy provision or other obligation. Please ask your escrow or title officer for a sample copy of the policy to be issued if you wish to review the arbitration provisions and any other provisions pertaining to your Title Insurance coverage.
4. Note: There are NO conveyances affecting said Land recorded within 24 months of the date of this report.

END OF INFORMATIONAL NOTES

Keith Masner (MA)/ng

**FIDELITY NATIONAL FINANCIAL
PRIVACY NOTICE**

At Fidelity National Financial, Inc. and its majority-owned subsidiary companies (collectively, “FNF”, “our” or “we”), we value the privacy of our customers. This Privacy Notice explains how we collect, use, and protect your information and explains the choices you have regarding that information. A summary of our privacy practices is below. We also encourage you to read the complete Privacy Notice following the summary.

<p>Types of Information Collected. You may provide us with certain personal information, like your contact information, social security number (SSN), driver’s license, other government ID numbers, and/or financial information. We may also receive information from your Internet browser, computer and/or mobile device.</p>	<p>How Information is Collected. We may collect personal information directly from you from applications, forms, or communications we receive from you, or from other sources on your behalf, in connection with our provision of products or services to you. We may also collect browsing information from your Internet browser, computer, mobile device or similar equipment. This browsing information is generic and reveals nothing personal about the user.</p>
<p>Use of Your Information. We may use your information to provide products and services to you (or someone on your behalf), to improve our products and services, and to communicate with you about our products and services. We do not give or sell your personal information to parties outside of FNF for their use to market their products or services to you.</p>	<p>Security Of Your Information. We utilize a combination of security technologies, procedures and safeguards to help protect your information from unauthorized access, use and/or disclosure. We communicate to our employees about the need to protect personal information.</p>
<p>Choices With Your Information. Your decision to submit personal information is entirely up to you. You can opt-out of certain disclosures or use of your information or choose to not provide any personal information to us.</p>	<p>When We Share Information. We may disclose your information to third parties providing you products and services on our behalf, law enforcement agencies or governmental authorities, as required by law, and to parties with whom you authorize us to share your information.</p>
<p>Information From Children. We do not knowingly collect information from children under the age of 13, and our websites are not intended to attract children.</p>	<p>Privacy Outside the Website. We are not responsible for the privacy practices of third parties, even if our website links to those parties’ websites.</p>
<p>Access and Correction. If you desire to see the information collected about you and/or correct any inaccuracies, please contact us in the manner specified in this Privacy Notice.</p>	<p>Do Not Track Disclosures. We do not recognize “do not track” requests from Internet browsers and similar devices.</p>
<p>The California Online Privacy Protection Act. Certain FNF websites collect information on behalf of mortgage loan servicers. The mortgage loan servicer is responsible for taking action or making changes to any consumer information submitted through those websites.</p>	<p>International Use. By providing us with your information, you consent to the transfer, processing and storage of such information outside your country of residence, as well as the fact that we will handle such information consistent with this Privacy Notice.</p>
<p>Your Consent To This Privacy Notice. By submitting information to us and using our websites, you are accepting and agreeing to the terms of this</p>	<p>Contact FNF. If you have questions or wish to contact us regarding this Privacy Notice, please use the contact information provided at the end of this</p>

Privacy Notice.	Privacy Notice.
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**FIDELITY NATIONAL FINANCIAL, INC.
PRIVACY NOTICE**

FNF respects and is committed to protecting your privacy. We pledge to take reasonable steps to protect your Personal Information (as defined herein) and to ensure your information is used in compliance with this Privacy Notice.

This Privacy Notice is only in effect for information collected and/or owned by or on behalf of FNF, including collection through any FNF website or online services offered by FNF (collectively, the "Website"), as well as any information collected offline (e.g., paper documents). The provision of this Privacy Notice to you does not create any express or implied relationship, nor create any express or implied duty or other obligation, between FNF and you.

Types of Information Collected

We may collect two types of information: Personal Information and Browsing Information.

Personal Information. The types of personal information FNF collects may include, but are not limited to:

- contact information (e.g., name, address, phone number, email address);
- social security number (SSN), driver's license, and other government ID numbers; and
- financial account or loan information.

Browsing Information. The types of browsing information FNF collects may include, but are not limited to:

- Internet Protocol (or IP) address or device ID/UDID, protocol and sequence information;
- browser language;
- browser type;
- domain name system requests;
- browsing history;
- number of clicks;
- hypertext transfer protocol headers; and
- application client and server banners.

How Information is Collected

In the course of our business, we may collect *Personal Information* about you from the following sources:

- applications or other forms we receive from you or your authorized representative, whether electronic or paper;
- communications to us from you or others;
- information about your transactions with, or services performed by, us, our affiliates or others; and
- information from consumer or other reporting agencies and public records that we either obtain directly from those entities, or from our affiliates or others.

We may collect *Browsing Information* from you as follows:

- **Browser Log Files.** Our servers automatically log, collect and record certain Browsing Information about each visitor to the Website. The Browsing Information includes only generic information and reveals nothing personal about the user.
- **Cookies.** From time to time, FNF may send a "cookie" to your computer when you visit the Website. A cookie is a small piece of data that is sent to your Internet browser from a web server and stored on your computer's hard drive. When you visit the Website again, the cookie allows the Website to recognize your computer, with the goal of providing an optimized user experience. Cookies may store user preferences and other information. You can choose not to accept cookies by changing the settings of your Internet browser. If you choose not to accept cookies, then some functions of the Website may not work as intended.

Use of Collected Information

Information collected by FNF is used for three main purposes:

- To provide products and services to you, or to one or more third party service providers who are performing services on your behalf or in connection with a transaction involving you;
- To improve our products and services; and
- To communicate with you and to inform you about FNF's products and services.

When We Share Information

We may share your Personal Information (excluding information we receive from consumer or other credit reporting agencies) and Browsing Information with certain individuals and companies, as permitted by law, without first obtaining your authorization. Such disclosures may include, without limitation, the following:

- to agents, representatives, or others to provide you with services or products you have requested, and to enable us to detect or prevent criminal activity, fraud, or material misrepresentation or nondisclosure;
- to third-party contractors or service providers who provide services or perform other functions on our behalf;
- to law enforcement or other governmental authority in connection with an investigation, or civil or criminal subpoenas or court orders; and/or
- to other parties authorized to receive the information in connection with services provided to you or a transaction involving you.

We may disclose Personal Information and/or Browsing Information when required by law or in the good-faith belief that such disclosure is necessary to:

- comply with a legal process or applicable laws;
- enforce this Privacy Notice;
- investigate or respond to claims that any information provided by you violates the rights of a third party; or
- protect the rights, property or personal safety of FNF, its users or the public.

We make efforts to ensure third party contractors and service providers who provide services or perform functions on our behalf protect your information. We limit use of your information to the purposes for which the information was provided. We do not give or sell your information to third parties for their own direct marketing use.

We reserve the right to transfer your Personal Information, Browsing Information, as well as any other information, in connection with the sale or other disposition of all or part of the FNF business and/or assets, or in the event of our bankruptcy, reorganization, insolvency, receivership or an assignment for the benefit of creditors. You expressly agree and consent to the use and/or transfer of this information in connection with any of the above-described proceedings. We cannot and will not be responsible for any breach of security by any third party or for any actions of any third party that receives any of the information that is disclosed to us.

Choices With Your Information

Whether you submit your information to FNF is entirely up to you. If you decide not to submit your information, FNF may not be able to provide certain products or services to you. You may choose to prevent FNF from using your information under certain circumstances ("opt out"). You may opt out of receiving communications from us about our products and/or services.

Security And Retention Of Information

FNF is committed to protecting the information you share with us and utilizes a combination of security technologies, procedures and safeguards to help protect it from unauthorized access, use and/or

disclosure. FNF trains its employees on privacy practices and on FNF's privacy and information security policies. FNF works hard to retain information related to you only as long as reasonably necessary for business and/or legal purposes.

Information From Children

The Website is meant for adults. The Website is not intended or designed to attract children under the age of thirteen (13). We do not collect Personal Information from any person that we know to be under the age of thirteen (13) without permission from a parent or guardian.

Privacy Outside the Website

The Website may contain links to other websites, including links to websites of third party service providers. FNF is not and cannot be responsible for the privacy practices or the content of any of those other websites.

International Users

Because FNF's headquarters is located in the United States, we may transfer your Personal Information and/or Browsing Information to the United States. By using our website and providing us with your Personal Information and/or Browsing Information, you understand and consent to the transfer, processing and storage of such information outside your country of residence, as well as the fact that we will handle such information consistent with this Privacy Notice.

Do Not Track Disclosures

Currently, our policy is that we do not recognize "do not track" requests from Internet browsers and similar devices.

The California Online Privacy Protection Act

For some websites which FNF or one of its companies owns, such as the Customer CareNet ("CCN"), FNF is acting as a third party service provider to a mortgage loan servicer. In those instances, we may collect certain information on behalf of that mortgage loan servicer, including:

- first and last name;
- property address;
- user name and password;
- loan number;
- social security number - masked upon entry;
- email address;
- security questions and answers; and
- IP address.

The information you submit is then transferred to your mortgage loan servicer by way of CCN. The mortgage loan servicer is responsible for taking action or making changes to any consumer information submitted through this website. For example, if you believe that your payment or user information is incorrect, you must contact your mortgage loan servicer.

CCN does not share consumer information with third parties, other than those with which the mortgage loan servicer has contracted to interface with the CCN application. All sections of this Privacy Notice apply to your interaction with CCN, except for the sections titled Choices with Your Information, and Access and Correction. If you have questions regarding the choices you have with regard to your personal information or how to access or correct your personal information, contact your mortgage loan servicer.

Access and Correction

To access your Personal Information in the possession of FNF and correct any inaccuracies, please contact us by email at privacy@fnf.com or by mail at:

Fidelity National Financial, Inc.
601 Riverside Avenue
Jacksonville, Florida 32204
Attn: Chief Privacy Officer

Your Consent To This Privacy Notice

By submitting Personal Information and/or Browsing Information to FNF, you consent to the collection and use of information by FNF in compliance with this Privacy Notice. We reserve the right to make changes to this Privacy Notice. If we change this Privacy Notice, we will post the revised version on the Website.

Contact FNF

Please send questions and/or comments related to this Privacy Notice by email at privacy@fnf.com or by mail at:

Fidelity National Financial, Inc.
601 Riverside Avenue
Jacksonville, Florida 32204
Attn: Chief Privacy Officer

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EFFECTIVE AS OF APRIL 1, 2016

Notice of Available Discounts

Pursuant to Section 2355.3 in Title 10 of the California Code of Regulations Fidelity National Financial, Inc. and its subsidiaries ("FNF") must deliver a notice of each discount available under our current rate filing along with the delivery of escrow instructions, a preliminary report or commitment. Please be aware that the provision of this notice does not constitute a waiver of the consumer's right to be charged the field rate. As such, your transaction may not qualify for the below discounts.

You are encouraged to discuss the applicability of one or more of the below discounts with a Company representative. These discounts are generally described below; consult the rate manual for a full description of the terms, conditions and requirements for each discount. These discounts only apply to transaction involving services rendered by the FNF Family of Companies. This notice only applies to transactions involving property improved with a one-to-four family residential dwelling.

FNF Underwritten Title Company

FNTC - Fidelity National Title Company

FNTCCA –Fidelity National Title Company of California

FNF Underwriter

FNTIC - Fidelity National Title Insurance Company

Available Discounts

CREDIT FOR PRELIMINARY REPORTS AND/OR COMMITMENTS ON SUBSEQUENT POLICIES (FNTIC)

Where no major change in the title has occurred since the issuance of the original report or commitment, the order may be reopened within 12 or 36 months and all or a portion of the charge previously paid for the report or commitment may be credited on a subsequent policy charge.

DISASTER LOANS (FNTIC)

The charge for a lender's Policy (Standard or Extended coverage) covering the financing or refinancing by an owner of record, within 24 months of the date of a declaration of a disaster area by the government of the United States or the State of California on any land located in said area, which was partially or totally destroyed in the disaster, will be 50% of the appropriate title insurance rate.

CHURCHES OR CHARITABLE NON-PROFIT ORGANIZATIONS (FNTIC)

On properties used as a church or for charitable purposes within the scope of the normal activities of such entities, provided said charge is normally the church's obligation the charge for an owner's policy shall be 50% to 70% of the appropriate title insurance rate, depending on the type of coverage selected. The charge for a lender's policy shall be 40% to 50% of the appropriate title insurance rate, depending on the type of coverage selected.

ATTACHMENT ONE
CALIFORNIA LAND TITLE ASSOCIATION
STANDARD COVERAGE POLICY – 1990
EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building or zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien, or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
 - (a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy; or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage or for the estate or interest insured by this policy.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with the applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any claim, which arises out of the transaction vesting in the insured the estate of interest insured by this policy or the transaction creating the interest of the insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors' rights laws.

EXCEPTIONS FROM COVERAGE - SCHEDULE B, PART 1

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

CLTA HOMEOWNER'S POLICY OF TITLE INSURANCE (12-02-13)
ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE

EXCLUSIONS

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of those portions of any law or government regulation concerning:
 - a. building;
 - b. zoning;
 - c. land use;

- d. improvements on the Land;
- e. land division; and
- f. environmental protection.

This Exclusion does not limit the coverage described in Covered Risk 8.a., 14, 15, 16, 18, 19, 20, 23 or 27.

- 2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not limit the coverage described in Covered Risk 14 or 15.
- 3. The right to take the Land by condemning it. This Exclusion does not limit the coverage described in Covered Risk 17.
- 4. Risks:
 - a. that are created, allowed, or agreed to by You, whether or not they are recorded in the Public Records;
 - b. that are Known to You at the Policy Date, but not to Us, unless they are recorded in the Public Records at the Policy Date;
 - c. that result in no loss to You; or
 - d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.e., 25, 26, 27 or 28.
- 5. Failure to pay value for Your Title.
- 6. Lack of a right:
 - a. to any land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
 - b. in streets, alleys, or waterways that touch the Land.

This Exclusion does not limit the coverage described in Covered Risk 11 or 21.
- 7. The transfer of the Title to You is invalid as a preferential transfer or as a fraudulent transfer or conveyance under federal bankruptcy, state insolvency, or similar creditors' rights laws.
- 8. Contamination, explosion, fire, flooding, vibration, fracturing, earthquake, or subsidence.
- 9. Negligence by a person or an Entity exercising a right to extract or develop minerals, water, or any other substances.

LIMITATIONS ON COVERED RISKS

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows:

- For Covered Risk 16, 18, 19, and 21 Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.

The deductible amounts and maximum dollar limits shown on Schedule A are as follows:

	Your Deductible Amount	Our Maximum Dollar Limit of Liability
Covered Risk 16:	1.00% % of Policy Amount Shown in Schedule A or \$2,500.00 (whichever is less)	\$ 10,000.00
Covered Risk 18:	1.00% % of Policy Amount Shown in Schedule A or \$5,000.00 (whichever is less)	\$ 25,000.00
Covered Risk 19:	1.00% of Policy Amount Shown in Schedule A or \$5,000.00 (whichever is less)	\$ 25,000.00
Covered Risk 21:	1.00% of Policy Amount Shown in Schedule A or \$2,500.00 (whichever is less)	\$ 5,000.00

2006 ALTA LOAN POLICY (06-17-06)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

- 1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;

or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
- 2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
- 3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;

- (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13 or 14); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
 5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
 6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
 7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

(Except as provided in Schedule B - Part II, (t or T)his policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees or expenses, that arise by reason of:

(PART I

(The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the Public Records.

PART II

In addition to the matters set forth in Part I of this Schedule, the Title is subject to the following matters, and the Company insures against loss or damage sustained in the event that they are not subordinate to the lien of the Insured Mortgage:)

2006 ALTA OWNER'S POLICY (06-17-06)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 9 and 10); or

- (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.
- 4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
 - (a) a fraudulent conveyance or fraudulent transfer; or
 - (b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
- 5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees or expenses, that arise by reason of: (The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

- 1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
- 2. Any facts, rights, interests, or claims that are not shown in the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
- 3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
- 4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and that are not shown by the Public Records.
- 5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
- 6. Any lien or right to a lien for services, labor or material not shown by the Public Records.
- 7. (Variable exceptions such as taxes, easements, CC&R's, etc. shown here.)

ALTA EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (04-02-15)

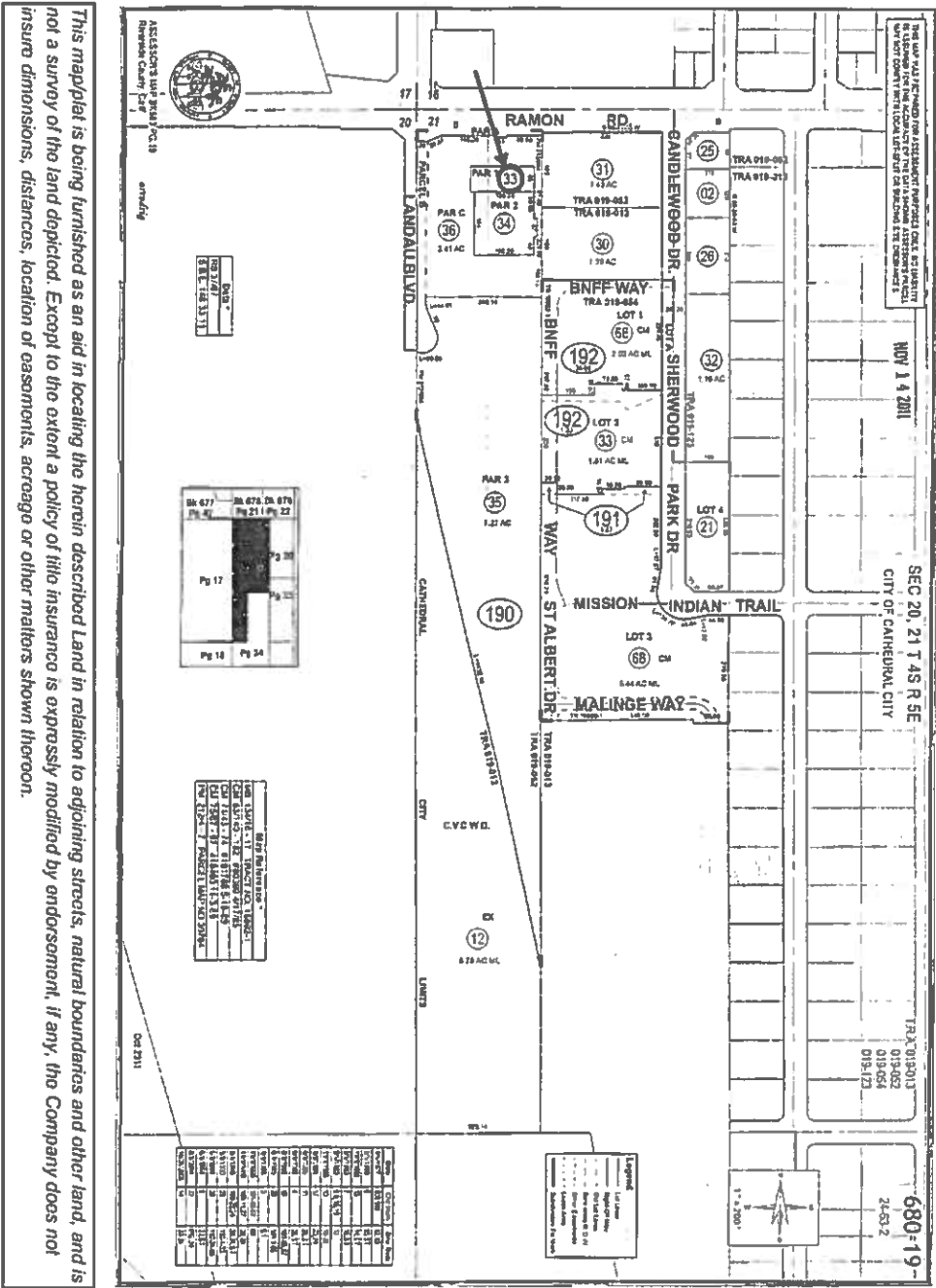
EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

- 1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
- 2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
- 3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 16, 17, 18, 19, 20, 21, 22, 23, 24, 27 or 28); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
- 4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
- 5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury, or any consumer credit protection or truth-in-lending law. This Exclusion does not modify or limit the coverage provided in Covered Risk 26.
- 6. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to Advances or modifications made after the Insured has Knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11.
- 7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching subsequent to Date of Policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11(b) or 25.

8. The failure of the residential structure, or any portion of it, to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This Exclusion does not modify or limit the coverage provided in Covered Risk 5 or 6.
9. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 27(b) of this policy.
10. Contamination, explosion, fire, flooding, vibration, fracturing, earthquake, or subsidence.
11. Negligence by a person or an Entity exercising a right to extract or develop minerals, water, or any other substances.

This map/plot is being furnished as an aid in locating the herein described Land in relation to adjoining streets, natural boundaries and other land, and is not a survey of the land depicted. Except to the extent a policy of title insurance is expressly modified by endorsement, if any, the Company does not insure dimensions, distances, location of easements, acreage or other matters shown thereon.



This map/plot is being furnished as an aid in locating the herein described Land in relation to adjoining streets, natural boundaries and other land, and is not a survey of the land depicted. Except to the extent a policy of title insurance is expressly modified by endorsement, if any, the Company does not insure dimensions, distances, location of easements, acreage or other matters shown thereon.

OWNER'S DECLARATION

The undersigned hereby declares as follows:

- I. (Fill in the applicable paragraph and strike the other)
 - a. Declarant ("Owner") is the owner or lessee, as the case may be, of certain premises located at _____, further described as follows: See Preliminary Report/Commitment No. 23079124-012-JDL-KM5 for full legal description (the "Land").
 - b. Declarant is the _____ of _____ ("Owner"), which is the owner or lessee, as the case may be, of certain premises located at _____, further described as follows: See Preliminary Report/Commitment No. 23079124-012-JDL-KM5 for full legal description (the "Land").
- 2. (Fill in the applicable paragraph and strike the other)
 - a. During the period of six months immediately preceding the date of this declaration no work has been done, no surveys or architectural or engineering plans have been prepared, and no materials have been furnished in connection with the erection, equipment, repair, protection or removal of any building or other structure on the Land or in connection with the improvement of the Land in any manner whatsoever.
 - b. During the period of six months immediately preceding the date of this declaration certain work has been done and materials furnished in connection with _____ upon the Land in the approximate total sum of \$_____, but no work whatever remains to be done and no materials remain to be furnished to complete the construction in full compliance with the plans and specifications, nor are there any unpaid bills incurred for labor and materials used in making such improvements or repairs upon the Land, or for the services of architects, surveyors or engineers, except as follows: _____. Owner, by the undersigned Declarant, agrees to and does hereby indemnify and hold harmless Fidelity National Title Company against any and all claims arising therefrom.
- 3. Owner has not previously conveyed the Land; is not a debtor in bankruptcy (and if a partnership, the general partner thereof is not a debtor in bankruptcy); and has not received notice of any pending court action affecting the title to the Land.
- 4. Except as shown in the above-referenced Preliminary Report/Commitment, there are no unpaid or unsatisfied mortgages, deeds of trust, Uniform Commercial Code financing statements, regular assessments, special assessments, periodic assessments or any assessment from any source, claims of lien, special assessments, or taxes that constitute a lien against the Land or that affect the Land but have not been recorded in the public records. There are no violations of the covenants, conditions and restrictions as shown in the above-referenced Preliminary Report/Commitment.
- 5. The Land is currently in use as _____; _____ occupy/occupies the Land; and the following are all of the leases or other occupancy rights affecting the Land:

- 6. There are no other persons or entities that assert an ownership interest in the Land, nor are there unrecorded easements, claims of easement, or boundary disputes that affect the Land.
- 7. There are no outstanding options to purchase or rights of first refusal affecting the Land.

This declaration is made with the intention that Fidelity National Title Company (the "Company") and its policy issuing agents will rely upon it in issuing their title insurance policies and endorsements. Owner, by the undersigned Declarant, agrees to indemnify the Company against loss or damage (including attorneys fees, expenses, and costs) incurred by the Company as a result of any untrue statement made herein.

I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed on ____ at _____.

Signature: _____