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**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEVADA**

In re:)	Case No.: 17-13415-ABL
GLENN A. PATERNOSTER and)	Chapter 11
CARMEL P. PATERNOSTER,)	Hearing Date: OST
Debtors in Possession.)	Hearing Time: OST

**DEBTORS' MOTION FOR APPROVAL OF SALE OF PROPERTY OF THE ESTATE
FREE AND CLEAR OF LIENS, CLAIMS, INTERESTS, AND ENCUMBRANCES**

Glenn A. Paternoster and Carmel P. Paternoster ("Debtors in Possession"), by their counsel, move this Court, pursuant to 11 U.S.C. §§ 105 and 363, Federal Rule of Bankruptcy Procedure 6004, and Local Rule of Bankruptcy Procedure 6004 for the District of Nevada, for entry of an order approving its "Motion for Approval of Sale of Property Free and Clear of Liens, Claims, Interests and Encumbrances" ("Motion") for property commonly known as **2017 E Ocean Blvd, Newport Beach, CA 92661** for the purchase price of two million, eight hundred and twenty five thousand dollars (**\$2,812,500.00**), on the terms and conditions set forth in the Purchase Agreement. This Motion based upon the attached memorandum of points and authorities, the papers, pleadings, and other documents on file with this Court, judicial notice respectfully requested, and any argument made at the time of the hearing on this Motion.

23rd day of June, 2017.

/s/ David A. Riggi
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5550 Painted Mirage Rd., Suite 120
Las Vegas, NV 89149
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**MEMORANDUM OF
POINTS AND AUTHORITIES**

**I.
INTRODUCTION AND RELEVANT FACTS**

A. Jurisdiction and Venue.

1. This Court has jurisdiction to consider this Motion pursuant to 28 U.S.C. §§ 157 and 1334. The subject matter of this Motion is a core proceeding pursuant to 28 U.S.C. § 157(b).

2. Venue is proper in this district pursuant to 28 U.S.C. § 1408.

3. The statutory predicates for the relief sought in this Motion include 11 U.S.C. §§ 105 and 363, and Rules 2002 and 6004 of the Federal Rules of Bankruptcy Procedure and 6004 of the Local Rules of Bankruptcy Procedure for the District of Nevada.

4. Pursuant to Local Rule 9014.2, Debtors consent to entry of final order(s) or judgment(s) by the bankruptcy judge if it is determined that the bankruptcy judge, absent consent of the parties, cannot enter final orders for judgment consistent with Article III of the United States Constitution.

B. General Background.

5. On June 23, 2017, Debtor commenced a chapter 11 bankruptcy in the United States Bankruptcy Court for the District of Nevada. Debtors continue to operate their business and manage their property as debtors in possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in this Chapter 11 case of Debtors.

6. A major asset of the Debtors is a property commonly known as 2017 E Ocean Blvd, Newport Beach, CA 92661 ("Property"). A document setting forth the legal description of the Property is attached hereto as **Exhibit "A"** ("Property Description").

7. The Property has a value of the purchase price of \$ 2,812,500.

8. The mortgage holder on the Property is Nationstar Mortgage LLC, ("Nationstar") which holds the rights to a note and first deed of trust which encumbers the Property. The amount of the total claim of Nationstar is \$ 2,211,026.00.

9. The Internal Revenue Service has two liens on the Property in the amounts of

\$46,483.56 and \$403,885.77 – these liens are indicated in page 4 of the Preliminary Title Report, of which a true and correct copy is attached hereto as **Exhibit “B”** (“Preliminary Title Report”), The Preliminary Title Report indicates that no other liens and encumbrances are on the Property.

C. The Background, Structure, and Terms of the Proposed Sale.

10. Debtors propose to sell the Property to James Cefalia (“Buyer”), an individual who is not an insider of the Debtors. The terms of the purchase agreement are standard terms. A copy of the purchase agreement is attached hereto as **Exhibit “C”** (“Purchase Agreement”).

11. A summary of the terms of the proposed sale to Buyer is as follows¹:

i. Assets To Be Purchased: Buyer has agreed to purchase the Property and all of Debtors’ rights and interests related thereto, free and clear of all interest related thereto;

ii. Purchase Price: The Purchase Price for the Property is two million, eight hundred and twenty five thousand dollars (\$ 2,812,500.00) Dollars;

iii. Closing: The Purchase Agreement provides for a closing date that has been, or can be, extended a reasonably short time period; and

iv. Treatment of Proceeds: It is anticipated that the Debtors will receive no proceeds of the sale. Instead all monies will be allocated to administrative fees and costs and to satisfy the first mortgage, any other liens and encumbrances (of which there seem to be none) and, of particular note, a partial satisfaction of the lien of the Internal Revenue Service (“IRS”).

D. Disclosure of other Material Terms of the Sale.

12. District of Nevada Local Rule of Bankruptcy Procedure for the District of Nevada 6004-1 (Nevada LRBP 6004-1) provides that a sale motion must highlight, or otherwise explain, fifteen material terms of a proposed sale. All of these terms are highlighted or explained as follows:

(a) Nevada LRBP 6004-1(b)(6)(A) provides that “a sale motion must: (A) If the

¹ The terms of the Purchase Agreement set forth herein are summarized for ease of reference. As noted, the Purchase Agreement is attached hereto as **Exhibit C**.

1 proposed sale is to an insider, as defined in 11 U.S.C. § 101, the(i) identify the insider;
2 and (ii) describe the insider's relationship to the debtor.” The Buyer is not an insider.

3 (b) Nevada LRBP 6004-1(b)(6)(B) provides that “a sale motion must: . . . (B) If
4 a proposed buyer has discussed or entered into any agreements with management or key
5 employees regarding compensation or future employment, the sale motion must disclose
6 the material terms of any such agreements.” There have been no such discussions or
7 agreements.

8 (c) Nevada LRBP 6004-1(b)(6)(C) provides that “a sale motion must: . . . (C)
9 The sale motion must highlight any provisions pursuant to which an entity is being
10 released or claims against any entity are being waived or otherwise satisfied.” There are
11 no third party releases or waivers.

12 (d) Nevada LRBP 6004-1(b)(6)(D) provides that “a sale motion must: . . . (D)
13 The sale motion must disclose whether an auction is contemplated, and highlight any
14 provision in which the debtor has agreed not to solicit competing offers for the property
15 subject to the sale motion or to otherwise limit the marketing of the property.” No
16 auction is contemplated and the Debtors have not agreed to any limitation of solicitations
17 or marketing of the Property.

18 (e) Nevada LRBP 6004-1(b)(6)(E) provides that “a sale motion must: . . . (E)
19 The sale motion must highlight any deadlines for the closing of the proposed sale or
20 deadlines that are conditions to closing the proposed transaction.” A closing date is set
21 forth, however it may be, and it is believed is, extended for a reasonably short period of
22 time.

23 (f) Nevada LRBP 6004-1(b)(6)(F) provides that “a sale motion must: . . . (F)
24 The sale motion must highlight whether the proposed purchaser has submitted or will be
25 required to submit a good faith deposit and, if so, the conditions under which the deposit
26 may be forfeited.” The sum of \$84,000.00 was tendered by the Buyer.

27 (g) Nevada LRBP 6004-1(b)(6)(G) provides that “a sale motion must: . . . (G)
28 The sale motion must highlight any provision pursuant to which a debtor is entering into

1 any interim agreements or arrangements with the proposed purchaser, such as interim
 2 management arrangements (which, if out of the ordinary course, also must be subject to
 3 notice and a hearing under 11 U.S.C. § 363(b)), and the terms of the agreements.” No
 4 such interim agreements or arrangements have been, or will be, discussed or negotiated.

5 (h) Nevada LRBP 6004-1(b)(6)(H) provides that “a sale motion must: . . . (H)
 6 The sale motion must highlight any provision pursuant to which a debtor proposes to
 7 release sale proceeds on or after the closing without further court order, or to provide for
 8 a definitive allocation of sale proceeds.” This motion makes such a request and provides
 9 for allocation of sale proceeds.

10 (i) Nevada LRBP 6004-1(b)(6)(I) provides that “a sale motion must: . . . (I) The
 11 sale motion must highlight any provision seeking to have the sale declared exempt from
 12 taxes under 11 U.S.C. § 1146(a), and the type of tax (e.g., recording tax, stamp tax, use
 13 tax, or capital gains tax) for which the exemption is sought. It is not sufficient to refer
 14 simply to "transfer" taxes and the state or states in which the affected property is
 15 located.” No such exemption is asserted.

16 (j) Nevada LRBP 6004-1(b)(6)(J) provides that “a sale motion must: . . . (J) If
 17 the debtor proposes to sell substantially all of its assets, the sale motion must highlight
 18 whether the debtor will retain, or have reasonable access to, its books and records to
 19 enable it to administer its bankruptcy case.” The Debtors are not proposing to sell all of
 20 their assets but, still, all books and records will be retained by the Debtors.

21 (k) Nevada LRBP 6004-1(b)(6)(K) provides that “a sale motion must: . . . (K) The
 22 sale motion must highlight any provision pursuant to which the debtor seeks to sell or
 23 otherwise limit any rights to pursue avoidance claims under chapter 5 of Title 11 of the
 24 United States Code.” The Debtors are not seeking any such sales or limitations.

25 (l) Nevada LRBP 6004-1(b)(6)(L) provides that “a sale motion must: . . . (L) The
 26 sale motion must highlight any provision limiting the proposed purchaser's successor
 27 liability.” There is no provision limiting successor liability.

28 (m) Nevada LRBP 6004-1(b)(6)(M) provides that “a sale motion must: . . . (M)

1 The sale motion must highlight any provision by which the debtor seeks to sell property
 2 free and clear of a possessory leasehold interest, license or other right.” The Debtors are
 3 not seeking that the sale be free and clear of any such rights.

4 (n) Nevada LRBP 6004-1(b)(6)(N) provides that “a sale motion must: . . . (N)
 5 The sale motion must highlight any terms with respect to credit bidding pursuant to 11
 6 U.S.C. § 363(k).” There are no terms relating to credit bids.

7 (o) Nevada LRBP 6004-1(b)(6)(O) provides that “a sale motion must: . . . (O) The sale
 8 motion must highlight any provision whereby the debtor seeks relief from the fourteen
 9 (14) day stay imposed by Fed. R. Bankr. P. 6004(h).” Because time is of the essence, and
 10 as noted more thoroughly in the next section of this Motion, the Debtors do seek relief
 11 from the 14 day stay of FRBP 6004(h).

12 **II.** 13 **RELIEF REQUESTED**

14 13. This Motion seeks entry of the Sale Order authorizing the sale of the Property free
 15 and clear of liabilities, liens, claims, interests, and encumbrances and in connection therewith.

16 **III.** 17 **LEGAL ARGUMENT**

18 **A. Approval of the Sale is Appropriate.**

19 14. Section 363(b)(1) of the Bankruptcy Code provides that a debtor, “after notice
 20 and a hearing, may use, sell or lease, other than in the ordinary course of business, property of
 21 the estate.” 11 U.S.C. § 363(b)(1). Section 105(a) provides in relevant part that “[t]he Court
 22 may issue any order, process, or judgment that is necessary or appropriate to carry out the
 23 provisions of this title.” 11 U.S.C. § 105(a).

24 15. Courts typically consider the following four factors in determining whether a
 25 proposed sale satisfies this standard: (a) whether a sound business justification exists for the sale,
 26 (b) whether adequate and reasonable notice of the sale was given to interested parties, (c)
 27 whether the sale will produce a fair and reasonable price for the property and (d) whether the
 28

parties have acted in good faith. *See, e.g., In re Weatherly Frozen Food Group, Inc.*, 149 B.R. 480, 483 (Bankr. N.D. Ohio 1992); *In re Delaware & Hudson Ry. Co.*, 124 B.R. 169, 176 (D. Del. 1991); *In re George Walsh Chevrolet, Inc.*, 118 B.R. 99, 101-02 (Bankr. E.D. Mo. 1990).

1. Sound Business Reason Exists for the Sale of the Assets.

16. A sale of a debtor's assets should be authorized pursuant to section 363 of the Bankruptcy Code if a sound business purpose exists for doing so. *See Stephens Indus. v. McClung*, 789 F. 2d 386, 390 (6th Cir. 1986) ("bankruptcy court can authorize a sale of all a Chapter 11 debtor's assets under [Section] 363(b)(1) when a sound business purpose dictates such action."); *Licensing By Paolo, Inc. v. Sinatra (In re Gucci)*, 126 F. 3d 380, 387 (2nd Cir. 1997) ("A sale of a substantial part of a Chapter 11 estate may be conducted if a good business reason exists to support it."); *Comm. Of Equity Security Holders v. Lionel Corp. (In re Lionel Corp.)*, 722 F. 2d 1063, 1071 (2nd Cir. 1983); *In re Chateaugay Corp.*, 973 F. 2d 141, 143 (2nd Cir. 1992); *Comm. Of Asbestos-Related Litigants v. Johns-Manville Corp. (In re Johns-Manville Corp.)*, 60 B.R. 612, 616 (Bankr. S.D.N.Y. 1986) ("Where the debtor articulates a reasonable basis for its business decisions (as distinct from a decision made arbitrarily or capriciously), courts will generally not entertain objections to the debtor's conduct.").

17. In the present matter, a sound business justification exists for the sale of the Property. Debtors are in the process of liquidating their assets to reduce debts and continue to fund ongoing operations during this reorganization. Therefore, a sound business reason exists for the sale of the Property.

2. Adequate & Reasonable Notice is being Provided to All Interested Parties.

18. Debtors are providing adequate and reasonable notice to interested parties of the opportunity to object to the sale of the Property. Debtors mailed a notice containing a description of the Property to be conveyed to Buyer and the relevant terms and conditions of the sale, the hearing date for the Motion to approve the sale of the Property, and the date for objecting to the sale of Property to the entire mailing matrix, including but not limited to all interested parties, lienholders, lessors and counterparties to executory contracts, taxing authorities, and the United States Trustee. Such notice will constitute adequate notice of the

proposed sale of the Property. *See, e.g., In re WBQ Partnership*, 189 B.R. 97, 103 (Bankr. E.D. Va. 1995) (“notice is sufficient if it includes the terms and conditions of the sale, if it states the time for filing objections, and if the estate is selling real estate, it generally describes the property”) (quoting *In re Karpe*, 84 B.R. 926, 929 (Bankr. M.D. Pa. 1988)).

3. The Sale Will Produce a Fair and Reasonable Price.

19. Debtors have actively marketed this Property.

20. Buyer has made the highest and best offer to purchase the Property.

21. Debtors believe the price being offered for the Property is fair and reasonable.

4. The Parties are Acting in Good Faith.

22. Courts generally conclude that parties have acted in good faith with respect to a proposed sale if the purchase price is adequate and reasonable and the terms of the sale are disclosed fully. *See, e.g., In re Abbotts Dairies of Pa., Inc.*, 788 F. 2d 143, 149-50 (3rd Cir. 1986).

23. Although the Bankruptcy Code does not define “good faith purchaser,” courts interpreting Section 363(m) of the Bankruptcy Code have held that “the requisite misconduct necessary to establish a lack of good faith involves ‘fraud, collusion between the purchaser and other bidders or the trustee, or an attempt to take grossly unfair advantage of other bidders.’” *In re AFY*, 734 F.3d 810, 818 (8th Cir. 2013) (quoting *In re Burgess*, 246 B.R. 352, 356 (8th Cir.BAP 2000) (quoting *In re Rock Indus. Mach. Corp.*, 572 F.2d 1195, 1198 (7th Cir.1978))); *see also, Marin v. Coated Sales, Inc. (In re Coated Sales, Inc.)*, 1990 WL 212899 (S.D.N.Y. Dec. 13, 1990). *In re Sasson Jeans, Inc.*, 90 B.R. 608, 610 (S.D.N.Y. 1988) (quoting *In re Bel Air Asocs., Ltd.*, 706 F. 2d 301, 305 (10th Cir. 1983)). Yet, because there is no bright line test, courts examine the facts of each case by concentrating on the “integrity of [an actor’s] conduct during the sale proceedings.” *In re Pisces Leasing Corp.*, 66 B.R. 671, 673 (E.D.N.Y. 1986) (quoting *In re Rock Indus. Machinery Corp.*, 572 F. 2d 1195, 1198 (7th Cir. 1978)); *see also In re Abbotts Dairies of Pennsylvania, Inc.*, 788 F. 2d 143, 147 (3rd Cir. 1986) (“The requirement that a purchaser act in good faith...speaks to the integrity of his conduct in the course of the sale proceedings. Typically, the misconduct that would destroy a purchaser’s good faith status at a

judicial sale involves fraud, collusion between the purchaser and other bidders or the trustee, or an attempt to take grossly unfair advantage of other bidders.”) (citations omitted).

24. Debtors submit that the purchase price is the highest price achievable for the Property after a diligent marketing effort.

25. Debtors are prepared to present evidence of such good faith at the Sale Hearing and that the sale of the Property proposed herein should be approved.

B. The Property Should be Sold Free and Clear Liens, Claims, and Interests.

26. Section 363(f) of the Bankruptcy Code provides that the trustee may sell property under subsection (b) or (c) of this section free and clear of any interest in such property of an entity other than the estate, only if –

(1) applicable nonbankruptcy law permits sale of such property free and clear of such interest;

(2) such entity consents;

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

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

(5) such entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such interest. 11 U.S.C. § 363(f).

27. In addition, a court may authorize the sale of a debtor’s assets free and clear of any liens, claims, or encumbrances under Section 105 of the Bankruptcy Code. *See Volvo White Truck Corp. v. Chambersburg Beverage, Inc. (In re White Motor Credit Corp.)*, 75 B.R. 944, 948 (Bankr. N.D. Ohio 1987) (“Authority to conduct such sales [free and clear of liens] is within the court’s equitable powers when necessary to carry out the provisions of Title 11.”). Section 363(f) is drafted in the disjunctive. Thus, satisfaction of any of the requirements enumerated therein will suffice to warrant Debtors’ sale of the Property free and clear of all interests and claims. *See In re James*, 203 B.R. 449, 453 (Bankr. W.D.Mo. 1997); *Citicorp Homeowners Services, Inc. v. Elliot*, 94 B.R. 343, 345 (E.D. Pa. 1988).

28. Debtors propose that the Court either (1) allow distribution to all lienholders, encumbrancers, and costs relating to the sale, before the plan is confirmed; or (2) allow the sale to proceed but with liens attaching to the proceeds with the final distribution to be accomplished as part of the plan of reorganization. Moreover, it is anticipated that all appropriate entities will “consent” to the sale and, therefore, Code Section 363(f)(2) will fulfill the requirement for that provision not to be a prohibition against the proposed sale. Because Section 363(f) is drafted in the disjunctive, satisfaction of any of the requirements enumerated therein will suffice to warrant Debtors’ sale of the Property free and clear of all interests and claims. *See In re James*, 203 B.R. 449, 453 (Bankr. W.D.Mo. 1997); *Citicorp Homeowners Services, Inc. v. Elliot*, 94 B.R. 343, 345 (E.D. Pa. 1988). In addition, a court may authorize the sale of a debtor’s assets free and clear of any liens, claims, or encumbrances under Section 105 of the Bankruptcy Code. *See Volvo White Truck Corp. v. Chambersburg Beverage, Inc. (In re White Motor Credit Corp.)*, 75 B.R. 944, 948 (Bankr. N.D. Ohio 1987) (“Authority to conduct such sales [free and clear of liens] is within the court’s equitable powers when necessary to carry out the provisions of Title 11.”).

29. In connection with the proposed sale of the Property, Debtors request that the Sale Order: (i) provide that the Sale Order is binding on any and all successors and assigns, including any trustee appointed after entry of the Sale Order pursuant to Section 1104 of the Bankruptcy Code or pursuant to Sections 701 or 702 of the Bankruptcy Code if the Debtors’ bankruptcy cases are converted to a case under chapter 7 of the Bankruptcy Code; and (ii) provide that except as otherwise agreed by the parties, the rights and obligations of the parties created under the Purchase Agreement and the Sale Order shall not be altered, modified, or impaired by the terms of any plan or order confirming any plan, and shall survive confirmation of a plan and closing or dismissal of Debtors’ bankruptcy case.

C. Relief under Bankruptcy Rule 6004(h) is Appropriate.

30. Debtors request that any order approving the free and clear sale of the Property become effective immediately upon its entry. Bankruptcy Rule 6004(h) provides that an “order authorizing the use, sale, or lease of property ... is stayed until the expiration of 14 days after

1 entry of the order, unless the court orders otherwise.” Because all parties consent to the sale and
2 because the sale may be lost if not quickly closed, good cause exists for the Court to waive the
3 14-day stay period under Bankruptcy Rule 6004(h).

4 **IV.**
5 **NOTICE**

6 31. Notice of this pleading shall be provided by e-mail, facsimile, or overnight
7 delivery to all parties who request notices pursuant to Rule 2002 of the Federal Rules of
8 Bankruptcy Procedure. In light of the nature of the relief requested, Debtors submit that no
9 further notice is required.

10 **V.**
11 **CONCLUSION**

12 **WHEREFORE**, Debtors request entry of an order, authorizing the sale of the Property
13 free and clear of liabilities, liens, claims, interests, and encumbrances to Buyer; or with the lien
14 to attach to the proceeds with final distribution to be made pursuant to a plan of reorganization.

15
16 23rd day of June, 2017.

17 /s/ David A. Riggi
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24 ***Attorney for the Debtors in Possession***
25
26
27
28

Exhibit “A”

Lot 27 and the East half of Lot 28 in Block 'D' of Tract No. 518, in the City of Newport Beach, County of Orange, State of California, as per map recorded in Book 17 Page(s) 33 through 36 inclusive of Miscellaneous Maps, in the Office of the County Recorder of said County.

Exhibit “A”

Exhibit “B”



**Orange Coast Title Company of Southern California -
Orange County Division**

1551 N. Tustin Avenue, Suite 300
Santa Ana, CA 92705
714-558-2836

	PRELIMINARY REPORT	
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Gestalt Group Escrow
1551 N. Tustin Avenue #300
Santa Ana, CA 92705

Attention:	Valerie Fazio	Your no.:	1005-VF
Property address:	2017 East Ocean Boulevard, Newport Beach, CA 92661	Order no.:	350-1860120-55

Dated: May 26, 2017

In response to the above referenced application for a policy of title insurance, **Orange Coast Title Company of Southern California - Orange County Division** 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 below or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations 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 Exhibit B attached. 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 Exhibit B. Copies of the policy forms should be read. They are available from the office which issued this report.

Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit B 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 the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

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.

Dated as of May 19, 2017 at 7:30 AM

Winston J. Nakagawa, Title
Officer
Ph: 714-558-2836
Email: winstontitle@octitle.com

The form of policy of title insurance contemplated by this report is:

A.L.T.A Homeowner's Policy (2/03/10)

Schedule "A"

The estate or interest in the land hereinafter described or referred to covered by this report is:

A Fee

Title to said estate or interest at the date hereof is vested in:

Glenn A. Paternoster and Carmel P. Paternoster, Husband and Wife as Community Property with Right of Survivorship.

The land referred to in this report is situated in the County of Orange, State of California, and is described as follows:

Lot 27 and the East half of Lot 28 in Block 'D' of Tract No. 518, in the City of Newport Beach, County of Orange, State of California, as per map recorded in Book 17 Page(s) 33 through 36 inclusive of Miscellaneous Maps, in the Office of the County Recorder of said County.

Assessor's Parcel Numbers(s): 048-262-04

Schedule "B"

At the date hereof exceptions to coverage in addition to the printed exceptions and exclusions contained in said policy form would be as follows:

- 1 General and Special taxes for the fiscal year 2017-2018, including any assessments collected with taxes. A lien not yet payable.

First installment due and payable November 1, 2017, delinquent if not paid by 12/10/17

Second installment due and payable February 1, 2018, delinquent if not paid by 4/10/18

- 2 General and Special taxes for the fiscal year 2016-2017, including any assessments collected with current taxes.

Total amount **\$25,536.68**

1st installment **\$12,768.34**, Paid

Penalty **\$1,276.83** (after 12/12/2016)

2nd installment **\$12,768.34**, Paid

Penalty **\$1,299.83** (after 4/10/2017)

Code area 07-001-City of Newport Beach

Parcel No. **048-262-04**

Exemption \$none

NOTE: Taxes above mentioned have all been paid and are reported for proration purposes only.

- 3 The Lien of future supplemental taxes, if any, assessed pursuant to the provisions of section 75, et seq of the revenue and taxation code of the state of California
- 4 Covenants, conditions and restrictions in an instrument recorded [in Book 1043, Page 144, Official Records](#), which provide that a violation thereof shall not defeat or render invalid the lien of any mortgage or Deed of Trust made in good faith and for value, but omitting any covenants or restrictions, if any, based upon race, color, religion, sex, handicap, familial status, or national origin unless and only to the extent that said covenant (a) is exempt under chapter 42, section 3604 of the United States code or (b) relates to handicap but does not discriminate against handicapped persons.

"NOTE: section 12955 of the government code provide the following: if this document contains any restriction based on race, color, religion, sex, familial status, marital status, disability, national origin, or ancestry, that restriction violates state and federal fair housing laws and is void, and may be removed pursuant to Section 12955 of the government code. Lawful restriction under state and federal law on the age of occupants in senior housing for older persons shall not be construed as restriction based on familial status."

Said matter affects Lot 27.

- 5 Covenants, conditions and restrictions in an instrument recorded [in Book 1214, Page 526, Official Records](#), which provide that a violation thereof shall not defeat or render invalid the lien of any mortgage or Deed of Trust made in good faith and for value, but omitting any covenants or restrictions, if any, based upon race, color, religion, sex, handicap, familial status, or national origin unless and only to the extent that said covenant (a) is exempt under chapter 42, section 3604 of the United States code or (b) relates to handicap but does not discriminate against handicapped persons.

"NOTE: section 12955 of the government code provide the following: if this document contains any restriction based on race, color, religion, sex, familial status, marital status, disability, national origin, or ancestry, that restriction violates state and federal fair housing laws and is void, and may be removed pursuant to Section 12955 of the government code. Lawful restriction under state and federal law on the age of occupants in senior housing for older persons shall not be construed as restriction based on familial status."

Said matter affects Lot 28.

- 6 A covenant and agreement wherein the owners of said land covenant and agree, among other things, that said lands shall be held as one parcel, and that no portion shall be sold separately.
Recorded: [8/4/1983, as Instrument No. 1983-337693](#), Official Records.

- 7 A Deed of Trust to secure the indebtedness of
 Amount: **\$1,920,000.00**
 Trustor: **Glenn A. Paternoster, and Carmel P. Paternoster, Husband and Wife as Community Property with the Right of Survivorship**
 Trustee: ReconTrust Company, N.A.
 Beneficiary: Countrywide Bank, N.A., a National Association, serviced by Mortgage Electronic Registration Systems, Inc. (MERS)
 Dated: 1/5/2007
 Recorded: **1/10/2007**, as Instrument No. [2007-18155](#), Official Records

The trustee in said Deed of Trust was substituted by an instrument

Recorded: 4/10/2014 as Instrument No. [2014-135851](#), Official Records.

New trustee: Aztec Foreclosure Corporation

The beneficial interest under said Deed of Trust was assigned to HSBC Bank USA, National Association, as Trustee for the Holders of Merrill Lynch Mortgage Investors, Inc., Mortgage Pass-Through Certificates, Mana Series 2007-OAR2, by Assignment recorded 2/9/2016 as Instrument No. [2016-54450](#), Official Records, and by other Assignments of record.

- 8 "The right of the vestee named in Schedule A, or his/her predecessors in interest, to cancel, avoid or rescind any deed or mortgage recorded subsequent to the Notice of Default recorded 2/5/2016, as Instrument No. 2016-49669, Official Records based on California Civil Code Sections 1695 et seq., or 2945 et seq."
- 9 A lien due the United States of America
 Recorded: **2/18/2011** as Instrument No. [2011-92066](#), Official Records.
 Dated: 2/7/2011
 Serial no.: 751275211
 Against: **Glenn A. & Carmel Paternoster**
 Amount: **\$46,483.56**
- 10 A lien due the United States of America
 Recorded: **2/8/2013** as Instrument No. [2013-83451](#), Official Records.
 Dated: 1/29/2013
 Serial no.: 919262013
 Against: **Glenn A. & Carmel Paternoster**
 Amount: **\$403,885.77**
- 11 Rights of tenant(s) in the land, if any, and rights of all parties claiming by, through or under said tenant(s).
- 12 **The title search has disclosed possible liens and judgments that cannot be eliminated until we receive a completed Statement of Information from Glenn A. Paternoster. THIS TRANSACTION WILL NOT BE ABLE TO CLOSE UNTIL WE HAVE RESOLVED THESE MATTERS. YOUR PROMPT ATTENTION IS APPRECIATED.**
- 13 **The title search has disclosed possible liens and judgments that cannot be eliminated until we receive a completed Statement of Information from Carmel P. Paternoster. THIS TRANSACTION WILL NOT BE ABLE TO CLOSE UNTIL WE HAVE RESOLVED THESE MATTERS. YOUR PROMPT ATTENTION IS APPRECIATED.**

End of Schedule B

“NOTES AND REQUIREMENTS SECTION”**Note No. 1**

California Revenue and Taxation Code Section 18662, effective January 1, 1994 and by amendment effective January 1, 2003, provides that the buyer in all sales of California Real Estate may be required to withhold 3 and 1/3% of the total sales price as California State Income Tax, subject to the provisions of the law as therein contained.

NOTE NO. 2 PAYOFF INFORMATION:

Note: this company does require current beneficiary demands prior to closing.

If the demand is expired and a correct demand cannot be obtained, our requirements will be as follows:

- A. If this company accepts a verbal update on the demand, we may hold an amount equal to one monthly mortgage payment. The amount of this hold will be over and above the verbal hold the lender may have stipulated.
- B. If this company cannot obtain a verbal update on the demand, will either pay off the expired demand or wait for the amended demand, at the discretion of the escrow.
- C. In the event that a payoff is being made to a servicing agent for the beneficiary, this company will require a complete copy of the servicing agreement prior to close.

Note No. 3

If this company is requested to disburse funds in connection with this transaction, chapter 598, statutes of 1989 mandates hold periods for checks deposited to escrow or sub-escrow accounts. The mandatory hold is one business day after the day deposited. Other checks require a hold period from three to seven business days after the day deposited.

Notice Regarding Your Deposit of Funds

California Insurance Code Sections 12413 *et. Seq.* Regulates the disbursement of escrow and sub-escrow funds by title companies. The law requires that funds be deposited in the title company escrow and sub-escrow accounts and be available for withdrawal prior to disbursement. Funds deposited with the Company by wire transfer may be disbursed upon receipt. Funds deposited with the Company via cashier's checks drawn on a California based bank may be disbursed the next business day after the day of deposit. If funds are deposited with by other methods, recording or disbursement may be delayed. All escrow and sub-escrow funds received by the Company will be deposited with other funds in one or more non-interest bearing escrow accounts of the Company in a financial institution selected by the Company. The Company and/or its parent company may receive certain direct or indirect benefits from the financial institution by reason of the deposit of such funds or the maintenance of such accounts with the financial institution, and the Company shall have no obligation to account to the depositing party in any manner for the value of, or to pay such party, any benefit received by the Company and/or its parent Company. Those benefits may include, without limitation, credits allowed by such financial institution on loans to the Company and/or its parent company and earnings on investments made on the proceeds of such loans, accounting, reporting and other services and products of such financial institution. Such benefits shall be deemed additional compensation of the Company for its services in connection with the escrow or sub-escrow.



**Orange Coast Title Company of Southern California -
Orange County Division**

1551 N. Tustin Avenue, Suite 300
Santa Ana, CA 92705
714-558-2836

Attention:

Borrower: Cefalia

Lenders supplemental report

The above numbered report (including any supplements or amendments thereto) is hereby modified and/or supplemented in order to reflect the following additional items relating to the issuance of an American Land Title Association loan policy form as follows:

- A. This report is preparatory to this issuance of an American Land Title Association loan policy of title insurance. This report discloses nothing, which would preclude the issuance of said American land title association loan policy of title insurance with endorsement no. 100 attached thereto.
- B. The improvements on said land are designated as:

A single family residence

2017 East Ocean Boulevard, in the City of Newport Beach, County of Orange, State of California.
- C. Our search of the public records revealed conveyance(s) affecting said land recorded within 24 months of the date of this report are as follows:

None.

Attention

Please note that this preliminary report now has an extra copy of the legal description on a separate sheet of paper. There are no markings on the page. The idea is to provide you with a legal description that can be attached to other documents as needed. That legal description page immediately follows this page.

Thank you for your support of **Orange Coast Title Company of Southern California - Orange County Division**. We hope that this makes your job a little easier.

Exhibit “A”

Lot 27 and the East half of Lot 28 in Block 'D' of Tract No. 518, in the City of Newport Beach, County of Orange, State of California, as per map recorded in Book 17 Page(s) 33 through 36 inclusive of Miscellaneous Maps, in the Office of the County Recorder of said County.

CLTA Preliminary Report Form – Exhibit B (06-03-11)**CLTA 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:

- (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.
- 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.
- 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.
- 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.
- 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.
- 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 I

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:

- 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.
- 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.
- Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.
- 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.
- (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.
- Any lien or right to a lien for services, labor or material not shown by the public records.

CLTA/ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE (02/03/10)**EXCLUSIONS**

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

- 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.
- 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.
- The right to take the Land by condemning it. This Exclusion does not limit the coverage described in Covered Risk 17.
- Risks: a. that are created, allowed, or agreed to by You, whether or not they 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.
- Failure to pay value for Your Title.
- 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.
- 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.

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 % of Policy Amount shown in Schedule A or \$ 2,500 (whichever is less)	\$ 10,000
Covered Risk 18:	1 % of Policy Amount shown in Schedule A or \$ 5,000 (whichever is less)	\$ 25,000
Covered Risk 19:	1 % of Policy Amount shown in Schedule A or \$ 5,000 (whichever is less)	\$ 25,000
Covered Risk 21:	1 % of Policy Amount shown in Schedule A or \$ 2,500 (whichever is less)	\$ 5,000

ALTA RESIDENTIAL TITLE INSURANCE POLICY (6-1-87)**EXCLUSIONS**

In addition to the Exceptions in Schedule B, you are not insured against loss, costs, attorneys' fees, and expenses resulting from:

- Governmental police power, and the existence or violation of any law or government regulation. This includes building and zoning ordinances and also laws and regulations concerning: * land use * improvements on the land * land division * environmental protection. This exclusion does not apply to violations or the enforcement of these matters which appear in the public records at Policy Date. This exclusion does not limit the zoning coverage described in Items 12 and 13 of Covered Title Risks.
- The right to take the land by condemning it, unless: *a notice of exercising the right appears in the public records *on the Policy Date *the taking happened prior to the Policy Date and is binding on you if you bought the land without knowing of the taking
- Title Risks: *that are created, allowed, or agreed to by you *that are known to you, but not to us, on the Policy Date -- unless they appeared in the public records *that result in no loss to you *that first affect your title after the Policy Date -- this does not limit the labor and material lien coverage in Item 8 of Covered Title Risks
- Failure to pay value for your title.
- Lack of a right: *to any land outside the area specifically described and referred to in Item 3 of Schedule A OR *in streets, alleys, or waterways that touch your land. This exclusion does not limit the access coverage in Item 5 of Covered Title Risks.

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 which arise by reason of:

- (a) Any law, ordinance 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.
- Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
- 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.
- 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 in which the Land is situated.
- 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.
- 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.
- 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):

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:

- (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.
- Any facts, rights, interests or claims which 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.
- Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
- 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.
- (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.
- Any lien or right to a lien for services, labor or material not shown by the public records.

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:

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 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.

ALTA EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (07-26-10)

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 but not limited 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 the 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 Risks 5, 6, 13(c), 13(d), 14, and 16. (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risks 5, 6, 13(c), 13(b), 14, and 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 Risks 11, 16, 17, 18, 19, 20, 21, 22, 23, 24, 27 or 26); or (e) resulting in loss or damage which 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 the Insured to comply with applicable doing-business laws of the state in which 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 in accordance with applicable building codes. This Exclusion does not modify or limit the coverage provided in Covered Risk 5 or 6.
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.

Orange Coast Title Company of Southern California - Orange County Division PRIVACY POLICY

We Are Committed to Safeguarding Customer Information

In order to better serve your needs now and in the future, we may ask you to provide us with certain information. We understand that you may be concerned about what we will do with such information – particularly any personal or financial information. We agree that you have a right to know how we will utilize the personal information that you provide to us. Therefore, we have adopted this Privacy Policy to govern the use and handling of your personal information.

Applicability

This Privacy Policy governs our use of the information which you provide to us. It does not govern the manner in which we may use information we have obtained from any other source, such as information obtained from a public record or from another person or entity.

Types of Information

Depending upon which of our services you are utilizing, the types of nonpublic personal information that we may collect include:

- Information we receive from you on applications, forms and in other communications to us, whether in writing, in person, by telephone or any other means.
- Information we receive from providers of services to us, such as appraisers, appraisal management companies, real estate agents and brokers and insurance agencies (this may include the appraised value, purchase price and other details about the property that is the subject of your transaction with us).
- Information about your transactions with us, our Affiliated Companies, or others; and
- Information we receive from a consumer reporting agency.

Use of Information

We request information from you for our own legitimate business purposes and not for benefit of any nonaffiliated party. Therefore, we will not release your information to nonaffiliated parties except: (1) as necessary for us to provide the product or service you have requested of us; or (2) as permitted by law. We may, however, store such information indefinitely, including the period after which any customer relationship has ceased. Such information may be used for any internal purpose, such as quality control efforts or customer analysis.

Former Customers

Even if you are no longer our customer, our Privacy Policy will continue to apply to you.

Confidentiality and Security

We will use our best efforts to ensure that no unauthorized parties have access to any of your information. We restrict access to nonpublic personal information about you to those individuals and entities who need to know that information to provide products or services to you. We will use our best efforts to train and oversee our employees and agents to ensure that your information will be handled responsibly and in accordance with this Privacy Policy. We currently maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

Other Important Information

We reserve the right to modify or supplement this Privacy Policy at any time. If our Privacy Policy changes, we will provide the new Privacy Policy before the new policy becomes effective.

STATEMENT OF FACTS**CONFIDENTIAL INFORMATION FOR YOUR PROTECTION**

This statement is to be signed personally by each party to the transaction and by both husband, wife or domestic partner before title insurance can be written. When filled in completely it will serve to establish identity, eliminate matters affecting persons of similar name, protect you against forgeries, and speed the completion of your transaction.

MY FULL NAME (First, Middle, Last) _____ Date of Birth : _____

Business Ph: _____ Home Ph: _____ Birthplace: _____

SS# _____ Driver's License No. _____ Expiration Date _____ State Issued _____

I have lived continuously in the USA since: _____

Full name of spouse/domestic partner: (First, Middle, Last) _____

Spouse/domestic partner's Birthplace: _____ Date of Birth: _____

Spouse/domestic partner's SS# _____ I have lived continuously in the USA since: _____

We were married/legally joined on : _____ at _____

Spouse/domestic partner's maiden name: _____

RESIDENCES & OCCUPATIONS DURING PAST 10 YEARS

Street _____ City _____ From _____ to _____

Street _____ City _____ From _____ to _____

Street _____ City _____ From _____ to _____

OCCUPATIONS

(Husband/Domestic partner) Firm Name: _____ Location: _____

Firm Name: _____ Location: _____

Firm Name: _____ Location: _____

(Wife/Domestic partner) Firm Name: _____ Location: _____

Firm Name: _____ Location: _____

Firm Name: _____ Location: _____

Any Former

(If no former marriage/union, write "none" Otherwise complete the following)

Name of former wife/domestic partner: _____

Marriages

Deceased: ____ Divorced: ____ Interlocutory: ____ Final: ____ When: ____ Where: ____

(check one item -
fill in date & place)

Name of former husband/domestic partner: _____

Deceased: ____ Divorced: ____ Interlocutory: ____ Final: ____ When: ____ Where: ____

There are no leases, defects, encumbrances, adverse claims, or other matters affecting said property other than as

Shown on the Preliminary Report prepared by: _____

Bearing the above referenced order number dated: _____

There is no-one in possession or entitled to possession of said property other than the Vestee shown in said

Preliminary Report except: _____

There is no work of improvement in progress and no such work has been completed within one year of this date:

(Circle One)

YES

NO

The Street address of the property in this transaction is: _____

Single Family Residence: ____ Multiple Residence: ____ Commercial: ____ Vacant Land: ____

Occupied By: Owner: ____ Lessee: ____ Tenants: ____

Is any portion of new loan funds to be used for construction? (circle one)

YES

NO

Date: _____

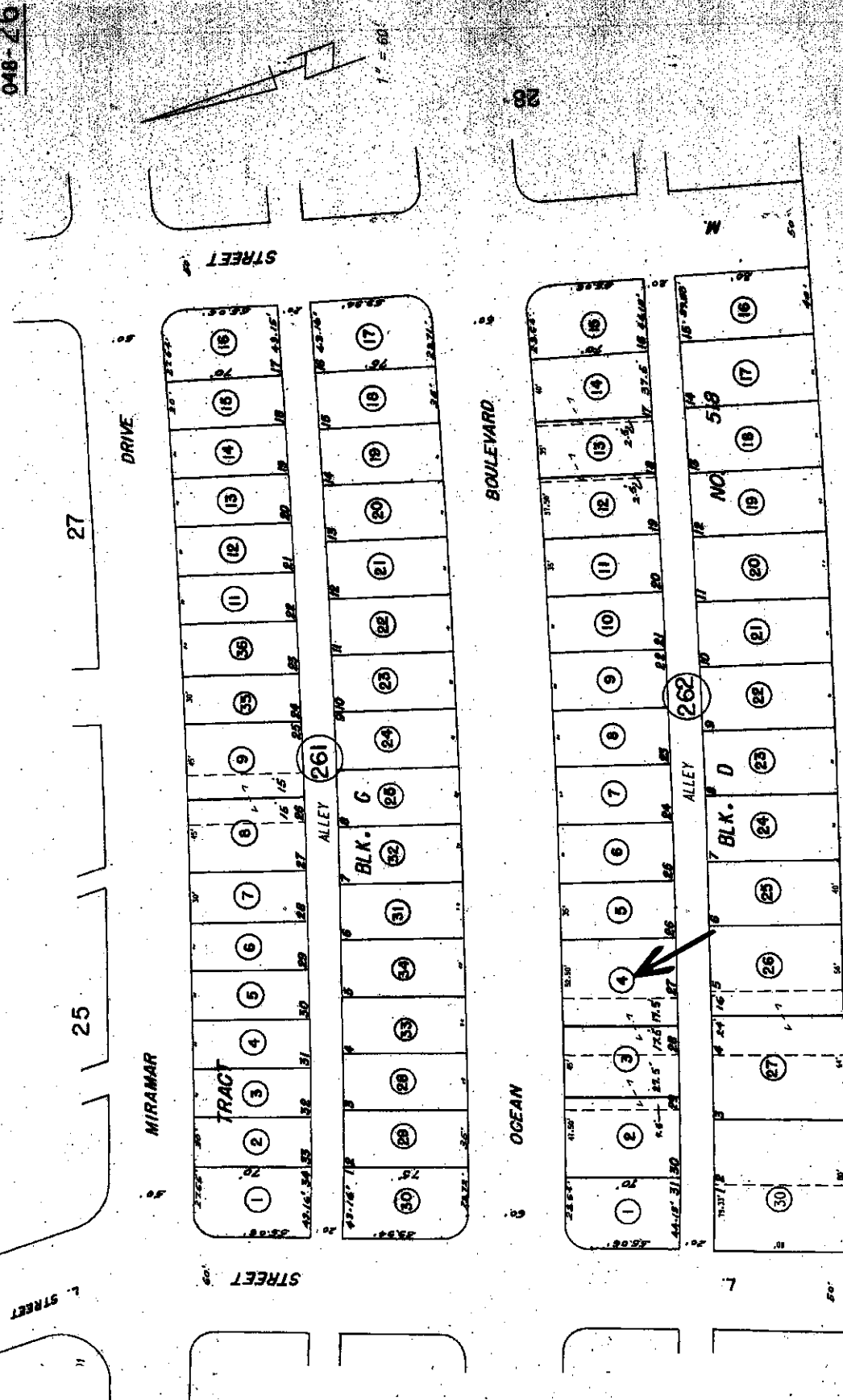
(Signature)

Order No: 350-1860120-55

(Signature)

THIS MAP SHOULD BE USED FOR REFERENCE PURPOSES ONLY. NO LIABILITY IS ASSUMED FOR THE ACCURACY OF THE DATA SHOWN. PARCELS MAY NOT COMPLY WITH LOCAL SUBDIVISION OR BUILDING ORDINANCES.

048-26



ASSESSOR'S MAP
BOOK 048 PAGE 26
COUNTY OF ORANGE

NOTE - ASSESSOR'S BLOCK &
PARCEL NUMBERS
SHOWN IN CIRCLES

TR. NO. 518 M.M. 17-33-36

MARCH 1949

Exhibit “C”



CALIFORNIA
ASSOCIATION
OF REALTORS®

**RESIDENTIAL PURCHASE AGREEMENT
AND JOINT ESCROW INSTRUCTIONS**
(C.A.R. Form RPA-CA, Revised 12/15)

Date Prepared: 05/20/2017

1. OFFER:

- A. THIS IS AN OFFER FROM James Cefalia ("Buyer").
 B. THE REAL PROPERTY to be acquired is 2017 E Ocean Blvd, Newport Beach, CA 92661, situated in Newport Beach (City), Orange (County), California, 92661 (Zip Code), Assessor's Parcel No. 04826204 ("Property").
 C. THE PURCHASE PRICE offered is Two Million, Eight Hundred Thousand Dollars \$ 2,800,000.00.
 D. CLOSE OF ESCROW shall occur on ☐ (date) or ☒ 30 Days After Acceptance).
 E. Buyer and Seller are referred to herein as the "Parties." Brokers are not Parties to this Agreement.

2. AGENCY:

- A. DISCLOSURE: The Parties each acknowledge receipt of a ☒ "Disclosure Regarding Real Estate Agency Relationships" (C.A.R. Form AD).
 B. CONFIRMATION: The following agency relationships are hereby confirmed for this transaction:
 Listing Agent Engel & Voelkers Newport Beach (Print Firm Name) is the agent of (check one):
☐ the Seller exclusively; or ☒ both the Buyer and Seller.
 Selling Agent Engel & Voelkers Newport Beach (Print Firm Name) (if not the same as the Listing Agent) is the agent of (check one): ☐ the Buyer exclusively; or ☐ the Seller exclusively; or ☒ both the Buyer and Seller.
 C. POTENTIALLY COMPETING BUYERS AND SELLERS: The Parties each acknowledge receipt of a ☒ "Possible Representation of More than One Buyer or Seller - Disclosure and Consent" (C.A.R. Form PRBS).

3. FINANCE TERMS: Buyer represents that funds will be good when deposited with Escrow Holder.

- A. INITIAL DEPOSIT: Deposit shall be in the amount of \$ 84,000.00
 (1) Buyer Direct Deposit: Buyer shall deliver deposit directly to Escrow Holder by electronic funds transfer, ☐ cashier's check, ☐ personal check, ☐ other within 3 business days after Acceptance (or);
 OR (2) ☐ Buyer Deposit with Agent: Buyer has given the deposit by personal check (or) to the agent submitting the offer (or to), made payable to The deposit shall be held uncashed until Acceptance and then deposited with Escrow Holder within 3 business days after Acceptance (or).
 Deposit checks given to agent shall be an original signed check and not a copy.

(Note: Initial and increased deposits checks received by agent shall be recorded in Broker's trust fund log.)

- B. INCREASED DEPOSIT: Buyer shall deposit with Escrow Holder an increased deposit in the amount of \$ within Days After Acceptance (or).
 If the Parties agree to liquidated damages in this Agreement, they also agree to incorporate the increased deposit into the liquidated damages amount in a separate liquidated damages clause (C.A.R. Form RID) at the time the increased deposit is delivered to Escrow Holder.
 C. ☒ ALL CASH OFFER: No loan is needed to purchase the Property. This offer is NOT contingent on Buyer obtaining a loan. Written verification of sufficient funds to close this transaction IS ATTACHED to this offer or ☐ Buyer shall, within 3 (or) Days After Acceptance, Deliver to Seller such verification.

D. LOAN(S):

- (1) FIRST LOAN: in the amount of \$
 This loan will be conventional financing or ☐ FHA, ☐ VA, ☐ Seller financing (C.A.R. Form SFA), ☐ assumed financing (C.A.R. Form AFA), ☐ Other This loan shall be at a fixed rate not to exceed % or, ☐ an adjustable rate loan with initial rate not to exceed %. Regardless of the type of loan, Buyer shall pay points not to exceed % of the loan amount.
 (2) ☐ SECOND LOAN in the amount of \$
 This loan will be conventional financing or ☐ Seller financing (C.A.R. Form SFA), ☐ assumed financing (C.A.R. Form AFA), ☐ Other This loan shall be at a fixed rate not to exceed % or, ☐ an adjustable rate loan with initial rate not to exceed %. Regardless of the type of loan, Buyer shall pay points not to exceed % of the loan amount.
 (3) FHA/VA: For any FHA or VA loan specified in 3D(1), Buyer has 17 (or) Days After Acceptance to Deliver to Seller written notice (C.A.R. Form FVA) of any lender-required repairs or costs that Buyer requests Seller to pay for or otherwise correct. Seller has no obligation to pay or satisfy lender requirements unless agreed in writing. A FHA/VA amendatory clause (C.A.R. Form FVAC) shall be a part of this Agreement.

E. ADDITIONAL FINANCING TERMS: subject to a 1031 tax exchange

- F. BALANCE OF DOWN PAYMENT OR PURCHASE PRICE in the amount of \$ 2,716,000.00
 to be deposited with Escrow Holder pursuant to Escrow Holder instructions.
 G. PURCHASE PRICE (TOTAL): \$ 2,800,000.00

Buyer's Initials (JS) (.....)

Seller's Initials (.....) (.....)

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CALIFORNIA RESIDENTIAL PURCHASE AGREEMENT (RPA-CA PAGE 1 OF 10)

Engel & Voelkers Newport Beach, 3636 E. Coast Hwy Ste B&C Corona Del Mar, CA 92625
 Fionna Helou

Phone: (949) 933 6952 Fax:
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Property Address: 2017 E Ocean Blvd, Newport Beach, CA 92661Date: May 20, 2017

H. VERIFICATION OF DOWN PAYMENT AND CLOSING COSTS: Buyer (or Buyer's lender or loan broker pursuant to paragraph 3J(1)) shall, within 3 (or ____) Days After Acceptance, Deliver to Seller written verification of Buyer's down payment and closing costs. (☐ Verification attached.)

I. APPRAISAL CONTINGENCY AND REMOVAL: This Agreement is (or ☐ is NOT) contingent upon a written appraisal of the Property by a licensed or certified appraiser at no less than the purchase price. Buyer shall, as specified in paragraph 14B(3), in writing, remove the appraisal contingency or cancel this Agreement within 17 (or ____) Days After Acceptance.

J. LOAN TERMS:

(1) LOAN APPLICATIONS: Within 3 (or ____) Days After Acceptance, Buyer shall Deliver to Seller a letter from Buyer's lender or loan broker stating that, based on a review of Buyer's written application and credit report, Buyer is prequalified or preapproved for any NEW loan specified in paragraph 3D. If any loan specified in paragraph 3D is an adjustable rate loan, the prequalification or preapproval letter shall be based on the qualifying rate, not the initial loan rate. (☐ Letter attached.)

(2) LOAN CONTINGENCY: Buyer shall act diligently and in good faith to obtain the designated loan(s). Buyer's qualification for the loan(s) specified above is a **contingency** of this Agreement unless otherwise agreed in writing. If there is no appraisal contingency or the appraisal contingency has been waived or removed, then failure of the Property to appraise at the purchase price does not entitle Buyer to exercise the cancellation right pursuant to the loan contingency if Buyer is otherwise qualified for the specified loan. Buyer's contractual obligations regarding deposit, balance of down payment and closing costs are **not contingencies** of this Agreement.

(3) LOAN CONTINGENCY REMOVAL:

Within 21 (or ____) Days After Acceptance, Buyer shall, as specified in paragraph 14, in writing, remove the loan contingency or cancel this Agreement. If there is an appraisal contingency, removal of the loan contingency shall not be deemed removal of the appraisal contingency.

(4) ☐ NO LOAN CONTINGENCY: Obtaining any loan specified above is NOT a contingency of this Agreement. If Buyer does not obtain the loan and as a result does not purchase the Property, Seller may be entitled to Buyer's deposit or other legal remedies.

(5) LENDER LIMITS ON BUYER CREDITS: Any credit to Buyer, from any source, for closing or other costs that is agreed to by the Parties ("Contractual Credit") shall be disclosed to Buyer's lender. If the total credit allowed by Buyer's lender ("Lender Allowable Credit") is less than the Contractual Credit, then (i) the Contractual Credit shall be reduced to the Lender Allowable Credit, and (ii) in the absence of a separate written agreement between the Parties, there shall be no automatic adjustment to the purchase price to make up for the difference between the Contractual Credit and the Lender Allowable Credit.

K. BUYER STATED FINANCING: Seller is relying on Buyer's representation of the type of financing specified (including but not limited to, as applicable, all cash, amount of down payment, or contingent or non-contingent loan). Seller has agreed to a specific closing date, purchase price and to sell to Buyer in reliance on Buyer's covenant concerning financing. Buyer shall pursue the financing specified in this Agreement. Seller has no obligation to cooperate with Buyer's efforts to obtain any financing other than that specified in the Agreement and the availability of any such alternate financing does not excuse Buyer from the obligation to purchase the Property and close escrow as specified in this Agreement.

4. SALE OF BUYER'S PROPERTY:

A. This Agreement and Buyer's ability to obtain financing are NOT contingent upon the sale of any property owned by Buyer.

OR B. ☐ This Agreement and Buyer's ability to obtain financing are contingent upon the sale of property owned by Buyer as specified in the attached addendum (C.A.R. Form COP).

5. ADDENDA AND ADVISORIES:**A. ADDENDA:**

<input type="checkbox"/> Back Up Offer Addendum (C.A.R. Form BUO)	<input type="checkbox"/> Addendum # _____ (C.A.R. Form ADM)
<input type="checkbox"/> Septic, Well and Property Monument Addendum (C.A.R. Form SWPI)	<input type="checkbox"/> Court Confirmation Addendum (C.A.R. Form CCA)
<input type="checkbox"/> Short Sale Addendum (C.A.R. Form SSA)	<input type="checkbox"/> Other _____

B. BUYER AND SELLER ADVISORIES:

<input type="checkbox"/> Probate Advisory (C.A.R. Form PA)	<input checked="" type="checkbox"/> Buyer's Inspection Advisory (C.A.R. Form BIA)
<input type="checkbox"/> Trust Advisory (C.A.R. Form TA)	<input type="checkbox"/> Statewide Buyer and Seller Advisory (C.A.R. Form SBSA)
<input type="checkbox"/> Short Sale Information and Advisory (C.A.R. Form SSIA)	<input type="checkbox"/> REO Advisory (C.A.R. Form REO)
	<input type="checkbox"/> Other _____

6. OTHER TERMS: house to be sold "as is" and no home inspection required**7. ALLOCATION OF COSTS**

A. INSPECTIONS, REPORTS AND CERTIFICATES: Unless otherwise agreed in writing, this paragraph only determines who is to pay for the inspection, test, certificate or service ("Report") mentioned; it **does not determine who is to pay for any work recommended or identified in the Report.**

(1) ☐ Buyer ☒ Seller shall pay for a natural hazard zone disclosure report, including tax ☐ environmental ☐ Other: _____ prepared by Click here to select your Service Provider

(2) ☐ Buyer ☒ Seller shall pay for the following Report Newport Beach Building Report - Report Only prepared by _____

(3) ☐ Buyer ☐ Seller shall pay for the following Report _____ prepared by _____

Buyer's Initials () (_____)

Seller's Initials (_____) (_____)

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CALIFORNIA RESIDENTIAL PURCHASE AGREEMENT (RPA-CA PAGE 2 OF 10)

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Property Address: 2017 E Ocean Blvd, Newport Beach, CA 92661Date: May 20, 2017**B. GOVERNMENT REQUIREMENTS AND RETROFIT:**

- (1) ☐ Buyer ☒ Seller shall pay for smoke alarm and carbon monoxide device installation and water heater bracing, if required by Law. Prior to Close Of Escrow ("COE"), Seller shall provide Buyer written statement(s) of compliance in accordance with state and local Law, unless Seller is exempt.
- (2) (i) ☐ Buyer ☒ Seller shall pay the cost of compliance with any other minimum mandatory government inspections and reports if required as a condition of closing escrow under any Law.
- (ii) ☐ Buyer ☒ Seller shall pay the cost of compliance with any other minimum mandatory government retrofit standards required as a condition of closing escrow under any Law, whether the work is required to be completed before or after COE.
- (iii) Buyer shall be provided, within the time specified in paragraph 14A, a copy of any required government conducted or point-of-sale inspection report prepared pursuant to this Agreement or in anticipation of this sale of the Property.

C. ESCROW AND TITLE:

- (1) (a) ☒ Buyer ☒ Seller shall pay escrow fee each to pay their own.
- (b) Escrow Holder shall be _____.
- (c) The Parties shall, within 5 (or _____) Days After receipt, sign and return Escrow Holder's general provisions.
- (2) (a) ☐ Buyer ☒ Seller shall pay for owner's title insurance policy specified in paragraph 13E _____.
- (b) Owner's title policy to be issued by _____.
- (Buyer shall pay for any title insurance policy insuring Buyer's lender, unless otherwise agreed in writing.)

D. OTHER COSTS:

- (1) ☐ Buyer ☒ Seller shall pay County transfer tax or fee _____.
- (2) ☐ Buyer ☒ Seller shall pay City transfer tax or fee _____.
- (3) ☐ Buyer ☐ Seller shall pay Homeowners' Association ("HOA") transfer fee _____.
- (4) Seller shall pay HOA fees for preparing documents required to be delivered by Civil Code §4525.
- (5) ☐ Buyer ☐ Seller shall pay HOA fees for preparing all documents other than those required by Civil Code §4525.
- (6) Buyer to pay for any HOA certification fee.
- (7) ☐ Buyer ☐ Seller shall pay for any private transfer fee _____.
- (8) ☐ Buyer ☐ Seller shall pay for _____.
- (9) ☐ Buyer ☒ Seller shall pay for _____.
- (10) ☐ Buyer ☒ Seller shall pay for the cost, not to exceed \$ 695.00, of a standard (or ☐ upgraded) one-year home warranty plan, issued by Click here to select your Service Provider, with the following optional coverages: ☐ Air Conditioner ☐ Pool/Spa ☐ Other: refrigerator.
- Buyer is informed that home warranty plans have many optional coverages in addition to those listed above. Buyer is advised to investigate these coverages to determine those that may be suitable for Buyer.

OR ☐ Buyer waives the purchase of a home warranty plan. Nothing in this paragraph precludes Buyer's purchasing a home warranty plan during the term of this Agreement.

8. ITEMS INCLUDED IN AND EXCLUDED FROM SALE:

A. NOTE TO BUYER AND SELLER: Items listed as included or excluded in the MLS, flyers or marketing materials are **not** included in the purchase price or excluded from the sale unless specified in paragraph 8 B or C.

B. ITEMS INCLUDED IN SALE: Except as otherwise specified or disclosed,

- (1) All EXISTING fixtures and fittings that are attached to the Property;
- (2) EXISTING electrical, mechanical, lighting, plumbing and heating fixtures, ceiling fans, fireplace inserts, gas logs and grates, solar power systems, built-in appliances, window and door screens, awnings, shutters, window coverings, attached floor coverings, television antennas, satellite dishes, air coolers/conditioners, pool/spa equipment, garage door openers/remote controls, mailbox, in-ground landscaping, trees/shrubs, water features and fountains, water softeners, water purifiers, security systems/alarms and the following if checked: ☒ all stove(s), except _____; ☒ all refrigerator(s) except _____; ☒ all washer(s) and dryer(s), except _____;
- (3) The following additional items: _____.
- (4) Existing integrated phone and home automation systems, including necessary components such as intranet and Internet-connected hardware or devices, control units (other than non-dedicated mobile devices, electronics and computers) and applicable software, permissions, passwords, codes and access information, are (☐ are NOT) included in the sale.
- (5) **LEASED OR LIENED ITEMS AND SYSTEMS:** Seller shall, within the time specified in paragraph 14A, (i) disclose to Buyer if any item or system specified in paragraph 8B or otherwise included in the sale is leased, or not owned by Seller, or specifically subject to a lien or other encumbrance, and (ii) Deliver to Buyer all written materials (such as lease, warranty, etc.) concerning any such item. Buyer's ability to assume any such lease, or willingness to accept the Property subject to any such lien or encumbrance, is a contingency in favor of Buyer and Seller as specified in paragraph 14B and C.
- (6) Seller represents that all items included in the purchase price, unless otherwise specified, (i) are owned by Seller and shall be transferred free and clear of liens and encumbrances, except the items and systems identified pursuant to 8B(5) and _____, and (ii) are transferred without Seller warranty regardless of value.

C. ITEMS EXCLUDED FROM SALE: Unless otherwise specified, the following items are excluded from sale: (i) audio and video components (such as flat screen TVs, speakers and other items) if any such item is not itself attached to the Property, even if a bracket or other mechanism attached to the component or item is attached to the Property; (ii) furniture and other items secured to the Property for earthquake purposes; and (iii) dining room light fixture

_____ Brackets attached to walls, floors or ceilings for any such component, furniture or item shall remain with the Property (or ☐ will be removed and holes or other damage shall be repaired, but not painted).

Buyer's Initials () ()Seller's Initials () ()

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CALIFORNIA RESIDENTIAL PURCHASE AGREEMENT (RPA-CA PAGE 3 OF 10)

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Property Address: **2017 E Ocean Blvd, Newport Beach, CA 92661**Date: **May 20, 2017****9. CLOSING AND POSSESSION:**

- A. Buyer intends (or ☐ does not intend) to occupy the Property as Buyer's primary residence.
- B. **Seller-occupied or vacant property:** Possession shall be delivered to Buyer: (i) at 6 PM or (☐ AM/ ☐ PM) on the date of Close Of Escrow; (ii) ☐ no later than ☐ calendar days after Close Of Escrow; or (iii) ☐ at ☐ AM/ ☐ PM on ☐.
- C. **Seller remaining in possession After Close Of Escrow:** If Seller has the right to remain in possession after Close Of Escrow, (i) the Parties are advised to sign a separate occupancy agreement such as ☐ C.A.R. Form SIP, for Seller continued occupancy of less than 30 days, ☐ C.A.R. Form RLAS for Seller continued occupancy of 30 days or more; and (ii) the Parties are advised to consult with their insurance and legal advisors for information about liability and damage or injury to persons and personal and real property; and (iii) Buyer is advised to consult with Buyer's lender about the impact of Seller's occupancy on Buyer's loan.
- D. **Tenant-occupied property: Property shall be vacant at least 5 (or ☐) Days** Prior to Close Of Escrow, unless otherwise agreed in writing. **Note to Seller: If you are unable to deliver Property vacant in accordance with rent control and other applicable Law, you may be in breach of this Agreement.**

OR ☐ **Tenant to remain in possession (C.A.R. Form TIP).**

- E. At Close Of Escrow: Seller assigns to Buyer any assignable warranty rights for items included in the sale; and Seller shall Deliver to Buyer available Copies of any such warranties. Brokers cannot and will not determine the assignability of any warranties.
- F. At Close Of Escrow, unless otherwise agreed in writing, Seller shall provide keys, passwords, codes and/or means to operate all locks, mailboxes, security systems, alarms, home automation systems and intranet and Internet-connected devices included in the purchase price, and garage door openers. If the Property is a condominium or located in a common interest subdivision, Buyer may be required to pay a deposit to the Homeowners' Association ("HOA") to obtain keys to accessible HOA facilities.

10. STATUTORY AND OTHER DISCLOSURES (INCLUDING LEAD-BASED PAINT HAZARD DISCLOSURES) AND CANCELLATION RIGHTS:

- A. (1) Seller shall, within the time specified in paragraph 14A, Deliver to Buyer: (i) if required by Law, a fully completed: Federal Lead-Based Paint Disclosures (C.A.R. Form FLD) and pamphlet ("Lead Disclosures"); and (ii) unless exempt, fully completed disclosures or notices required by sections 1102 et. seq. and 1103 et. seq. of the Civil Code ("Statutory Disclosures"). Statutory Disclosures include, but are not limited to, a Real Estate Transfer Disclosure Statement ("TDS"), Natural Hazard Disclosure Statement ("NHD"), notice or actual knowledge of release of illegal controlled substance, notice of special tax and/or assessments (or, if allowed, substantially equivalent notice regarding the Mello-Roos Community Facilities Act of 1982 and Improvement Bond Act of 1915) and, if Seller has actual knowledge, of industrial use and military ordnance location (C.A.R. Form SPQ or ESD).
- (2) Any Statutory Disclosure required by this paragraph is considered fully completed if Seller has answered all questions and completed and signed the Seller section(s) and the Listing Agent, if any, has completed and signed the Listing Broker section(s), or, if applicable, an Agent Visual Inspection Disclosure (C.A.R. Form AVID). Nothing stated herein relieves a Buyer's Broker, if any, from the obligation to (i) conduct a reasonably competent and diligent visual inspection of the accessible areas of the Property and disclose, on Section IV of the TDS, or an AVID, material facts affecting the value or desirability of the Property that were or should have been revealed by such an inspection or (ii) complete any sections on all disclosures required to be completed by Buyer's Broker.
- (3) **Note to Buyer and Seller:** Waiver of Statutory and Lead Disclosures is prohibited by Law.
- (4) Within the time specified in paragraph 14A, (i) Seller, unless exempt from the obligation to provide a TDS, shall, complete and provide Buyer with a Seller Property Questionnaire (C.A.R. Form SPQ); (ii) if Seller is not required to provide a TDS, Seller shall complete and provide Buyer with an Exempt Seller Disclosure (C.A.R. Form ESD).
- (5) Buyer shall, within the time specified in paragraph 14B(1), return Signed Copies of the Statutory, Lead and other disclosures to Seller.
- (6) In the event Seller or Listing Broker, prior to Close Of Escrow, becomes aware of adverse conditions materially affecting the Property, or any material inaccuracy in disclosures, information or representations previously provided to Buyer, Seller shall promptly provide a subsequent or amended disclosure or notice, in writing, covering those items. **However, a subsequent or amended disclosure shall not be required for conditions and material inaccuracies of which Buyer is otherwise aware, or which are disclosed in reports provided to or obtained by Buyer or ordered and paid for by Buyer.**
- (7) If any disclosure or notice specified in paragraph 10A(1), or subsequent or amended disclosure or notice is Delivered to Buyer after the offer is Signed, Buyer shall have the right to cancel this Agreement within **3 Days** After Delivery in person, or **5 Days** After Delivery by deposit in the mail, by giving written notice of cancellation to Seller or Seller's agent.
- B. **NATURAL AND ENVIRONMENTAL HAZARD DISCLOSURES AND OTHER BOOKLETS:** Within the time specified in paragraph 14A, Seller shall, if required by Law: (i) Deliver to Buyer earthquake guide(s) (and questionnaire), environmental hazards booklet, and home energy rating pamphlet; (ii) disclose if the Property is located in a Special Flood Hazard Area; Potential Flooding (Inundation) Area; Very High Fire Hazard Zone; State Fire Responsibility Area; Earthquake Fault Zone; and Seismic Hazard Zone; and (iii) disclose any other zone as required by Law and provide any other information required for those zones.
- C. **WITHHOLDING TAXES:** Within the time specified in paragraph 14A, to avoid required withholding, Seller shall Deliver to Buyer or qualified substitute, an affidavit sufficient to comply with federal (FIRPTA) and California withholding Law (C.A.R. Form AS or QS).
- D. **MEGAN'S LAW DATABASE DISCLOSURE:** Notice: Pursuant to Section 290.46 of the Penal Code, information about specified registered sex offenders is made available to the public via an Internet Web site maintained by the Department of Justice at **www.meganslaw.ca.gov**. Depending on an offender's criminal history, this information will include either the address at which the offender resides or the community of residence and ZIP Code in which he or she resides. (Neither Seller nor Brokers are required to check this website. If Buyer wants further information, Broker recommends that Buyer obtain information from this website during Buyer's inspection contingency period. Brokers do not have expertise in this area.)
- E. **NOTICE REGARDING GAS AND HAZARDOUS LIQUID TRANSMISSION PIPELINES:** This notice is being provided simply to inform you that information about the general location of gas and hazardous liquid transmission pipelines is available to the public via the National Pipeline Mapping System (NPMS) Internet Web site maintained by the United States Department of Transportation at **http://www.npms.phmsa.dot.gov/**. To seek further information about possible transmission pipelines near the Property, you may contact your local gas utility or other pipeline operators in the area. Contact information for pipeline operators is searchable by ZIP Code and county on the NPMS Internet Web site.
- F. **CONDOMINIUM/PLANNED DEVELOPMENT DISCLOSURES:**
- (1) **SELLER HAS: 7 (or ☐) Days** After Acceptance to disclose to Buyer if the Property is a condominium, or is located in a planned development or other common interest subdivision (C.A.R. Form SPQ or ESD).

Buyer's Initials (X) ()
RPA-CA REVISED 12/15 (PAGE 4 OF 10)Seller's Initials () ()

Property Address: **2017 E Ocean Blvd, Newport Beach, CA 92661**Date: **May 20, 2017**

(2) If the Property is a condominium or is located in a planned development or other common interest subdivision, Seller has **3 (or ____) Days** After Acceptance to request from the HOA (C.A.R. Form HOA1): (i) Copies of any documents required by Law; (ii) disclosure of any pending or anticipated claim or litigation by or against the HOA; (iii) a statement containing the location and number of designated parking and storage spaces; (iv) Copies of the most recent 12 months of HOA minutes for regular and special meetings; and (v) the names and contact information of all HOAs governing the Property (collectively, "CI Disclosures"). (vi) private transfer fees; (vii) Pet fee restrictions; and (viii) smoking restrictions. Seller shall itemize and Deliver to Buyer all CI Disclosures received from the HOA and any CI Disclosures in Seller's possession. Buyer's approval of CI Disclosures is a contingency of this Agreement as specified in paragraph 14B(3). The Party specified in paragraph 7, as directed by escrow, shall deposit funds into escrow or direct to HOA or management company to pay for any of the above.

11. CONDITION OF PROPERTY: Unless otherwise agreed in writing: (i) the Property is sold (a) "AS-IS" in its PRESENT physical condition as of the date of Acceptance and (b) subject to Buyer's Investigation rights; (ii) the Property, including pool, spa, landscaping and grounds, is to be maintained in substantially the same condition as on the date of Acceptance; and (iii) all debris and personal property not included in the sale shall be removed by Close Of Escrow.

A. Seller shall, within the time specified in paragraph 14A, DISCLOSE KNOWN MATERIAL FACTS AND DEFECTS affecting the Property, including known insurance claims within the past five years, and make any and all other disclosures required by law.

B. Buyer has the right to conduct Buyer Investigations of the Property and, as specified in paragraph 14B, based upon information discovered in those investigations: (i) cancel this Agreement; or (ii) request that Seller make Repairs or take other action.

C. **Buyer is strongly advised to conduct investigations of the entire Property in order to determine its present condition. Seller may not be aware of all defects affecting the Property or other factors that Buyer considers important. Property improvements may not be built according to code, in compliance with current Law, or have had permits issued.**

12. BUYER'S INVESTIGATION OF PROPERTY AND MATTERS AFFECTING PROPERTY:

A. Buyer's acceptance of the condition of, and any other matter affecting the Property, is a contingency of this Agreement as specified in this paragraph and paragraph 14B. Within the time specified in paragraph 14B(1), Buyer shall have the right, at Buyer's expense unless otherwise agreed, to conduct inspections, investigations, tests, surveys and other studies ("Buyer Investigations"), including, but not limited to: (i) a general physical inspection; (ii) an inspection specifically for wood destroying pests and organisms. Any inspection for wood destroying pests and organisms shall be prepared by a registered Structural Pest Control company; shall cover the main building and attached structures; may cover detached structures; shall NOT include water tests of shower pans on upper level units unless the owners of property below the shower consent; shall NOT include roof coverings; and, if the Property is a unit in a condominium or other common interest subdivision, the inspection shall include only the separate interest and any exclusive-use areas being transferred, and shall NOT include common areas; and shall include a report ("Pest Control Report") showing the findings of the company which shall be separated into sections for evident infestation or infections (Section 1) and for conditions likely to lead to infestation or infection (Section 2); (iii) inspect for lead-based paint and other lead-based paint hazards; (iv) satisfy Buyer as to any matter specified in the attached Buyer's Inspection Advisory (C.A.R. Form BIA); (v) review the registered sex offender database; (vi) confirm the insurability of Buyer and the Property including the availability and cost of flood and fire insurance; and (vii) review and seek approval of leases that may need to be assumed by Buyer. Without Seller's prior written consent, Buyer shall neither make nor cause to be made: invasive or destructive Buyer Investigations, except for minimally invasive testing required to prepare a Pest Control Report; or inspections by any governmental building or zoning inspector or government employee, unless required by Law.

B. Seller shall make the Property available for all Buyer Investigations. Buyer shall (i) as specified in paragraph 14B, complete Buyer Investigations and either remove the contingency or cancel this Agreement, and (ii) give Seller, at no cost, complete Copies of all such Investigation reports obtained by Buyer, which obligation shall survive the termination of this Agreement.

C. Seller shall have water, gas, electricity and all operable pilot lights on for Buyer's Investigations and through the date possession is made available to Buyer.

D. **Buyer indemnity and seller protection for entry upon property:** Buyer shall: (i) keep the Property free and clear of liens; (ii) repair all damage arising from Buyer Investigations; and (iii) indemnify and hold Seller harmless from all resulting liability, claims, demands, damages and costs. Buyer shall carry, or Buyer shall require anyone acting on Buyer's behalf to carry, policies of liability, workers' compensation and other applicable insurance, defending and protecting Seller from liability for any injuries to persons or property occurring during any Buyer Investigations or work done on the Property at Buyer's direction prior to Close Of Escrow. Seller is advised that certain protections may be afforded Seller by recording a "Notice of Non-Responsibility" (C.A.R. Form NNR) for Buyer Investigations and work done on the Property at Buyer's direction. Buyer's obligations under this paragraph shall survive the termination of this Agreement.


13. TITLE AND VESTING:

A. Within the time specified in paragraph 14, Buyer shall be provided a current preliminary title report ("Preliminary Report"). The Preliminary Report is only an offer by the title insurer to issue a policy of title insurance and may not contain every item affecting title. Buyer's review of the Preliminary Report and any other matters which may affect title are a contingency of this Agreement as specified in paragraph 14B. The company providing the Preliminary Report shall, prior to issuing a Preliminary Report, conduct a search of the General Index for all Sellers except banks or other institutional lenders selling properties they acquired through foreclosure (REOs), corporations, and government entities. Seller shall within 7 Days After Acceptance, give Escrow Holder a completed Statement of Information.

B. Title is taken in its present condition subject to all encumbrances, easements, covenants, conditions, restrictions, rights and other matters, whether of record or not, as of the date of Acceptance except for: (i) monetary liens of record (which Seller is obligated to pay off) unless Buyer is assuming those obligations or taking the Property subject to those obligations; and (ii) those matters which Seller has agreed to remove in writing.

C. Within the time specified in paragraph 14A, Seller has a duty to disclose to Buyer all matters known to Seller affecting title, whether of record or not.

D. At Close Of Escrow, Buyer shall receive a grant deed conveying title (or, for stock cooperative or long-term lease, an assignment of stock certificate or of Seller's leasehold interest), including oil, mineral and water rights if currently owned by Seller. Title shall vest as designated in Buyer's supplemental escrow instructions. THE MANNER OF TAKING TITLE MAY HAVE SIGNIFICANT LEGAL AND TAX CONSEQUENCES. CONSULT AN APPROPRIATE PROFESSIONAL.

Buyer's Initials () (_____)
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Seller's Initials (_____) (_____)

CALIFORNIA RESIDENTIAL PURCHASE AGREEMENT (RPA-CA PAGE 5 OF 10)



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- E. Buyer shall receive a CLTA/ALTA "Homeowner's Policy of Title Insurance", if applicable to the type of property and buyer. If not, Escrow Holder shall notify Buyer. A title company can provide information about the availability, coverage, and cost of other title policies and endorsements. If the Homeowner's Policy is not available, Buyer shall choose another policy, instruct Escrow Holder in writing and shall pay any increase in cost.
- 14. TIME PERIODS; REMOVAL OF CONTINGENCIES; CANCELLATION RIGHTS:** The following time periods may only be extended, altered, modified or changed by mutual written agreement. Any removal of contingencies or cancellation under this paragraph by either Buyer or Seller must be exercised in good faith and in writing (C.A.R. Form CR or CC).
- A. **SELLER HAS: 7 (or ____) Days** After Acceptance to Deliver to Buyer all Reports, disclosures and information for which Seller is responsible under paragraphs 5, 6, 7, 8B(5), 10A, B, C, and F, 11A and 13A. If, by the time specified, Seller has not Delivered any such item, Buyer after first Delivering to Seller a Notice to Seller to Perform (C.A.R. Form NSP) may cancel this Agreement.
- B. (1) **BUYER HAS: 17 (or ____) Days** After Acceptance, unless otherwise agreed in writing, to: (i) complete all Buyer Investigations; review all disclosures, reports, lease documents to be assumed by Buyer pursuant to paragraph 8B(5), and other applicable information, which Buyer receives from Seller; and approve all matters affecting the Property; and (ii) Deliver to Seller Signed Copies of Statutory and Lead Disclosures and other disclosures Delivered by Seller in accordance with paragraph 10A.
- (2) Within the time specified in paragraph 14B(1), Buyer may request that Seller make repairs or take any other action regarding the Property (C.A.R. Form RR). Seller has no obligation to agree to or respond to (C.A.R. Form RRRR) Buyer's requests.
- (3) By the end of the time specified in paragraph 14B(1) (or as otherwise specified in this Agreement), Buyer shall Deliver to Seller a removal of the applicable contingency or cancellation (C.A.R. Form CR or CC) of this Agreement. However, if any report, disclosure or information for which Seller is responsible is not Delivered within the time specified in paragraph 14A, then Buyer has **5 (or ____) Days** After Delivery of any such items, or the time specified in paragraph 14B(1), whichever is later, to Deliver to Seller a removal of the applicable contingency or cancellation of this Agreement.
- (4) **Continuation of Contingency:** Even after the end of the time specified in paragraph 14B(1) and before Seller cancels, if at all, pursuant to paragraph 14D, Buyer retains the right, in writing, to either (i) remove remaining contingencies, or (ii) cancel this Agreement based on a remaining contingency. Once Buyer's written removal of all contingencies is Delivered to Seller, Seller may not cancel this Agreement pursuant to paragraph 14D(1).
- (5) **Access to Property:** Buyer shall have access to the Property to conduct inspections and investigations for **17 (or ____) Days** After Acceptance, whether or not any part of the Buyer's Investigation Contingency has been waived or removed.
- C. ☐ **REMOVAL OF CONTINGENCIES WITH OFFER:** Buyer removes the contingencies specified in the attached Contingency Removal form (C.A.R. Form CR). If Buyer removes any contingency without an adequate understanding of the Property's condition or Buyer's ability to purchase, Buyer is acting against the advice of Broker.
- D. **SELLER RIGHT TO CANCEL:**
- (1) **Seller right to Cancel; Buyer Contingencies:** If, by the time specified in this Agreement, Buyer does not Deliver to Seller a removal of the applicable contingency or cancellation of this Agreement, then Seller, after first Delivering to Buyer a Notice to Buyer to Perform (C.A.R. Form NBP), may cancel this Agreement. In such event, Seller shall authorize the return of Buyer's deposit, except for fees incurred by Buyer.
- (2) **Seller right to Cancel; Buyer Contract Obligations:** Seller, after first delivering to Buyer a NBP, may cancel this Agreement if, by the time specified in this Agreement, Buyer does not take the following action(s): (i) Deposit funds as required by paragraph 3A, or 3B or if the funds deposited pursuant to paragraph 3A or 3B are not good when deposited; (ii) Deliver a notice of FHA or VA costs or terms as required by paragraph 3D(3) (C.A.R. Form FVA); (iii) Deliver a letter as required by paragraph 3J(1); (iv) Deliver verification, or a satisfactory verification if Seller reasonably disapproves of the verification already provided, as required by paragraph 3C or 3H; (v) In writing assume or accept leases or liens specified in 8B5; (vi) Return Statutory and Lead Disclosures as required by paragraph 10A(5); or (vii) Sign or initial a separate liquidated damages form for an increased deposit as required by paragraphs 3B and 21B; or (viii) Provide evidence of authority to sign in a representative capacity as specified in paragraph 19. In such event, Seller shall authorize the return of Buyer's deposit, except for fees incurred by Buyer.
- E. **NOTICE TO BUYER OR SELLER TO PERFORM:** The NBP or NSP shall: (i) be in writing; (ii) be signed by the applicable Buyer or Seller; and (iii) give the other Party at least **2 (or ____) Days** After Delivery (or until the time specified in the applicable paragraph, whichever occurs last) to take the applicable action. A NBP or NSP may not be Delivered any earlier than **2 Days** Prior to the expiration of the applicable time for the other Party to remove a contingency or cancel this Agreement or meet an obligation specified in paragraph 14.
- F. **EFFECT OF BUYER'S REMOVAL OF CONTINGENCIES:** If Buyer removes, in writing, any contingency or cancellation rights, unless otherwise specified in writing, Buyer shall conclusively be deemed to have: (i) completed all Buyer Investigations, and review of reports and other applicable information and disclosures pertaining to that contingency or cancellation right; (ii) elected to proceed with the transaction; and (iii) assumed all liability, responsibility and expense for Repairs or corrections pertaining to that contingency or cancellation right, or for the inability to obtain financing.
- G. **CLOSE OF ESCROW:** Before Buyer or Seller may cancel this Agreement for failure of the other Party to close escrow pursuant to this Agreement, Buyer or Seller must first Deliver to the other Party a demand to close escrow (C.A.R. Form DCE). The DCE shall: (i) be signed by the applicable Buyer or Seller; and (ii) give the other Party at least **3 (or ____) Days** After Delivery to close escrow. A DCE may not be Delivered any earlier than **3 Days** Prior to the scheduled close of escrow.
- H. **EFFECT OF CANCELLATION ON DEPOSITS:** If Buyer or Seller gives written notice of cancellation pursuant to rights duly exercised under the terms of this Agreement, the Parties agree to Sign mutual instructions to cancel the sale and escrow and release deposits, if any, to the party entitled to the funds, less fees and costs incurred by that party. Fees and costs may be payable to service providers and vendors for services and products provided during escrow. Except as specified below, **release of funds will require mutual Signed release instructions from the Parties, judicial decision or arbitration award.** If either Party fails to execute mutual instructions to cancel escrow, one Party may make a written demand to Escrow Holder for the deposit. (C.A.R. Form BDRD or SDRD). Escrow Holder, upon receipt, shall promptly deliver notice of the demand to the other Party. If, within 10 Days After Escrow Holder's notice, the other Party does not object to the demand, Escrow Holder shall disburse the deposit to the Party making the demand. If Escrow Holder complies with the preceding process, each Party shall be deemed to have released Escrow Holder from any and all claims or liability related to the disbursement of the deposit. Escrow Holder, at its discretion, may nonetheless require mutual cancellation instructions. **A Party may be subject to a civil penalty of up to \$1,000 for refusal to sign cancellation instructions if no good faith dispute exists as to who is entitled to the deposited funds (Civil Code §1057.3).**

Buyer's Initials () ()
RPA-CA REVISED 12/15 (PAGE 6 OF 10)Seller's Initials () ()


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- 15. FINAL VERIFICATION OF CONDITION:** Buyer shall have the right to make a final verification of the Property within **5 (or ☐) Days** Prior to Close Of Escrow, NOT AS A CONTINGENCY OF THE SALE, but solely to confirm: **(i)** the Property is maintained pursuant to paragraph 11; **(ii)** Repairs have been completed as agreed; and **(iii)** Seller has complied with Seller's other obligations under this Agreement (C.A.R. Form VP).
- 16. REPAIRS:** Repairs shall be completed prior to final verification of condition unless otherwise agreed in writing. Repairs to be performed at Seller's expense may be performed by Seller or through others, provided that the work complies with applicable Law, including governmental permit, inspection and approval requirements. Repairs shall be performed in a good, skillful manner with materials of quality and appearance comparable to existing materials. It is understood that exact restoration of appearance or cosmetic items following all Repairs may not be possible. Seller shall: **(i)** obtain invoices and paid receipts for Repairs performed by others; **(ii)** prepare a written statement indicating the Repairs performed by Seller and the date of such Repairs; and **(iii)** provide Copies of invoices and paid receipts and statements to Buyer prior to final verification of condition.
- 17. PRORATIONS OF PROPERTY TAXES AND OTHER ITEMS:** Unless otherwise agreed in writing, the following items shall be PAID CURRENT and prorated between Buyer and Seller as of Close Of Escrow: real property taxes and assessments, interest, rents, HOA regular, special, and emergency dues and assessments imposed prior to Close Of Escrow, premiums on insurance assumed by Buyer, payments on bonds and assessments assumed by Buyer, and payments on Mello-Roos and other Special Assessment District bonds and assessments that are now a lien. The following items shall be assumed by Buyer WITHOUT CREDIT toward the purchase price: prorated payments on Mello-Roos and other Special Assessment District bonds and assessments and HOA special assessments that are now a lien but not yet due. Property will be reassessed upon change of ownership. Any supplemental tax bills shall be paid as follows: **(i)** for periods after Close Of Escrow, by Buyer; and **(ii)** for periods prior to Close Of Escrow, by Seller (see C.A.R. Form SPT or SBSA for further information). TAX BILLS ISSUED AFTER CLOSE OF ESCROW SHALL BE HANDLED DIRECTLY BETWEEN BUYER AND SELLER. Prorations shall be made based on a 30-day month.
- 18. BROKERS:**
- A. COMPENSATION:** Seller or Buyer, or both, as applicable, agree to pay compensation to Broker as specified in a separate written agreement between Broker and that Seller or Buyer. Compensation is payable upon Close Of Escrow, or if escrow does not close, as otherwise specified in the agreement between Broker and that Seller or Buyer.
- B. SCOPE OF DUTY:** Buyer and Seller acknowledge and agree that Broker: **(i)** Does not decide what price Buyer should pay or Seller should accept; **(ii)** Does not guarantee the condition of the Property; **(iii)** Does not guarantee the performance, adequacy or completeness of inspections, services, products or repairs provided or made by Seller or others; **(iv)** Does not have an obligation to conduct an inspection of common areas or areas off the site of the Property; **(v)** Shall not be responsible for identifying defects on the Property, in common areas, or offsite unless such defects are visually observable by an inspection of reasonably accessible areas of the Property or are known to Broker; **(vi)** Shall not be responsible for inspecting public records or permits concerning the title or use of Property; **(vii)** Shall not be responsible for identifying the location of boundary lines or other items affecting title; **(viii)** Shall not be responsible for verifying square footage, representations of others or information contained in Investigation reports, Multiple Listing Service, advertisements, flyers or other promotional material; **(ix)** Shall not be responsible for determining the fair market value of the Property or any personal property included in the sale; **(x)** Shall not be responsible for providing legal or tax advice regarding any aspect of a transaction entered into by Buyer or Seller; and **(xi)** Shall not be responsible for providing other advice or information that exceeds the knowledge, education and experience required to perform real estate licensed activity. Buyer and Seller agree to seek legal, tax, insurance, title and other desired assistance from appropriate professionals.
- 19. REPRESENTATIVE CAPACITY:** If one or more Parties is signing this Agreement in a representative capacity and not for him/herself as an individual then that Party shall so indicate in paragraph 31 or 32 and attach a Representative Capacity Signature Disclosure (C.A.R. Form RCSD). Wherever the signature or initials of the representative identified in the RCSD appear on this Agreement or any related documents, it shall be deemed to be in a representative capacity for the entity described and not in an individual capacity, unless otherwise indicated. The Party acting in a representative capacity **(i)** represents that the entity for which that party is acting already exists and **(ii)** shall Deliver to the other Party and Escrow Holder, within **3 Days** After Acceptance, evidence of authority to act in that capacity (such as but not limited to: applicable portion of the trust or Certification Of Trust (Probate Code §18100.5), letters testamentary, court order, power of attorney, corporate resolution, or formation documents of the business entity).
- 20. JOINT ESCROW INSTRUCTIONS TO ESCROW HOLDER:**
- A. The following paragraphs, or applicable portions thereof, of this Agreement constitute the joint escrow instructions of Buyer and Seller to Escrow Holder,** which Escrow Holder is to use along with any related counter offers and addenda, and any additional mutual instructions to close the escrow: paragraphs 1, 3, 4B, 5A, 6, 7, 10C, 13, 14G, 17, 18A, 19, 20, 26, 29, 30, 31, 32 and paragraph D of the section titled Real Estate Brokers on page 10. If a Copy of the separate compensation agreement(s) provided for in paragraph 18A, or paragraph D of the section titled Real Estate Brokers on page 10 is deposited with Escrow Holder by Broker, Escrow Holder shall accept such agreement(s) and pay out from Buyer's or Seller's funds, or both, as applicable, the Broker's compensation provided for in such agreement(s). The terms and conditions of this Agreement not set forth in the specified paragraphs are additional matters for the information of Escrow Holder, but about which Escrow Holder need not be concerned. Buyer and Seller will receive Escrow Holder's general provisions, if any, directly from Escrow Holder and will execute such provisions within the time specified in paragraph 7C(1)(c). To the extent the general provisions are inconsistent or conflict with this Agreement, the general provisions will control as to the duties and obligations of Escrow Holder only. Buyer and Seller will execute additional instructions, documents and forms provided by Escrow Holder that are reasonably necessary to close the escrow and, as directed by Escrow Holder, within **3 (or ☐) Days**, shall pay to Escrow Holder or HOA or HOA management company or others any fee required by paragraphs 7, 10 or elsewhere in this Agreement.
- B. A Copy of this Agreement including any counter offer(s) and addenda shall be delivered to Escrow Holder within 3 Days After Acceptance (or _____).** Buyer and Seller authorize Escrow Holder to accept and rely on Copies and Signatures as defined in this Agreement as originals, to open escrow and for other purposes of escrow. The validity of this Agreement as between Buyer and Seller is not affected by whether or when Escrow Holder Signs this Agreement. Escrow Holder shall provide Seller's Statement of Information to Title company when received from Seller. If Seller delivers an affidavit to Escrow Holder to satisfy Seller's FIRPTA obligation under paragraph 10C, Escrow Holder shall deliver to Buyer a Qualified Substitute statement that complies with federal Law.

Buyer's Initials () (_____)
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Seller's Initials (_____) (_____)



CALIFORNIA RESIDENTIAL PURCHASE AGREEMENT (RPA-CA PAGE 7 OF 10)

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- C. Brokers are a party to the escrow for the sole purpose of compensation pursuant to paragraph 18A and paragraph D of the section titled Real Estate Brokers on page 10. Buyer and Seller irrevocably assign to Brokers compensation specified in paragraph 18A, and irrevocably instruct Escrow Holder to disburse those funds to Brokers at Close Of Escrow or pursuant to any other mutually executed cancellation agreement. Compensation instructions can be amended or revoked only with the written consent of Brokers. Buyer and Seller shall release and hold harmless Escrow Holder from any liability resulting from Escrow Holder's payment to Broker(s) of compensation pursuant to this Agreement.
- D. Upon receipt, Escrow Holder shall provide Seller and Seller's Broker verification of Buyer's deposit of funds pursuant to paragraph 3A and 3B. Once Escrow Holder becomes aware of any of the following, Escrow Holder shall immediately notify all Brokers: (i) if Buyer's initial or any additional deposit or down payment is not made pursuant to this Agreement, or is not good at time of deposit with Escrow Holder; or (ii) if Buyer and Seller instruct Escrow Holder to cancel escrow.
- E. A Copy of any amendment that affects any paragraph of this Agreement for which Escrow Holder is responsible shall be delivered to Escrow Holder within 3 Days after mutual execution of the amendment.

21. REMEDIES FOR BUYER'S BREACH OF CONTRACT:

- A. Any clause added by the Parties specifying a remedy (such as release or forfeiture of deposit or making a deposit non-refundable) for failure of Buyer to complete the purchase in violation of this Agreement shall be deemed invalid unless the clause independently satisfies the statutory liquidated damages requirements set forth in the Civil Code.
- B. **LIQUIDATED DAMAGES:** If Buyer fails to complete this purchase because of Buyer's default, Seller shall retain, as liquidated damages, the deposit actually paid. If the Property is a dwelling with no more than four units, one of which Buyer intends to occupy, then the amount retained shall be no more than 3% of the purchase price. Any excess shall be returned to Buyer. Except as provided in paragraph 14H, release of funds will require mutual, Signed release instructions from both Buyer and Seller, judicial decision or arbitration award. **AT THE TIME OF ANY INCREASED DEPOSIT BUYER AND SELLER SHALL SIGN A SEPARATE LIQUIDATED DAMAGES PROVISION INCORPORATING THE INCREASED DEPOSIT AS LIQUIDATED DAMAGES (C.A.R. FORM RID).**

Buyer's Initials JC / _____

Seller's Initials _____ / _____

22. DISPUTE RESOLUTION:

- A. **MEDIATION:** The Parties agree to mediate any dispute or claim arising between them out of this Agreement, or any resulting transaction, before resorting to arbitration or court action through the C.A.R. Real Estate Mediation Center for Consumers (www.consumermediation.org) or through any other mediation provider or service mutually agreed to by the Parties. The Parties also agree to mediate any disputes or claims with Broker(s), who, in writing, agree to such mediation prior to, or within a reasonable time after, the dispute or claim is presented to the Broker. Mediation fees, if any, shall be divided equally among the Parties involved. If, for any dispute or claim to which this paragraph applies, any Party (i) commences an action without first attempting to resolve the matter through mediation, or (ii) before commencement of an action, refuses to mediate after a request has been made, then that Party shall not be entitled to recover attorney fees, even if they would otherwise be available to that Party in any such action. **THIS MEDIATION PROVISION APPLIES WHETHER OR NOT THE ARBITRATION PROVISION IS INITIALED. Exclusions from this mediation agreement are specified in paragraph 22C.**

B. ARBITRATION OF DISPUTES:

The Parties agree that any dispute or claim in Law or equity arising between them out of this Agreement or any resulting transaction, which is not settled through mediation, shall be decided by neutral, binding arbitration. The Parties also agree to arbitrate any disputes or claims with Broker(s), who, in writing, agree to such arbitration prior to, or within a reasonable time after, the dispute or claim is presented to the Broker. The arbitrator shall be a retired judge or justice, or an attorney with at least 5 years of residential real estate Law experience, unless the parties mutually agree to a different arbitrator. The Parties shall have the right to discovery in accordance with Code of Civil Procedure §1283.05. In all other respects, the arbitration shall be conducted in accordance with Title 9 of Part 3 of the Code of Civil Procedure. Judgment upon the award of the arbitrator(s) may be entered into any court having jurisdiction. Enforcement of this agreement to arbitrate shall be governed by the Federal Arbitration Act. Exclusions from this arbitration agreement are specified in paragraph 22C.

"NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY."

"WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION."

Buyer's Initials JC / _____

Seller's Initials _____ / _____

C. ADDITIONAL MEDIATION AND ARBITRATION TERMS:

- (1) **EXCLUSIONS:** The following matters are excluded from mediation and arbitration: (i) a judicial or non-judicial foreclosure or other action or proceeding to enforce a deed of trust, mortgage or installment land sale contract as defined in Civil Code §2985; (ii) an unlawful detainer action; and (iii) any matter that is within the jurisdiction of a probate, small claims or bankruptcy court.

Buyer's Initials (JC) (_____)

Seller's Initials (_____) (_____)

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(2) **PRESERVATION OF ACTIONS:** The following shall not constitute a waiver nor violation of the mediation and arbitration provisions: (i) the filing of a court action to preserve a statute of limitations; (ii) the filing of a court action to enable the recording of a notice of pending action, for order of attachment, receivership, injunction, or other provisional remedies; or (iii) the filing of a mechanic's lien.

(3) **BROKERS:** Brokers shall not be obligated nor compelled to mediate or arbitrate unless they agree to do so in writing. Any Broker(s) participating in mediation or arbitration shall not be deemed a party to this Agreement.

23. SELECTION OF SERVICE PROVIDERS: Brokers do not guarantee the performance of any vendors, service or product providers ("Providers"), whether referred by Broker or selected by Buyer, Seller or other person. Buyer and Seller may select ANY Providers of their own choosing.

24. MULTIPLE LISTING SERVICE ("MLS"): Brokers are authorized to report to the MLS a pending sale and, upon Close Of Escrow, the sales price and other terms of this transaction shall be provided to the MLS to be published and disseminated to persons and entities authorized to use the information on terms approved by the MLS.

25. ATTORNEY FEES: In any action, proceeding, or arbitration between Buyer and Seller arising out of this Agreement, the prevailing Buyer or Seller shall be entitled to reasonable attorney fees and costs from the non-prevailing Buyer or Seller, except as provided in paragraph 22A.

26. ASSIGNMENT: Buyer shall not assign all or any part of Buyer's interest in this Agreement without first having obtained the separate written consent of Seller to a specified assignee. Such consent shall not be unreasonably withheld. Any total or partial assignment shall not relieve Buyer of Buyer's obligations pursuant to this Agreement unless otherwise agreed in writing by Seller. (C.A.R. Form AOA).

27. EQUAL HOUSING OPPORTUNITY: The Property is sold in compliance with federal, state and local anti-discrimination Laws.

28. TERMS AND CONDITIONS OF OFFER:

This is an offer to purchase the Property on the above terms and conditions. The liquidated damages paragraph or the arbitration of disputes paragraph is incorporated in this Agreement if initialed by all Parties or if incorporated by mutual agreement in a counter offer or addendum. If at least one but not all Parties initial, a counter offer is required until agreement is reached. Seller has the right to continue to offer the Property for sale and to accept any other offer at any time prior to notification of Acceptance. The Parties have read and acknowledge receipt of a Copy of the offer and agree to the confirmation of agency relationships. If this offer is accepted and Buyer subsequently defaults, Buyer may be responsible for payment of Brokers' compensation. This Agreement and any supplement, addendum or modification, including any Copy, may be Signed in two or more counterparts, all of which shall constitute one and the same writing.

29. TIME OF ESSENCE; ENTIRE CONTRACT; CHANGES: Time is of the essence. All understandings between the Parties are incorporated in this Agreement. Its terms are intended by the Parties as a final, complete and exclusive expression of their Agreement with respect to its subject matter, and may not be contradicted by evidence of any prior agreement or contemporaneous oral agreement. If any provision of this Agreement is held to be ineffective or invalid, the remaining provisions will nevertheless be given full force and effect. Except as otherwise specified, this Agreement shall be interpreted and disputes shall be resolved in accordance with the Laws of the State of California. **Neither this Agreement nor any provision in it may be extended, amended, modified, altered or changed, except in writing Signed by Buyer and Seller.**

30. DEFINITIONS: As used in this Agreement:

- A. "Acceptance" means the time the offer or final counter offer is accepted in writing by a Party and is delivered to and personally received by the other Party or that Party's authorized agent in accordance with the terms of this offer or a final counter offer.
- B. "Agreement" means this document and any counter offers and any incorporated addenda, collectively forming the binding agreement between the Parties. Addenda are incorporated only when Signed by all Parties.
- C. "C.A.R. Form" means the most current version of the specific form referenced or another comparable form agreed to by the parties.
- D. "Close Of Escrow", including "COE", means the date the grant deed, or other evidence of transfer of title, is recorded.
- E. "Copy" means copy by any means including photocopy, NCR, facsimile and electronic.
- F. "Days" means calendar days. However, after Acceptance, the last Day for performance of any act required by this Agreement (including Close Of Escrow) shall not include any Saturday, Sunday, or legal holiday and shall instead be the next Day.
- G. "Days After" means the specified number of calendar days after the occurrence of the event specified, not counting the calendar date on which the specified event occurs, and ending at 11:59 PM on the final day.
- H. "Days Prior" means the specified number of calendar days before the occurrence of the event specified, not counting the calendar date on which the specified event is scheduled to occur.
- I. "Deliver", "Delivered" or "Delivery", unless otherwise specified in writing, means and shall be effective upon: personal receipt by Buyer or Seller or the individual Real Estate Licensee for that principal as specified in the section titled Real Estate Brokers on page 10, regardless of the method used (i.e., messenger, mail, email, fax, other).
- J. "Electronic Copy" or "Electronic Signature" means, as applicable, an electronic copy or signature complying with California Law. Buyer and Seller agree that electronic means will not be used by either Party to modify or alter the content or integrity of this Agreement without the knowledge and consent of the other Party.
- K. "Law" means any law, code, statute, ordinance, regulation, rule or order, which is adopted by a controlling city, county, state or federal legislative, judicial or executive body or agency.
- L. "Repairs" means any repairs (including pest control), alterations, replacements, modifications or retrofitting of the Property provided for under this Agreement.
- M. "Signed" means either a handwritten or electronic signature on an original document, Copy or any counterpart.

31. EXPIRATION OF OFFER: This offer shall be deemed revoked and the deposit, if any, shall be returned to Buyer unless the offer is Signed by Seller and a Copy of the Signed offer is personally received by Buyer, or by Listing Agent, who is authorized to receive it, by 5:00 PM on the third Day after this offer is signed by Buyer (or by ☐ AM/ ☐ PM, on _____ (date)).

☐ One or more Buyers is signing this Agreement in a representative capacity and not for him/herself as an individual. See attached Representative Capacity Signature Disclosure (C.A.R. Form RCSD-B) for additional terms.

Date 5/20/2017

BUYER

(Print name) James Cefala

Date _____ BUYER

(Print name) _____

☐ Additional Signature Addendum attached (C.A.R. Form ASA).

Seller's Initials (_____) (_____)

RPA-CA REVISED 12/15 (PAGE 9 OF 10)

CALIFORNIA RESIDENTIAL PURCHASE AGREEMENT (RPA-CA PAGE 9 OF 10)

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2017 E Ocean -



Property Address: 2017 E Ocean Blvd, Newport Beach, CA 92661Date: May 20, 2017

32. ACCEPTANCE OF OFFER: Seller warrants that Seller is the owner of the Property, or has the authority to execute this Agreement. Seller accepts the above offer, and agrees to sell the Property on the above terms and conditions. Seller has read and acknowledges receipt of a Copy of this Agreement, and authorizes Broker to Deliver a Signed Copy to Buyer.

☐ (If checked) SELLER'S ACCEPTANCE IS **SUBJECT TO ATTACHED COUNTER OFFER (C.A.R. Form SCO or SMCO) DATED:**

☐ One or more Sellers is signing this Agreement in a representative capacity and not for him/herself as an individual. See attached Representative Capacity Signature Disclosure (C.A.R. Form RCSD-S) for additional terms.

Date _____ SELLER _____

(Print name) Glenn Paternoster

Date _____ SELLER _____

(Print name) Carmel Paternoster

☐ Additional Signature Addendum attached (C.A.R. Form ASA).

(_____/_____) (Do not initial if making a counter offer.) **CONFIRMATION OF ACCEPTANCE:** A Copy of Signed Acceptance was personally received by Buyer or Buyer's authorized agent on (date) _____ at _____
☐ AM/ ☐ PM. A binding Agreement is created when a Copy of Signed Acceptance is personally received by Buyer or Buyer's authorized agent whether or not confirmed in this document. Completion of this confirmation is not legally required in order to create a binding Agreement; it is solely intended to evidence the date that Confirmation of Acceptance has occurred.

REAL ESTATE BROKERS:

A. Real Estate Brokers are not parties to the Agreement between Buyer and Seller.

B. Agency relationships are confirmed as stated in paragraph 2.

C. If specified in paragraph 3A(2), Agent who submitted the offer for Buyer acknowledges receipt of deposit.

D. COOPERATING BROKER COMPENSATION: Listing Broker agrees to pay Cooperating Broker (**Selling Firm**) and Cooperating Broker agrees to accept, out of Listing Broker's proceeds in escrow, the amount specified in the MLS, provided Cooperating Broker is a Participant of the MLS in which the Property is offered for sale or a reciprocal MLS. If Listing Broker and Cooperating Broker are not both Participants of the MLS, or a reciprocal MLS, in which the Property is offered for sale, then compensation must be specified in a separate written agreement (C.A.R. Form CBC). Declaration of License and Tax (C.A.R. Form DLT) may be used to document that tax reporting will be required or that an exemption exists.

DocuSigned by:		Real Estate Broker (Selling Firm) <u>Engel & Voelkers Newport Beach</u>		CalBRE Lic. # <u>01976469</u>
By	<u>Fionna Helou</u>	<u>Fionna Helou</u>	CalBRE Lic. # <u>01961351</u>	Date <u>05/20/2017</u>
By	<u>68BA992A547F4B6...</u>		CalBRE Lic. # _____	Date _____
Address <u>3636 East Coast Hwy</u>		City <u>Corona Del Mar</u>	State <u>CA</u>	Zip <u>92625</u>
Telephone <u>(949)933-6952</u>		Fax _____	E-mail <u>fionna.helou@evusa.com</u>	
DocuSigned by:		Real Estate Broker (Listing Firm) <u>Engel & Voelkers Newport Beach</u>		CalBRE Lic. # <u>01976469</u>
By	<u>Fionna Helou</u>	<u>Fionna Helou</u>	CalBRE Lic. # <u>01961351</u>	Date <u>05/20/2017</u>
By	<u>68BA992A547F4B6...</u>		CalBRE Lic. # _____	Date _____
Address <u>3636 East Coast Highway</u>		City <u>Corona Del Mar</u>	State <u>CA</u>	Zip <u>92625</u>
Telephone <u>(949)933-6952</u>		Fax _____	E-mail <u>Fionna.Helou@evusa.com</u>	

ESCROW HOLDER ACKNOWLEDGMENT:

Escrow Holder acknowledges receipt of a Copy of this Agreement, (if checked, ☐ a deposit in the amount of \$ _____), counter offer numbers _____ ☐ Seller's Statement of Information and _____, and agrees to act as Escrow Holder subject to paragraph 20 of this Agreement, any supplemental escrow instructions and the terms of Escrow Holder's general provisions.

Escrow Holder is advised that the date of Confirmation of Acceptance of the Agreement as between Buyer and Seller is _____

Escrow Holder _____ Escrow # _____

By _____ Date _____

Address _____

Phone/Fax/E-mail _____

Escrow Holder has the following license number # _____

☐ Department of Business Oversight, ☐ Department of Insurance, ☐ Bureau of Real Estate.

PRESENTATION OF OFFER: (_____) Listing Broker presented this offer to Seller on _____ (date).
 Broker or Designee Initials _____

REJECTION OF OFFER: (_____) (_____) No counter offer is being made. This offer was rejected by Seller on _____ (date).
 Seller's Initials _____

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Buyer Acknowledges that page 10 is part of this Agreement (_____) (_____) Buyer's Initials _____

Reviewed by
 Broker or Designee



RPA-CA REVISED 12/15 (PAGE 10 of 10)

CALIFORNIA RESIDENTIAL PURCHASE AGREEMENT (RPA-CA PAGE 10 OF 10)

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DISCLOSURE REGARDING REAL ESTATE AGENCY RELATIONSHIP

(Selling Firm to Buyer)
(As required by the Civil Code)
(C.A.R. Form AD, Revised 12/14)

☐ (If checked) This form is being provided in connection with a transaction for a leasehold interest exceeding one year as per Civil Code section 2079.13(k) and (m).

When you enter into a discussion with a real estate agent regarding a real estate transaction, you should from the outset understand what type of agency relationship or representation you wish to have with the agent in the transaction.

SELLER'S AGENT

A Seller's agent under a listing agreement with the Seller acts as the agent for the Seller only. A Seller's agent or a subagent of that agent has the following affirmative obligations:

To the Seller: A Fiduciary duty of utmost care, integrity, honesty and loyalty in dealings with the Seller.

To the Buyer and the Seller:

(a) Diligent exercise of reasonable skill 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 that does not involve the affirmative duties set forth above.

BUYER'S AGENT

A selling agent can, with a Buyer's consent, agree to act as agent for the Buyer only. In these situations, the agent is not the Seller's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Seller. An agent acting only for a Buyer has the following affirmative obligations:

To the Buyer: A fiduciary duty of utmost care, integrity, honesty and loyalty in dealings with the Buyer.

To the Buyer and the Seller:

(a) Diligent exercise of reasonable skill 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 that does not involve the affirmative duties set forth above.

AGENT REPRESENTING BOTH SELLER AND BUYER

A real estate agent, either acting directly or through one or more associate licensees, can legally be the agent of both the Seller and the Buyer in a transaction, but only with the knowledge and consent of both the Seller and the Buyer.

In a dual agency situation, the agent has the following affirmative obligations to both the Seller and the Buyer:

(a) A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either the Seller or the Buyer.

(b) Other duties to the Seller and the Buyer as stated above in their respective sections.

In representing both Seller and Buyer, the agent may not, without the express permission of the respective party, disclose to the other party that the Seller will accept a price less than the listing price or that the Buyer will pay a price greater than the price offered.

The above duties of the agent in a real estate transaction do not relieve a Seller or Buyer from the responsibility to protect his or her own interests. You should carefully read all agreements to assure that they adequately express your 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.

Throughout your real property transaction you may receive more than one disclosure form, depending upon the number of agents assisting in the transaction. The law requires each agent with whom you have more than a casual relationship to present you with this disclosure form. You should read its contents each time it is presented to you, considering the relationship between you and the real estate agent in your specific transaction. **This disclosure form includes the provisions of Sections 2079.13 to 2079.24, inclusive, of the Civil Code set forth on page 2. Read it carefully. I/WE ACKNOWLEDGE RECEIPT OF A COPY OF THIS DISCLOSURE AND THE PORTIONS OF THE CIVIL CODE PRINTED ON THE BACK (OR A SEPARATE PAGE).**

☒ Buyer ☐ Seller ☐ Landlord ☐ Tenant Date 5/20/2017

☐ Buyer ☐ Seller ☐ Landlord ☐ Tenant Date _____

Agent Engel & Voelkers Newport Beach BRE Lic. # 01976469

By Fionna Helou Real Estate Broker (Firm) Date 5/20/2017

By Fionna Helou BRE Lic. # 01961351 Date _____

(Salesperson or Broker-Associate) Fionna Helou

Agency Disclosure Compliance (Civil Code §2079.14):

- When the listing brokerage company also represents Buyer/Tenant: The Listing Agent shall have one AD form signed by Seller/Landlord and a different AD form signed by Buyer/Tenant.
- When Seller/Landlord and Buyer/Tenant are represented by different brokerage companies: (i) the Listing Agent shall have one AD form signed by Seller/Landlord and (ii) the Buyer's/Tenant's Agent shall have one AD form signed by Buyer/Tenant and either that same or a different AD form presented to Seller/Landlord for signature prior to presentation of the offer. If the same form is used, Seller may sign here:

Seller/Landlord <u>Glenn Paternoster</u>	Date _____	Seller/Landlord <u>Carmel Paternoster</u>	Date _____
---	------------	--	------------

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AD REVISED 12/14 (PAGE 1 OF 2)

DISCLOSURE REGARDING REAL ESTATE AGENCY RELATIONSHIP (AD PAGE 1 OF 2)

Engel & Voelkers Newport Beach, 3636 E. Coast Hwy Ste B&C Corona Del Mar, CA 92625
Fionna Helou

Phone: (949)933 6952

Fax:

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Reviewed by _____ Date _____



CIVIL CODE SECTIONS 2079.24 (2079.16 APPEARS ON THE FRONT)

2079.13 As used in Sections 2079.14 to 2079.24, inclusive, the following terms have the following meanings: (a) "Agent" means a person acting under provisions of Title 9 (commencing with Section 2295) in a real property transaction, and includes a person who is licensed as a real estate broker under Chapter 3 (commencing with Section 10130) of Part 1 of Division 4 of the Business and Professions Code, and under whose license a listing is executed or an offer to purchase is obtained. (b) "Associate licensee" means a person who is licensed as a real estate broker or salesperson under Chapter 3 (commencing with Section 10130) of Part 1 of Division 4 of the Business and Professions Code and who is either licensed under a broker or has entered into a written contract with a broker to act as the broker's agent in connection with acts requiring a real estate license and to function under the broker's supervision in the capacity of an associate licensee. The agent in the real property transaction bears responsibility for his or her associate licensees who perform as agents of the agent. When an associate licensee owes a duty to any principal, or to any buyer or seller who is not a principal, in a real property transaction, that duty is equivalent to the duty owed to that party by the broker for whom the associate licensee functions. (c) "Buyer" means a transferee in a real property transaction, and includes a person who executes an offer to purchase real property from a seller through an agent, or who seeks the services of an agent in more than a casual, transitory, or preliminary manner, with the object of entering into a real property transaction. "Buyer" includes vendee or lessee. (d) "Commercial real property" means all real property in the state, except single-family residential real property, dwelling units made subject to Chapter 2 (commencing with Section 1940) of Title 5, mobilehomes, as defined in Section 798.3, or recreational vehicles, as defined in Section 799.29. (e) "Dual agent" means an agent acting, either directly or through an associate licensee, as agent for both the seller and the buyer in a real property transaction. (f) "Listing agreement" means a contract between an owner of real property and an agent, by which the agent has been authorized to sell the real property or to find or obtain a buyer. (g) "Listing agent" means a person who has obtained a listing of real property to act as an agent for compensation. (h) "Listing price" is the amount expressed in dollars specified in the listing for which the seller is willing to sell the real property through the listing agent. (i) "Offering price" is the amount expressed in dollars specified in an offer to purchase for which the buyer is willing to buy the real property. (j) "Offer to purchase" means a written contract executed by a buyer acting through a selling agent that becomes the contract for the sale of the real property upon acceptance by the seller. (k) "Real property" means any estate specified by subdivision (1) or (2) of Section 761 in property that constitutes or is improved with one to four dwelling units, any commercial real property, any leasehold in these types of property exceeding one year's duration, and mobilehomes, when offered for sale or sold through an agent pursuant to the authority contained in Section 10131.6 of the Business and Professions Code. (l) "Real property transaction" means a transaction for the sale of real property in which an agent is employed by one or more of the principals to act in that transaction, and includes a listing or an offer to purchase. (m) "Sell," "sale," or "sold" refers to a transaction for the transfer of real property from the seller to the buyer, and includes exchanges of real property between the seller and buyer, transactions for the creation of a real property sales contract within the meaning of Section 2985, and transactions for the creation of a leasehold exceeding one year's duration. (n) "Seller" means the transferor in a real property transaction, and includes an owner who lists real property with an agent, whether or not a transfer results, or who receives an offer to purchase real property of which he or she is the owner from an agent on behalf of another. "Seller" includes both a vendor and a lessor. (o) "Selling agent" means a listing agent who acts alone, or an agent who acts in cooperation with a listing agent, and who sells or finds and obtains a buyer for the real property, or an agent who locates property for a buyer or who finds a buyer for a property for which no listing exists and presents an offer to purchase to the seller. (p) "Subagent" means a person to whom an agent delegates agency powers as provided in Article 5 (commencing with Section 2349) of Chapter 1 of Title 9. However, "subagent" does not include an associate licensee who is acting under the supervision of an agent in a real property transaction.

2079.14 Listing agents and selling agents shall provide the seller and buyer in a real property transaction with a copy of the disclosure form specified in Section 2079.16, and, except as provided in subdivision (c), shall obtain a signed acknowledgement of receipt from that seller or buyer, except as provided in this section or Section 2079.15, as follows: (a) The listing agent, if any, shall provide the disclosure form to the seller prior to entering into the listing agreement. (b) The selling agent shall provide the disclosure form to the seller as soon as practicable prior to presenting the seller with an offer to purchase, unless the selling agent previously provided the seller with a copy of the disclosure form pursuant to subdivision (a). (c) Where the selling agent does not deal on a face-to-face basis with the seller, the disclosure form prepared by the selling agent may be furnished to the seller (and acknowledgement of receipt obtained for the selling agent from the seller) by the listing agent, or the selling agent may deliver the disclosure form by certified mail addressed to the seller at his or her last known address, in which case no signed acknowledgement of receipt is required. (d) The selling agent shall provide the disclosure form to the buyer as soon as practicable prior to execution of the buyer's offer to purchase, except that if the offer to purchase is not prepared by the selling agent, the selling agent shall present the disclosure form to the buyer not later than the next business day after the selling agent receives the offer to purchase from the buyer.

2079.15 In any circumstance in which the seller or buyer refuses to sign an acknowledgement of receipt pursuant to Section 2079.14, the agent, or an associate licensee acting for an agent, shall set forth, sign, and date a written declaration of the facts of the refusal.

2079.16 Reproduced on Page 1 of this AD form.

2079.17 (a) As soon as practicable, the selling agent shall disclose to the buyer and seller whether the selling agent is acting in the real property transaction exclusively as the buyer's agent, exclusively as the seller's agent, or as a dual agent representing both the buyer and the seller. This relationship shall be confirmed in the contract to purchase and sell real property or in a separate writing executed or acknowledged by the seller, the buyer, and the selling agent prior to or coincident with execution of that contract by the buyer and the seller, respectively. (b) As soon as practicable, the listing agent shall disclose to the seller whether the listing agent is acting in the real property transaction exclusively as the seller's agent, or as a dual agent representing both the buyer and seller. This relationship shall be confirmed in the contract to purchase and sell real property or in a separate writing executed or acknowledged by the seller and the listing agent prior to or coincident with the execution of that contract by the seller. (c) The confirmation required by subdivisions (a) and (b) shall be in the following form.

(DO NOT COMPLETE. SAMPLE ONLY) is the agent of (check one): ☐ the seller exclusively; or ☐ both the buyer and seller.

(Name of Listing Agent)

(DO NOT COMPLETE. SAMPLE ONLY) is the agent of (check one): ☐ the buyer exclusively; or ☐ the seller exclusively; or

(Name of Selling Agent if not the same as the Listing Agent)

☐ both the buyer and seller.

(d) The disclosures and confirmation required by this section shall be in addition to the disclosure required by Section 2079.14.

2079.18 No selling agent in a real property transaction may act as an agent for the buyer only, when the selling agent is also acting as the listing agent in the transaction.

2079.19 The payment of compensation or the obligation to pay compensation to an agent by the seller or buyer is not necessarily determinative of a particular agency relationship between an agent and the seller or buyer. A listing agent and a selling agent may agree to share any compensation or commission paid, or any right to any compensation or commission for which an obligation arises as the result of a real estate transaction, and the terms of any such agreement shall not necessarily be determinative of a particular relationship.

2079.20 Nothing in this article prevents an agent from selecting, as a condition of the agent's employment, a specific form of agency relationship not specifically prohibited by this article if the requirements of Section 2079.14 and Section 2079.17 are complied with.

2079.21 A dual agent shall not disclose to the buyer that the seller is willing to sell the property at a price less than the listing price, without the express written consent of the seller. A dual agent shall not disclose to the seller that the buyer is willing to pay a price greater than the offering price, without the express written consent of the buyer. This section does not alter in any way the duty or responsibility of a dual agent to any principal with respect to confidential information other than price.

2079.22 Nothing in this article precludes a listing agent from also being a selling agent, and the combination of these functions in one agent does not, of itself, make that agent a dual agent.

2079.23 A contract between the principal and agent may be modified or altered to change the agency relationship at any time before the performance of the act which is the object of the agency with the written consent of the parties to the agency relationship.

2079.24 Nothing in this article shall be construed to either diminish the duty of disclosure owed buyers and sellers by agents and their associate licensees, subagents, and employees or to relieve agents and their associate licensees, subagents, and employees from liability for their conduct in connection with acts governed by this article or for any breach of a fiduciary duty or a duty of disclosure.



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DISCLOSURE REGARDING REAL ESTATE AGENCY RELATIONSHIP (AD PAGE 2 OF 2)

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POSSIBLE REPRESENTATION OF MORE THAN ONE BUYER OR SELLER - DISCLOSURE AND CONSENT

(C.A.R. Form PRBS, 11/14)

A real estate broker (Broker), whether a corporation, partnership or sole proprietorship, may represent more than one buyer or seller. This multiple representation can occur through an individual licensed as a broker or salesperson or through different individual broker's or salespersons (associate licensees) acting under the Broker's license. The associate licensees may be working out of the same or different office locations.

Multiple Buyers: Broker (individually or through its associate licensees) may be working with many prospective buyers at the same time. These prospective buyers may have an interest in, and make offers on, the same properties. Some of these properties may be listed with Broker and some may not. Broker will not limit or restrict any particular buyer from making an offer on any particular property whether or not Broker represents other buyers interested in the same property.

Multiple Sellers: Broker (individually or through its associate licensees) may have listings on many properties at the same time. As a result, Broker will attempt to find buyers for each of those listed properties. Some listed properties may appeal to the same prospective buyers. Some properties may attract more prospective buyers than others. Some of these prospective buyers may be represented by Broker and some may not. Broker will market all listed properties to all prospective buyers whether or not Broker has another or other listed properties that may appeal to the same prospective buyers.

Dual Agency: If Seller is represented by Broker, Seller acknowledges that broker may represent prospective buyers of Seller's property and consents to Broker acting as a dual agent for both seller and buyer in that transaction. If Buyer is represented by Broker, buyer acknowledges that Broker may represent sellers of property that Buyer is interested in acquiring and consents to Broker acting as a dual agent for both buyer and seller with regard to that property.

In the event of dual agency, seller and buyer agree that: **(a)** Broker, without the prior written consent of the Buyer, will not disclose to seller that the Buyer is willing to pay a price greater than the offered price; **(b)** Broker, without the prior written consent of the seller, will not disclose to the buyer that seller is willing to sell property at a price less than the listing price; and **(c)** other than as set forth in (a) and (b) above, a dual agent is obligated to disclose known facts materially affecting the value or desirability of the property to both parties.

Offers not necessarily confidential: Buyer is advised that seller or listing agent may disclose the existence, terms, or conditions of buyer's offer unless all parties and their agent have signed a written confidentiality agreement. Whether any such information is actually disclosed depends on many factors, such as current market conditions, the prevailing practice in the real estate community, the listing agent's marketing strategy and the instructions of the seller.

Buyer and seller understand that Broker may represent more than one buyer or more than one seller and even both buyer and seller on the same transaction and consents to such relationships.

Seller and/or Buyer acknowledges reading and understanding this Possible Representation of More Than One Buyer or Seller - Disclosure and Consent and agrees to the agency possibilities disclosed.

Seller		<u>Glenn Paternoster</u>	Date	
Seller	DocuSigned by:	<u>Carmel Paternoster</u>	Date	
Buyer	<u>JAMES CEFALIA</u>	<u>James Cefalia</u>	Date	5/20/2017
Buyer	625A04F501204A4...		Date	
Real Estate Broker (Firm)	DocuSigned by:	<u>Engel & Voelkers Newport Beach</u>	CalBRE Lic #	<u>01976469</u>
By	<u>Fionna Helou</u>		Date	5/20/2017
	68BA992A547E4B6		CalBRE Lic #	<u>01961351</u>
	<u>Fionna Helou</u>		Date	5/20/2017
Real Estate Broker (Firm)	DocuSigned by:	<u>Engel & Voelkers Newport Beach</u>	CalBRE Lic #	<u>01976469</u>
By	<u>Fionna Helou</u>		Date	5/20/2017
	68BA992A547E4B6		CalBRE Lic #	<u>01961351</u>
	<u>Fionna Helou</u>		Date	5/20/2017

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PRBS 11/14 (PAGE 1 OF 1)

POSSIBLE REPRESENTATION OF MORE THAN ONE BUYER OR SELLER (PRBS PAGE 1 OF 1)

Engel & Voelkers Newport Beach, 3636 E. Coast Hwy Ste B&C Corona Del Mar, CA 92625
Fionna Helou

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Phone: (949)933 6952 Fax:

2017 E Ocean -



CALIFORNIA
ASSOCIATION
OF REALTORS®

BUYER'S INSPECTION ADVISORY

(C.A.R. Form BIA, Revised 11/14)

Property Address: 2017 E Ocean Blvd, Newport Beach, CA 92661

("Property").

1. IMPORTANCE OF PROPERTY INVESTIGATION: The physical condition of the land and improvements being purchased is not guaranteed by either Seller or Brokers. You have an affirmative duty to exercise reasonable care to protect yourself, including discovery of the legal, practical and technical implications of disclosed facts, and the investigation and verification of information and facts that you know or that are within your diligent attention and observation. A general physical inspection typically does not cover all aspects of the Property nor items affecting the Property that are not physically located on the Property. If the professionals recommend further investigations, including a recommendation by a pest control operator to inspect inaccessible areas of the Property, you should contact qualified experts to conduct such additional investigations.

2. BROKER OBLIGATIONS: Brokers do not have expertise in all areas and therefore cannot advise you on many items, such as those listed below. If Broker gives you referrals to professionals, Broker does not guarantee their performance.

3. YOU ARE STRONGLY ADVISED TO INVESTIGATE THE CONDITION AND SUITABILITY OF ALL ASPECTS OF THE PROPERTY, INCLUDING BUT NOT LIMITED TO THE FOLLOWING. IF YOU DO NOT DO SO, YOU ARE ACTING AGAINST THE ADVICE OF BROKERS.

A. GENERAL CONDITION OF THE PROPERTY, ITS SYSTEMS AND COMPONENTS: Foundation, roof (condition, age, leaks, useful life), plumbing, heating, air conditioning, electrical, mechanical, security, pool/spa (cracks, leaks, operation), other structural and nonstructural systems and components, fixtures, built-in appliances, any personal property included in the sale, and energy efficiency of the Property.

B. SQUARE FOOTAGE, AGE, BOUNDARIES: Square footage, room dimensions, lot size, age of improvements and boundaries. Any numerical statements regarding these items are APPROXIMATIONS ONLY and have not been verified by Seller and cannot be verified by Brokers. Fences, hedges, walls, retaining walls and other barriers or markers do not necessarily identify true Property boundaries.

C. WOOD DESTROYING PESTS: Presence of, or conditions likely to lead to the presence of wood destroying pests and organisms.

D. SOIL STABILITY: Existence of fill or compacted soil, expansive or contracting soil, susceptibility to slippage, settling or movement, and the adequacy of drainage.

E. WATER AND UTILITIES; WELL SYSTEMS AND COMPONENTS; WASTE DISPOSAL: Water and utility availability, use restrictions and costs. Water quality, adequacy, condition, and performance of well systems and components. The type, size, adequacy, capacity and condition of sewer and septic systems and components, connection to sewer, and applicable fees.

F. ENVIRONMENTAL HAZARDS: Potential environmental hazards, including, but not limited to, asbestos, lead-based paint and other lead contamination, radon, methane, other gases, fuel oil or chemical storage tanks, contaminated soil or water, hazardous waste, waste disposal sites, electromagnetic fields, nuclear sources, and other substances, materials, products, or conditions (including mold (airborne, toxic or otherwise), fungus or similar contaminants).

G. EARTHQUAKES AND FLOODING: Susceptibility of the Property to earthquake/seismic hazards and propensity of the Property to flood.

H. FIRE, HAZARD AND OTHER INSURANCE: The availability and cost of necessary or desired insurance may vary. The location of the Property in a seismic, flood or fire hazard zone, and other conditions, such as the age of the Property and the claims history of the Property and Buyer, may affect the availability and need for certain types of insurance. Buyer should explore insurance options early as this information may affect other decisions, including the removal of loan and inspection contingencies.

I. BUILDING PERMITS, ZONING AND GOVERNMENTAL REQUIREMENTS: Permits, inspections, certificates, zoning, other governmental limitations, restrictions, and requirements affecting the current or future use of the Property, its development or size.

J. RENTAL PROPERTY RESTRICTIONS: Some cities and counties impose restrictions that limit the amount of rent that can be charged, the maximum number of occupants, and the right of a landlord to terminate a tenancy. Deadbolt or other locks and security systems for doors and windows, including window bars, should be examined to determine whether they satisfy legal requirements.

K. SECURITY AND SAFETY: State and local Law may require the installation of barriers, access alarms, self-latching mechanisms and/or other measures to decrease the risk to children and other persons of existing swimming pools and hot tubs, as well as various fire safety and other measures concerning other features of the Property.

L. NEIGHBORHOOD, AREA, SUBDIVISION CONDITIONS; PERSONAL FACTORS: Neighborhood or area conditions, including schools, law enforcement, crime statistics, registered felons or offenders, fire protection, other government services, availability, adequacy and cost of internet connections or other technology services and installations, commercial, industrial or agricultural activities, existing and proposed transportation, construction and development that may affect noise, view, or traffic, airport noise, noise or odor from any source, wild and domestic animals, other nuisances, hazards, or circumstances, protected species, wetland properties, botanical diseases, historic or other governmentally protected sites or improvements, cemeteries, facilities and condition of common areas of common interest subdivisions, and possible lack of compliance with any governing documents or Homeowners' Association requirements, conditions and influences of significance to certain cultures and/or religions, and personal needs, requirements and preferences of Buyer.

By signing below, Buyers acknowledge that they have read, understand, accept and have received a Copy of this Advisory. Buyers are encouraged to read it carefully.

Buyer James Cerana 5/20/2017

Buyer _____

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BIA REVISED 11/14 (PAGE 1 OF 1)

Reviewed by _____ Date _____



BUYER'S INSPECTION ADVISORY (BIA PAGE 1 OF 1)



CALIFORNIA
ASSOCIATION
OF REALTORS®

SELLER COUNTER OFFER No. 1
May not be used as a multiple counter offer.
(C.A.R. Form SCO, 11/14)

Date May 23, 2017

This is a counter offer to the: ☒ Purchase Agreement, ☐ Buyer Counter Offer No. _____, or ☐ Other _____ ("Offer"), dated May 20, 2017, on property known as 2017 E Ocean Blvd, Newport Beach, CA 92661 ("Property"), between James Cefalia ("Buyer") and Glenn Paternoster, Carmel Paternoster ("Seller").

1. **TERMS:** The terms and conditions of the above referenced document are accepted subject to the following:
- Paragraphs in the Offer that require initials by all parties, but are not initialed by all parties, are excluded from the final agreement unless specifically referenced for inclusion in paragraph 1C of this or another Counter Offer or an addendum.
 - Unless otherwise agreed in writing, down payment and loan amount(s) will be adjusted in the same proportion as in the original Offer.

C. OTHER TERMS: 1. Purchase price to be \$2,850,000

D. The following attached addenda are incorporated into this Seller Counter offer: ☐ Addendum No. _____

2. **EXPIRATION:** This Seller Counter Offer shall be deemed revoked and the deposits, if any, shall be returned:
- Unless by 5:00pm on the third Day After the date it is signed in paragraph 4 (if more than one signature then, the last signature date)(or by 6:00 ☐ AM ☒ PM on 05/24/2017 (date)) (i) it is signed in paragraph 5 by Buyer and (ii) a copy of the signed Seller Counter Offer is personally received by Seller or Listing Agent, who is authorized to receive it.
- OR B. If Seller withdraws it anytime prior to Acceptance (CAR Form WOO may be used).
- OR C. If Seller accepts another offer prior to Buyer's Acceptance of this counter offer.
3. **MARKETING TO OTHER BUYERS:** Seller has the right to continue to offer the Property for sale. Seller has the right to accept any other offer received, prior to Acceptance of this Counter Offer by Buyer as specified in 2A and 5. In such event, Seller is advised to withdraw this Seller Counter Offer before accepting another offer.

4. **OFFER: SELLER MAKES THIS COUNTER OFFER ON THE TERMS ABOVE AND ACKNOWLEDGES RECEIPT OF A COPY**

Seller Glenn Paternoster Date 5/23/2017
Seller Carmel Paternoster Date _____

5. **ACCEPTANCE: I/WE accept the above Seller Counter Offer (If checked ☒ SUBJECT TO THE ATTACHED COUNTER OFFER) and acknowledge receipt of a Copy.**

Buyer James Cefalia Date 5/23/2017 Time ☐ AM/ ☐ PM
Buyer _____ Date _____ Time ☐ AM/ ☐ PM

CONFIRMATION OF ACCEPTANCE:

(_____/_____) (Initials) **Confirmation of Acceptance:** A Copy of Signed Acceptance was personally received by Seller, or Seller's authorized agent as specified in paragraph 2A on (date) _____ at _____ ☐ AM/ ☐ PM. **A binding Agreement is created when a Copy of Signed Acceptance is personally received by Seller or Seller's authorized agent whether or not confirmed in this document.**

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SCO 11/14 (PAGE 1 OF 1)

SELLER COUNTER OFFER (SCO PAGE 1 OF 1)

Engel & Volkers Newport Beach, 3636 E. Coast Hwy Ste B&C Corona Del Mar, CA 92625
Fionna Helou

Phone: (949)933 6952
Produced with zipForm® by zipLogix 18070 Fifteen Mile Road, Fraser, Michigan 48026 www.zipLogix.com

Fax:

2017 E Ocean -



CALIFORNIA
ASSOCIATION
OF REALTORS®

BUYER COUNTER OFFER No. 1

(C.A.R. Form BCO, 11/14)

Date May 23, 2017

This is a counter offer to the: ☒ Seller Counter Offer No. 1, ☐ Seller Multiple Counter Offer No. _____, ☐ or Other _____ ("Offer"), dated May 23, 2017, on property known as 2017 E Ocean Blvd, Newport Beach, CA 92661 ("Property"), between James Cefalia ("Buyer") and Glenn Paternoster, Carmel Paternoster ("Seller").

1. **TERMS:** The terms and conditions of the above referenced document are accepted subject to the following:

- A. Paragraphs in the Offer that require initials by all parties, but are not initialed by all parties, are excluded from the final agreement unless specifically referenced for inclusion in paragraph 1C of this or another Counter Offer or an addendum.
- B. Unless otherwise agreed in writing, down payment and loan amount(s) will be adjusted in the same proportion as in the original Offer.

C. **OTHER TERMS:** 1. Purchase price to be \$2,825,000

2. Buyer to release earnest money deposit after 15 days non-refundable to seller.

3. Escrow to be Gestalt Group Escrow

D. The following attached addenda are incorporated into this Buyer Counter offer: ☐ Addendum No. _____
☐ _____

2. **EXPIRATION:** This Buyer Counter Offer shall be deemed revoked and the deposits, if any, shall be returned:

- A. Unless by 5:00pm on the third Day After the date it is signed in paragraph 3 (if more than one signature then, the last signature date)(or by 10:00 ☒ AM ☐ PM on 05/24/2017 (date)) (i) it is signed in paragraph 4 by Seller and (ii) a copy of the signed Buyer Counter Offer is personally received by Buyer or Listing Agent, who is authorized to receive it.

OR B. If Buyer withdraws it in writing (CAR Form WOO) anytime prior to Acceptance.

3. **OFFER:** BUYER MAKES THIS COUNTER OFFER ON THE TERMS ABOVE AND ACKNOWLEDGES RECEIPT OF A COPY.

Buyer James Cefalia Date 5/23/2017
Buyer 625A04F501204A4... Date _____

4. **ACCEPTANCE:** I/WE accept the above Buyer Counter Offer (If checked ☐ SUBJECT TO THE ATTACHED COUNTER OFFER) and acknowledge receipt of a Copy.

Seller Glenn Paternoster Date 5/24/2017 Time _____ ☐ AM/ ☐ PM
Seller Carmel Paternoster Date _____ Time _____ ☐ AM/ ☐ PM

CONFIRMATION OF ACCEPTANCE:

(_____/_____) (Initials) **Confirmation of Acceptance:** A Copy of Signed Acceptance was personally received by Buyer or Buyer's authorized agent as specified in paragraph 2A on (date) _____ at _____ ☐ AM/ ☐ PM. A binding Agreement is created when a Copy of Signed Acceptance is personally received by Buyer or Buyer's authorized agent whether or not confirmed in this document.

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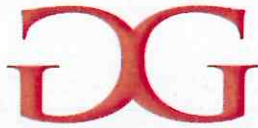
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BCO 11/14 (PAGE 1 OF 1)

BUYER COUNTER OFFER (BCO PAGE 1 OF 1)



Gestalt Group Escrow
A Division of Orange Coast Title Company

111 W. 4th Street
Long Beach, CA 90802

Phone: (714) 461-3339 Fax: (714) 415-7223

JAMES J. CEFALIA, II
SARAH CEFALIA

May 26, 2017
ESCROW NO.: **1005-VF**
PROPERTY ADDRESS:
2017 East Ocean Blvd
Newport Beach, CA 92661

Welcome to Gestalt Group Escrow,

In order to efficiently process your transaction, we ask that you attend to the following matters and forward requested documents to the attention of the undersigned at your earliest convenience:

PLEASE SIGN AND RETURN THE FOLLOWING:

- Escrow Instructions
- Preliminary Report Approval Letter
- Wire Fraud Advisory

PLEASE COMPLETE, SIGN AND RETURN:

- Statement of Information
- Preliminary Change of Ownership Report
- Borrower(s) Information Sheet

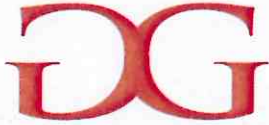
NOTE: To better facilitate the closing of your escrow, closing funds must be in the form of a **"Wire Transfer"** CONTACT OUR OFFICE FOR THE WIRING INSTRUCTIONS.

If you have any questions or concerns regarding the enclosed documents or the escrow process, please do not hesitate to contact the undersigned.

Sincerely,

Gestalt Group Escrow
a Division of Orange Coast Title Company

Valerie Fazio
Escrow Officer/Manager



Gestalt Group Escrow
A Division of Orange Coast Title Company

111 W. 4th Street
Long Beach, CA 90802

Phone: (714) 461-3339 Fax: (714) 415-7223

**ADDENDUM TO "RESIDENTIAL PURCHASE AGREEMENT
AND
JOINT ESCROW INSTRUCTIONS"**

Escrow Officer: Valerie Fazio-Escrow Officer/Manager

Escrow No.: 1005-VF

Seller: GLENN A. PATERNOSTER and CARMEL P. PATERNOSTER

Buyer: JAMES J. CEFALIA, II and SARAH CEFALIA

Date: May 24, 2017

**Gestalt Group Escrow, a Division of Orange Coast Title Company IS LICENSED BY THE DEPARTMENT OF
INSURANCE LICENSE NUMBER 291**

(A) The undersigned parties hereby agree and authorize Gestalt Group Escrow, a Division of Orange Coast Title Company to perform an escrow under the above escrow number pursuant to the Residential Purchase Agreement and Joint Escrow Instructions (and Receipt for Deposit), hereinafter referred to as the "Agreement" dated 5/20/2017, and any Counter Offer(s) attached thereto, which shall be construed to be your Escrow Instructions. You, as Escrow Holder, are instructed to act in accordance with the terms and conditions of said Agreement insofar as is required to close this escrow. The undersigned, as Principals to said Agreement hereby agree, as a condition of your acceptance of the limited agency as Escrow Holder, to the General Provisions/Instructions of your Company attached hereto.

(B) The following items of said "Agreement" are hereby clarified and/or the "Agreement" is supplemented as follows:

1. The subject property is located in the City of Newport Beach, County of ORANGE, State of CA, and is more fully described as follows:

Per Exhibit "A" attached hereto and made a part hereof.

More Commonly Known As: 2017 East Ocean Blvd, Newport Beach CA 92661 (not verified by Escrow Holder)

2. The close of escrow date is to be on or before: 6/23/2017

(C) The Parties hereto fully understand the total responsibility and agency authority of Escrow Holder is limited to those actions requiring the performance and compliance by the Principals that are identified as conditions precedent to the recording of the documents and delivery of the instruments to the respective parties entitled thereto, and the disbursement of funds in escrow as a consequence of said closing. The Parties hereto, by execution of these instructions acknowledge that Escrow Holder assumes NO responsibility or liability for the supervision of any act or the performance of any condition, which is a condition subsequent to the closing of this transaction.

(D) Any provisions of said Agreement notwithstanding, Escrow Holder shall have the right and authority to withhold any action and require the written consent of all necessary parties, if, in the judgment of Escrow Holder,

SELLER(S) INITIALS: _____ BUYER(S) INITIALS: _____

Escrow No: 1005-VF

Date: May 24, 2017

such action calls for or appears to require the use of discretionary judgment by Escrow Holder or is not within the ordinary scope of Escrow Holder's activity.

(E) Any instructions that may be contained in said Agreement providing for the payment of funds that are on deposit with Escrow Holder prior to the close of escrow is a specific instruction to Escrow Holder to pay same in accordance with the terms thereof and is without liability or recourse upon Escrow Holder for the return of said funds regardless of the outcome of this transaction.

(F) All Parties are aware that Escrow Holder will NOT be required to determine the default of any party hereto. Therefore, in the event of any termination of this escrow, Escrow Holder will require mutually signed instructions from all parties, or will terminate this escrow by following the guidelines listed in the General Instructions attached hereto.

(G) Escrow Holder shall not determine possession or vacancy of subject property and shall only be concerned with the date of "Close of Escrow."

EACH OF THE BELOW SIGNED STATES THAT HE/SHE/THEY HAS/HAVE READ THE FOREGOING INSTRUCTIONS AND UNDERSTANDS AND AGREES TO THEM.

BUYER'S SIGNATURE:

JAMES J. CEFALIA, II

SARAH CEFALIA

SELLER'S SIGNATURE:

GLENN A. PATERNOSTER

CARMEL P. PATERNOSTER

GENERAL PROVISIONS

Escrow No: 1005-VF

Buyer, Seller and/or First and Second Parties (hereinafter sometimes referred to collectively as the "Principals" and each separately as the Principal), jointly and severally, hereby appoint and designate Gestalt Group Escrow, as Escrow Holder, to

SELLER(S) INITIALS: _____ BUYER(S) INITIALS: _____

Escrow No: 1005-VF

Date: May 24, 2017

perform escrow services in connection with the transaction which is the subject of this escrow in accordance with written instructions accepted by you in this escrow. As used herein, the term "Instructions" shall mean and refer to the instructions set forth on Page 1 hereof and by reference is incorporated herein, along with any written amendments and supplements thereto as hereafter may be given to Escrow Holder and the terms, conditions and provisions herein below set forth.

THE PRINCIPALS HEREBY AGREE, JOINTLY AND SEVERALLY, AND HEREBY AUTHORIZE, EMPOWER AND DIRECT ESCROW HOLDER AS FOLLOWS:

- 1) Principals acknowledge that escrow companies are not duly authorized to give legal advice and no such advice has been given and Principals further understand that if they desire legal advice such Principal should consult an attorney.
- 2) A Principal's signature whether, original, electronic, e-mail, faxed on any document and/or instruction, which arises, relates to or results from this escrow shall indicate and evidence such Principal's unconditional approval of such document and/or instruction and all terms and conditions contained therein.
- 3) 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 and/or written extension thereof, at Escrow Holder's sole and absolute option, escrow may be terminated and all documents, monies, and any other items being held, shall be returned to the parties depositing same. In the event of cancellation of this escrow, whether it is at the request of any of the Principal's or otherwise, the fees and charges due Escrow Holder, including, but not limited to, expenditures incurred and/or authorized shall be borne equally by the parties hereto, (unless otherwise agreed to in writing).
- 4) All funds received in this escrow shall be deposited into an FDIC insured bank trust account designated by Escrow Holder. All such funds shall be designated pursuant to an Escrow Number and shall be deposited with other escrow funds, unless otherwise instructed in writing by the Principals. All disbursements shall be made by Escrow Holder's check. The Principals understand and acknowledge that all bank trust accounts are only insured by FDIC up to a maximum of \$250,000.00 for each escrow file, and that the Escrow Holder shall have no obligation for the loss of any deposits occasioned by the failure of any depository institution, which are not covered by FDIC insurance. As a result of Escrow Holder maintaining its general escrow accounts with the depositories, Escrow Holder may receive certain financial benefits such as an array of bank services, accommodations, loans or other business transactions from the depositories ("collateral benefits"). All collateral benefits shall accrue to the sole benefit of Escrow Holder and Escrow Holder shall have no obligation to account to the parties to this escrow for the value of any such collateral benefits.
- 5) Escrow Holder is instructed to prorate on the basis of a 30 day month in any proration (unless otherwise instructed) as follows:
 - a) Prorate taxes on Real Property only, based on the latest tax statement, or tax information provided by Title Company, including any supplemental taxes of record for current year.
 - b) Prorate rents based on a rental statement as provided by Seller and approved by Buyer, which is to be delivered into escrow for proration purposes.
 - c) Prorate interest on Notes secured by Trust Deed of record, based on a statement of Beneficiary or agent.
- 6) Principals agree to pay for all costs and charges according to written instructions contained herein and/or each Principal agrees to pay their customary costs and charges at closing.
- 7) Escrow Holder's duties in this escrow shall be limited to the safekeeping of such funds and documents as may be received by Escrow Holder for the disposition of these documents in accordance with these instructions. Escrow Holder is not to be concerned with usury as to any loans or encumbrances in this escrow and is hereby released of any responsibility and/or liability therefore. Escrow Holder shall not be liable on account of any claim, demand, loss or damages which may arise, related to or resulting from its acts or failure to act in any manner or for any reason except for willful misconduct or gross negligence. Without limiting the generality of the foregoing Escrow Holder shall not be responsible or liable in any manner whatever for any of the following matters:
 - a) With respect to any writing or instrument deposited in escrow and any document of record, the sufficiency, correctness, genuineness, validity, form, content or manner of execution of any such writing, instrument or document, or the identity, authority or right of any person executing same;
 - b) To notify or disclose to any person, including, without limitation, either Principal, any fact or circumstance that may come to your attention that is outside the scope of these instructions, including,

SELLER(S) INITIALS: _____ BUYER(S) INITIALS: _____

Escrow No: 1005-VF

Date: May 24, 2017

- without limitation, any information regarding any sale, loan, exchange or other transaction concerning the real property involved in this escrow;
- c) To give any disclosure required by City, County, State or Federal law, including without limitation, the Federal Truth in Lending Act and Regulation Z;
 - d) To examine the applicability, amount, validity or payment of any tax, including, without limitation, any transfer tax imposed by any local, city or county ordinance, any personal property tax and business or license tax;
 - e) To perform any duty or service as Escrow Holder, that is not expressly required of you and specifically not set forth in the instructions.
- 8) Escrow Holder shall collect any assignments of funds pursuant to written escrow instructions which shall be in writing signed by the Principal to be charged and shall be irrevocable and unchangeable, without the written consent of the assignee. If the Seller unilaterally assigns or orders the proceeds of this escrow to be paid to any person, other than a Principal, such assignment shall be subordinated to the expense of this escrow, encumbrances and liens of record on the subject property, and payments directed to be made by the funds to close, then Escrow Holder is directed to close this escrow and to pay such assignments, in the order in which they are received by Escrow Holder.
- 9) Escrow Holder is hereby authorized incident to the close of this escrow to do any and all acts in connection with this escrow including but not limited to the following:
- a) To complete, fill in, and arrange for execution of any note, writing or other document or instrument, as required herein.
 - b) To furnish to any attorney, broker or lender identified with this transaction or anyone acting on behalf of such lender, any information, instructions, amendments, statements, or notices of cancellation given in connection with this escrow.
 - c) To deposit any funds or documents received in escrow with any duly authorized sub-escrow agent subject to a title order or concurrent transaction at or prior to the close of escrow.
 - d) To record any instrument delivered through this escrow, if necessary, or proper, in the issuance of a policy of title insurance and to pay all fees and costs incident to the closing of escrow.
 - e) To require any Principal, as a condition precedent to Escrow Holder closing this escrow, to deposit funds and monies Escrow Holder deems requisite and to obtain and pay all encumbrances, claims, demands and/or assessments of record necessary to place title to the subject property in the condition called for in these instructions.
 - f) To deduct from the proceeds due each Principal any and all costs or charges of this escrow, which Escrow Holder is due for work performed during this escrow.
 - g) To notify all Principals and/or their respective agents if any check submitted to Escrow Holder is a third party check and/or dishonored when presented for payment.
 - h) In the absence of instructions to the contrary, you are hereby authorized to utilize wire services, overnight, next day, or other expedited delivery services, (as opposed to the regular U.S. Mail) and to charge the respective party's account accordingly.
 - i) To obtain Demands from existing lienholder (s) of record, (including having this instruction authorize any line of credit to be frozen) and payoff from proceeds due the Seller at close of escrow without further authorization.
- 10) The parties herein agree as follows:
- a) Each Principal will pay reasonable compensation to Escrow Holder for extraordinary or unusual services rendered to or for that Principal, plus costs and expenses incurred in connection with those services.
 - b) Each Principal agrees to pay on Escrow Holder's demand all closing costs properly attributable to such Principal.
 - c) Escrow Holder is given a lien by each Principal upon all the rights, title and interest of each Principal in all escrowed documents, funds, monies or property for any and all charges, expenses, attorney's fees, losses and other liabilities that may be charged to escrow.
 - d) No refund will be given for under \$10.00.
 - e) In the event of failure to pay fees or charges due Escrow Holder, each Principal agrees to pay reasonable attorney's fees paid or incurred by Escrow Holder in connection with the collection of such fees or charges.
- 11) If by the date specified herein, this escrow is not in a position to close; Escrow holder shall nevertheless close escrow as soon as possible thereafter, unless any Principal instructs Escrow Holder to cancel this escrow.

SELLER(S) INITIALS: _____ BUYER(S) INITIALS: _____

- Upon Escrow Holders receipt of any written notice to cancel this escrow, Escrow Holder shall, within two (2) working days thereafter mail, by certified mail, a copy of such notice to each Principal at the address stated in this escrow. At Escrow Holder's option, unless written objection to cancellation is filed in Escrow Holders office by either Principal within ten (10) calendar days after date of receipt of such mailing, as evidenced by a certified mail return receipt form, Escrow Holder is authorized to comply with such notice and demand payment of its cancellation charges. If written objection is filed, Escrow Holder is authorized to hold all money and instruments in this escrow and to take no further action until otherwise directed, either by the Principals' mutual written instructions, or final order of a court of competent jurisdiction. Escrow Holder shall charge the escrow file a fee of \$25.00 per month for each month following the request for cancellation as a holding fee.
- 12) Escrow Holder may resign at anytime, in its sole and absolute discretion, upon written notice to all Principals.
 - 13) All notices, demands and instructions must be in writing. If conflicting demands are made or notice served on Escrow Holder or any dispute or controversy arises between the Principals or with any third person relating to this escrow, Escrow Holder shall have the absolute right, to withhold and stop all further proceedings in this escrow without liability and without determining the merits of the demands, notices or litigation, or sue in interpleader, or both. The Principals, jointly and severally, hereby promise and agree to pay promptly on demand, as well as to indemnify Escrow and hold Escrow Holder harmless against and in respect of any and all litigation and interpleader costs, claims, losses, damages, recoveries, judgments and expenses, including, without limitation, reasonable attorney's fees that Escrow Holder may incur or suffer, which arise, result from or relate to this escrow.
 - 14) Close of escrow means the time when instruments are recorded, unless all parties mutually instruct Escrow Holder to the contrary. As soon after close of escrow as is convenient, Escrow Holder shall deliver funds and documents, including without limiting, any policy of title insurance, if any, to the parties respectively entitled to receive them. Escrow Holder is authorized and instructed to adjust the estimated closing figures to the final closing figures over the signatures of the Principal's thereon.
 - 15) These instructions shall be binding on, and shall inure to the benefit of each Principal and their respective heirs, legal representatives, successors and assigns.
 - 16) Escrow Holder is hereby authorized to destroy or otherwise dispose of the escrow file and all documents therein at any time after five (5) years from the date of close of escrow.
 - 17) As used in these instructions, the masculine, feminine or neuter gender, and the singular or plural number shall be deemed to include the other whenever the context so indicates.
 - 18) These instructions may be executed in any number of counterparts, each of which shall be deemed to be an original.
 - 19) In the event any check issued is not cashed within three (3) months from the date of issuance, Escrow holder may, at its option, void such check. Escrow holder shall thereafter deduct therefrom, a maintenance/administrative fee of \$25.00 per year up to three years. At the end of three years, Escrow holder shall remit the remaining balance, if any, to the California State Controller's Office in accordance with the provisions of the California Unclaimed Property Law.
 - 20) The Principals will be assessed a fee of \$25.00 per request for any file documentation six (6) months after said file is closed and/or cancelled.
 - 21) The Principals herein are aware and agree to comply with California Insurance Code Section 12413.1, which mandates that all funds with respect to an escrow must be collected and available for withdrawal prior to disbursement. as follows:
 - a) Wired funds may be disbursed the same day as deposited
 - b) Cashier's checks, Teller's Checks, and Certified checks are subject to verification of clearance.
 - c) Other forms of payment such as Official Checks, Personal Checks, Money Order, etc. must be confirmed as "paid" prior to disbursement, and may cause extensive delays to the closing of the escrow. Escrow Holder shall not be held responsible for the accrual of interest, or other charges that may be incurred by the Parties herein as a result of Escrow Holder's compliance with this Regulation. Delays in disbursement and/or closing shall occur if deposit of funds by either party or lender is not in compliance with Section 12413.1 of the California Insurance Code.
 - 22) The Principals herein are aware that California Revenue and Tax Code Section 480.3 mandates that all deeds and other documents that reflect a change of ownership in real property when presented for recording must be accompanied by a "Preliminary Change of Ownership Report". Escrow Holder will furnish the parties with such forms for their completion prior to close of escrow, and/or in the event that the form is not returned to

SELLER(S) INITIALS: _____ BUYER(S) INITIALS: _____

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- Escrow Holder and/or the County Recorder should reject said form for any reason, all Principals are aware that the closing will not be affected; however, an additional recording fee of \$20.00 as charged by the County Recorder, as required by said law, will be assessed to the account of the party not returning or completing said form. All parties release, relieve, indemnify, and agree to hold Escrow Holder harmless from any and all liability and/or responsibility in connection with said law, other than to hand said "Preliminary Change of Ownership" form to the Principals for completion prior to close of escrow and other than Escrow Holder's responsibility to transmit said completed form to the County Recorder's office together with other documents as called for in these instructions. INFORMATION PURPOSES ONLY: After close of escrow, new owner may receive an additional request for the "Change of Ownership" information, which must be returned to the Assessor's Office. If not completed as required, Principal may be charged a penalty, as required by this law. Escrow Holder has no involvement in this filing and is providing this for information purposes only.
- 23) Buyer is aware that the recording of the Deed in consummation of this escrow may result in a re-assessment of the property taxes and/or supplemental tax bill pursuant to the provisions of Chapter 498, Statutes of 1983, State of California. All assessments not shown on the Tax Rolls are to be adjusted outside of escrow. The title policy will contain an exception for the lien of any assessment of supplemental taxes assessed pursuant to Chapter 498, Statutes of 1983, State of California.
 - 24) It is the responsibility of Gestalt Group Escrow utilizing Financial Processing Systems, to report this transaction to the Federal Government and issue to the Seller a Form 1099 for reporting it to the Internal Revenue Service for income tax purposes. All information contained in this reporting shall remain confidential other than the reporting of the information to the Internal Revenue Service. Exceptions to this requirement are as follows: If each Seller executes the new Seller's Certification and all questions in such document are answered "YES"; if Seller is a corporation; if Seller consummates more than twenty-five (25) real property sales per calendar year and provides an affidavit to Escrow Holder to that effect. LIMITATION OF LIABILITY: Gestalt Group Escrow, as Escrow Holder, shall be entitled to rely on the information provided by the Seller and Seller hereby indemnifies and holds Escrow Holder harmless from and against any and all losses, costs, charges, expenses and/or damages that may arise in connection therewith.
 - 25) Federal law requires Escrow Holder to report Seller's social security number and/or tax identification number, forwarding address, and the gross sales price to the Internal Revenue Service. To comply with the USA PATRIOT Act, certain taxpayer identification information may be required by Escrow Holder from certain persons or entities involved (directly or indirectly) in the transaction prior to closing. Escrow cannot be closed nor any documents recorded until the information is provided and certified as to its accuracy to Escrow Holder. The parties agree to promptly obtain and provide such information as requested by Escrow Holder.
 - 26) Seller represents and warrants to Buyer and Escrow Holder that it is not, and as of the date of close of escrow, will not be a foreign person, within the meaning of Internal Revenue Service Code Section 1445 and that, if requested, it will execute and deliver to Escrow Holder prior to closing a Non-Foreign Affidavit on your standard form. The Principals are advised to seek an attorney's accountants or other tax specialist's opinion regarding conformity with the Foreign Investment in Real Property Tax Act of 1980, as amended by the Tax Reform Act of 1984.
 - 27) Escrow Holder hereby notifies the parties hereto of the withholding provisions of California Revenue and Taxation Code Sections 18662 and 18668, as amended 01/01/03 applicable to certain sales of California Real Estate. Where applicable, the Buyer is required to withhold three and one-third percent (3 1/3%) of the sales price of California Real Property obtained from non-exempt Sellers. Buyer understands that in no event will Escrow Holder undertake to advise Buyer and/or Buyer's representative(s) as to the possible application of the above code sections to this specific transaction. Buyer understands that, unless expressly instructed by the Seller and Buyer herein, Escrow Holder will not assist in the withholding of funds due the Seller and the remittance of said funds to the Franchise Tax Board. Buyer understands that the State of California may impose penalties for failure to comply with withholding laws. In the event that the parties request Escrow Holder to withhold funds due the Seller, Escrow will provide the parties hereto with the necessary tax forms, which the parties shall complete and submit to Escrow in addition to instructions as to the proper disbursing of funds. At that time, the Buyer and Seller shall agree to cooperate fully in providing necessary information and to indemnify Escrow Holder and hold Escrow Holder harmless in the event of noncompliance resulting from information supplied by the undersigned. A fee of \$45.00 will be charged for this service.
 - 28) FOR ADDITIONAL INFORMATION CONCERNING THE WITHHOLDING PROVISIONS REFERENCED ABOVE, PLEASE CONTACT THE FRANCHISE TAX BOARD WITHHOLDING AT

SELLER(S) INITIALS: _____ BUYER(S) INITIALS: _____

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SOURCE UNIT AT 888-792-4900, OR WRITE TO THEM AT P.O. BOX 651, SACRAMENTO, CA. 95812-0651.

COMPLIANCE AGREEMENT

Escrow Number: 1005-VF

Seller: GLENN A. PATERNOSTER and CARMEL P. PATERNOSTER

Buyer: JAMES J. CEFALIA, II and SARAH CEFALIA

Property: 2017 East Ocean Blvd, Newport Beach, CA 92661

The undersigned, in consideration of Gestalt Group Escrow, acting as Escrow Holder in the above captioned transaction, does hereby agree:

To execute any and all documents necessary to correct any errors or omissions in any and all closing documentation related to this transaction, as may be deemed necessary or desirable in the reasonable discretion of Gestalt Group Escrow;

To pay any and all amounts necessary to enable Gestalt Group Escrow to fulfill its obligations as escrow holder in this transaction, and any or all charges payable on behalf of the undersigned, in accordance with any documents that may be deemed instructions to Gestalt Group Escrow, as escrow holder, including but not limited to, any Real Estate Purchase Contract and Escrow Instructions, lending instructions, amended escrow instructions and addendums, funds held in escrow agreements, and commission agreements. Gestalt Group Escrow is further granted the right to offset these amounts from any sums that may be due the undersigned in any other escrow transaction pending with Gestalt Group Escrow in which the undersigned is a principal, including but not limited to any unpaid or delinquent taxes due;

To repay to Gestalt Group Escrow, upon demand, any over payments to the undersigned, or to any third party on the undersigned's behalf, by virtue of any error or omission; and

To pay to Gestalt Group Escrow or at Gestalt Group Escrow's direction, upon demand, any shortages of funds necessary for the proper closing of this escrow, including but not limited to, any funds that may be required, in any lending instruction to fully fund, disburse and to fully close this transaction, with the acknowledgment that closing is not completed until all such funds have been paid in full.

PRIVACY POLICY

We Are Committed to Safeguarding Customer Information

In order to better serve your needs now and in the future, we may ask you to provide us with certain information. We understand that you may be concerned about what we will do with such information – particularly any personal or financial information. We agree that you have a right to know how we will utilize the personal information that you provide to us. Therefore, we have adopted this Privacy Policy to govern the use and handling of your personal information.

Applicability

This Privacy Policy governs our use of the information which you provide to us. It does not govern the manner in which we may use information we have obtained from any other source, such as information obtained from a public record or from another person or entity.

Types of Information

Depending upon which of our services you are utilizing, the types of nonpublic personal information that we may collect include:

SELLER(S) INITIALS: _____ BUYER(S) INITIALS: _____

Escrow No: 1005-VF

Date: May 24, 2017

- Information we receive from you on applications, forms and in other communications to us, whether in writing, in person, by telephone or any other means.
- Information about your transactions with us, our affiliated companies, or others.
- Information we receive from a consumer reporting agency.

Use of Information

We request information from you for our own legitimate business purposes and not for benefit of any nonaffiliated party.

Therefore, we will not release your information to nonaffiliated parties except: (1) as necessary for us to provide the product or service you have requested of us; or (2) as permitted by law. We may, however, store such information indefinitely, including the period after which any customer relationship has ceased. Such information may be used for any internal purpose, such as quality control efforts or customer analysis.

Former Customers

Even if you are no longer our customer, our Privacy Policy will continue to apply to you.

Confidentiality and Security

We will use our best efforts to ensure that no unauthorized parties have access to any of your information. We restrict access to nonpublic personal information about you to those individuals and entities who need to know that information to provide products or services to you. We will use our best efforts to train and oversee our employees and agents to ensure that your information will be handled responsibly and in accordance with this Privacy Policy. We currently maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

THE FOREGOING INSTRUCTIONS AND THOSE "ADDITIONAL ESCROW INSTRUCTIONS AND PROVISIONS" INCORPORATED HEREIN AND MADE A PART HEREOF ARE APPROVED AND ACCEPTED IN THEIR ENTIRETY AS FULLY SET OUT IN THIS PARAGRAPH. EACH OF THE UNDERSIGNED BUYER(S) HEREBY AUTHORIZE ESCROW AGENT TO FURNISH COPIES OF CLOSING STATEMENTS TO LENDER AND/OR BROKER INVOLVED.

I/We will pay, on demand, regardless of the consummation of this escrow, all charges incurred by you for me/us, including fee for preparing instruments I/we execute, recording charges and your customary buyer's escrow fee. I/we agree to deliver to you all documents, instruments; escrow instructions and funds required to process and close this escrow in accordance with its terms.

SELLER(S) INITIALS: _____ BUYER(S) INITIALS: _____

Escrow No: 1005-VF

Date: May 24, 2017

I/We have received a copy of these instructions.

BUYER'S SIGNATURE(s):

JAMES J. CEFALIA, II

SARAH CEFALIA

I/We will hand you all instruments and money necessary of me/us to enable you to comply therewith, including a deed to the property described, executed in favor of the vestees, which you are authorized to use and deliver when you hold in this escrow for my/our account the above sum, and any pro-rata adjustments and instruments deliverable to me under these instructions. From funds due me/us, pay at the close of escrow any encumbrances of record, plus accrued interest, charges and bonus if any, bonds, and/or assessments necessary to comply with same, and/or pay any delinquent monthly installment(s) on existing encumbrance(s) as disclosed by beneficiary statement(s), without my/our subsequent approval. I/we agree to deliver to you all documents, instruments; escrow instructions and funds required to process and close this escrow in accordance with its terms.

Instruct the Title Company to begin search of title at once. Deduct and pay from proceeds due me/us, any expenses incurred in my/our behalf including charges for assurance of title, for sending in offset, or beneficiaries' statement(s) and/or demand(s), Documentary Transfer Tax on Deed, filling in, acknowledging, and recording any document(s) necessary on my/our part, including recording of purchase price encumbrance(s) and seller's escrow fee as charged.

I/We have received a copy of these instructions.

SELLER'S SIGNATURE(s):

GLENN A. PATERNOSTER

CARMEL P. PATERNOSTER

SELLER(S) INITIALS: _____ BUYER(S) INITIALS: _____

May 26, 2017

Escrow No.: 1005-VF

NOTIFICATION OF CALIFORNIA WITHHOLDING REQUIREMENTS FOR CALIFORNIA TRANSFERORS

Tax Withholding: State of California: Under the California Revenue and Taxation Code, Sections 18805, and 26131, every Buyer of California real property must, unless an exemption applies, deduct and withhold from Seller's proceeds three and one-third percent (3 - 1/3%) of the gross sales price. The primary exemptions are: NO withholding is required if:

- (a) Seller is a Partnership, LLC, irrevocable trust with CA trustee, estate with CA decedent;
- (b) Seller has a Homeowners Property Tax Exemption for the transferred property (it is their primary residence);
- (c) If the sales price of the property does not exceed \$100,000.00
- (d) Seller is a corporation with permanent place of business in CA;
- (e) Seller is a bank or bank acting a fiduciary for a trust;
- (f) Seller is a corporation and the buyer is acquiring the property either under their foreclosure of a Deed of Trust or Mortgage or by a Deed in Lieu of Foreclosure;
- (g) Seller is transferring property through a 1031 tax deferred exchange;
- (h) Seller is selling the property at a loss for California tax purposes;
- (i) Seller has provided the Buyer with a Withholding Certificate from the Franchise Tax Board that excuses withholding or
- (j) Buyer's and Escrow Holder's good faith reliance on the Seller's affidavit that the conditions requiring the withholding do not exist. Seller and Buyer agree to execute and deliver as directed, any instrument affidavit and statement, or to perform any act reasonably necessary to carry out the provisions of Revenue and Taxation Code Sections as set forth above.

The seller is subject to penalty for knowingly filing a fraudulent certificate for the purpose of avoiding the withholding requirement. The California statutes referenced above include provisions which authorize the Franchise Tax Board to grant reduced withholding and waivers from withholding on a case-by-case basis.

READ AND APPROVED:

BUYER'S SIGNATURE:

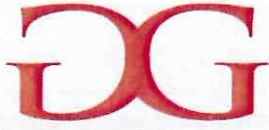
SELLER'S SIGNATURE:

JAMES J. CEFALIA, II

GLENN A. PATERNOSTER

SARAH CEFALIA

CARMEL P. PATERNOSTER



Gestalt Group Escrow
A Division of Orange Coast Title Company

111 W. 4th Street
Long Beach, CA 90802

Phone: (714) 461-3339 Fax: (714) 415-7223

May 26, 2017

TO: Gestalt Group Escrow

ESCROW NO.: **1005-VF**

PROPERTY ADDRESS: **2017 East Ocean Blvd, Newport Beach, CA 92661**

PRELIMINARY TITLE REPORT APPROVAL

I have read and received the Preliminary Title Report dated May 24, 2017, issued by ORANGE COAST TITLE COMPANY, through Title Order Number 1860120-55 and approve same for a Policy of Title Insurance to be issued to me as required in my Escrow Instructions.

JAMES J. CEFALIA, II

SARAH CEFALIA

WIRE FRAUD ADVISORY

Gestalt Group Escrow Officer: Valerie Fazio

Escrow No.: 1005

The ability to communicate and conduct business electronically is a convenience and reality in nearly all parts of our lives. At the same time, it has provided hackers and scammers new opportunities for their criminal activity. Many businesses have been victimized and the real estate business is no exception.

While wiring funds is a welcome convenience, buyers and sellers need to exercise extreme caution. Emails attempting to induce fraudulent wire transfers have been received and have appeared to be legitimate. Reports indicate that some hackers have been able to intercept emailed wire transfer instructions, obtain account information and, by altering some of the data, redirect the funds to a different account. It also appears that some hackers were able to provide false phone numbers for verifying the wiring instructions. In those cases, the buyers called the number provided, to confirm the instructions, and then unwittingly authorized a transfer to somewhere other than escrow. Sellers have also had their sales proceeds taken through similar schemes.

ACCORDINGLY, BUYERS AND SELLERS ARE ADVISED:

1. Obtain the phone number of the Escrow Officer at the beginning of the transaction. **DO NOT USE ANY OTHER TELEPHONE NUMBER TO CONTACT YOUR ESCROW OFFICER.**
2. **DO NOT EVER WIRE FUNDS PRIOR TO CALLING YOUR ESCROW OFFICER TO CONFIRM WIRE INSTRUCTIONS. ONLY USE A PHONE NUMBER YOU WERE PROVIDED PREVIOUSLY.**
3. Verbally confirm the wire transfer instruction is legitimate and confirm the bank routing number, account numbers and other codes before taking steps to transfer the funds.
4. Avoid sending personal information in emails or texts. Provide such information in person or over the telephone directly to the Escrow Officer.
5. Take steps to secure the system you are using with your email account. These steps include creating strong passwords, using secure Wi-Fi, and not using free services.

If you believe you have received questionable or suspicious wire instructions, immediately notify your bank, the Escrow Holder and your real estate agent. The sources below, as well as others, can also provide information:

RED FLAGS

Following, are some red flags to watch for when receiving communication regarding your transaction:

- Messages that appear to be from your escrow officer that comes from a “free” email account, such as gmail, yahoo, and other non-secure email addresses. Your escrow officer will NEVER send you an email from one of these accounts. Our company uses only SECURE HOSTED EMAIL SERVICES.
- Wire instructions that list the beneficiary (receiving party) as anyone other than our company. Your escrow officer will only provide you with wire instructions that direct your funds to an escrow or title trust account in the name of our company.
- Emails or other communication that provides you with a telephone number, physical address or email address that does not match our initial communication with you.
- A sudden sense of urgency in an emailed request for you to wire your funds. ALWAYS contact your escrow officer using the telephone number given to you at the start of your transaction to verify wire instructions. DO NOT rush to send a wire before you speak with your escrow officer.

Your escrow officer may send sensitive information, such as wire instructions, using encrypted email services. These services may require you to create an account to read and reply to the message. Please be patient and understand that our goal is to protect you, your personal information and your funds. Your escrow officer may also provide you with a personal password at the beginning of your transaction as an additional security measure. Please keep your password secure and handy to provide to your escrow officer when communicating by telephone. Your escrow officer will NEVER ask you to email, fax or mail this password.

By signing below, the undersigned acknowledge that each has read, understands and has received a copy of this Wire Fraud Advisory.

GLENN A. PATERNOSTER

JAMES J. CEFALIA, II

CARMEL P. PATERNOSTER

SARAH CEFALIA

STATEMENT OF IDENTITY

FOR USE BY ONLY

Escrow No.: 1005-VF

This Statement is to be SIGNED PERSONALLY by each party to the transaction before a policy of title insurance can be written. This information is necessary because we have been asked to insure a title to real property in which you are interested. In searching your title we may encounter judgments, bankruptcies, divorces, and income tax liens against persons with names similar to yours. We can quickly eliminate any such matters which otherwise cloud the title to this property if you will help us by COMPLETELY filling in the following statement.

Property Address: :2017 East Ocean Blvd Newport Beach, CA 92661

PARTY 1:

_____	_____	_____
(First Name)	(Full Middle Name)	(Last Name)
_____	_____	_____
(Birthplace)	(Date of Birth)	(Social Security No.):

(if married complete the following:)

PARTY 2:

Full name of Wife/Husband _____		
(First name)	(Full Middle Name)	(Last Name)
_____	_____	_____
(Birthplace)	(Date of Birth)	(Social Security No.):

We were married on _____ at _____

RESIDENCES DURING PAST 10 YEARS

_____	_____	_____	_____
Number and Street	City, State & ZIP	From (Date)	To (Date)
_____	_____	_____	_____
_____	_____	_____	_____

OCCUPATIONS DURING PAST 10 YEARS

Party 1	Firm Name	Location	From (Date)	To (Date)
Party 2	Firm Name	Location	From (Date)	To (Date)

Name of former wife _____

Deceased _____ Divorced _____ When _____ Where _____

Name of former husband _____

Deceased _____ Divorced _____ When _____ Where _____

I have never been adjudged bankrupt, nor are there any unsatisfied judgments or other matters pending against me which might affect my title to this property EXCEPT as follows:

Home Phone _____

Party 1 Cell # _____

Party 2 Cell # _____

Signature _____

Signature _____

Date _____

BOE-502-A (P1) REV. 12 (05-13) ASSR-70 (REV. 5-14)

PRELIMINARY CHANGE OF OWNERSHIP REPORT

To be completed by the transferee (buyer) prior to transfer of subject property, in accordance with section 480.3 of the Revenue and Taxation Code. A *Preliminary Change of Ownership Report* must be filed with each conveyance in the County Recorder's office for the county where the property is located.

FOR RECORDER'S USE ONLY

DOCUMENT NO./RECORDING DATE

NAME AND MAILING ADDRESS OF BUYER/TRANSFEEE
(Make necessary corrections to the printed name and mailing address)

JAMES J. CEFALIA, II
SARAH CEFALIA

ASSESSOR'S PARCEL NUMBER

SELLER/TRANSFEROR

GLENN A. PATERNOSTER

BUYER'S DAYTIME TELEPHONE NUMBER

BUYER'S EMAIL ADDRESS

STREET ADDRESS OR PHYSICAL LOCATION OF REAL PROPERTY

2017 East Ocean Blvd, Newport Beach, CA 92661

MAIL PROPERTY TAX INFORMATION TO (NAME)

ADDRESS

CITY

STATE

ZIP CODE

[] YES [] NO

This property is intended as my principal residence. If YES, please indicate the date of occupancy or intended occupancy

MO

DAY

YEAR

PART 1. TRANSFER INFORMATION Please complete all statements.

This section contains possible exclusions from reassessment for certain types of transfers.

YES NO

- ☐ ☐ A. This transfer is solely between spouses (addition or removal of a spouse, death of a spouse, divorce settlement, etc.).
- ☐ ☐ B. This transfer is solely between domestic partners currently registered with the California Secretary of State (addition or removal of a partner, death of a partner, termination settlement, etc.).
- ☐ ☐ * C. This is a transfer ☐ between parent(s) and child(ren) ☐ from grandparent(s) and grandchild(ren).
- ☐ ☐ * D. This transfer is the result of a cotenant's death. Date of death _____
- ☐ ☐ * E. This transaction is to replace a principal residence by a person 55 years of age or older?
Within the same county? ☐ Yes ☐ No
- ☐ ☐ * F. This transaction is to replace a principal residence by a person who is severely disabled as defined by Revenue and Taxation Code Section 69.5? Within the same county? ☐ Yes ☐ No
- ☐ ☐ G. This transaction is only a correction of the name(s) of the person(s) holding title to the property (e.g., a name change upon marriage)? If YES, please explain _____
- ☐ ☐ H. The recorded document creates, terminates, or reconveys a lender's interest in the property.
- ☐ ☐ I. This transaction recorded only as a requirement for financing purposes or to create, terminate, or reconvey a security interest (e.g. cosigner). If YES please explain _____
- ☐ ☐ J. The recorded document substitutes a trustee of a trust, mortgage, or other similar document.
- ☐ ☐ K. This is a transfer of property:
1. to/from a revocable trust that may be revoked by the transferor and is for the benefit of
☐ the transferor, and/or ☐ the transferor's spouse ☐ registered domestic partner
 - ☐ ☐ 2. to/from a trust that may be revoked by the creator/grantor/trustor who is also a joint tenant, and which names the other joint tenant(s) as beneficiaries when the creator/grantor/trustor dies.
 - ☐ ☐ 3. to/from an irrevocable trust for the benefit of the
☐ creator/grantor/trustor and/or ☐ grantor/trustor's spouse ☐ grantor's/trustor's registered domestic partner
- ☐ ☐ L. This property is subject to a lease with the remaining lease term 35 years or more including written options.
- ☐ ☐ M. This is a transfer between parties in which proportional interests of the transferor(s) and transferee(s) in each and every parcel being transferred remain exactly the same after the transfer.
- ☐ ☐ N. This is a transfer subject to subsidized low-income housing requirements with governmentally imposed restrictions.
- ☐ ☐ * O. This transfer is to the first purchaser of a new building containing an active solar energy system.

* Please refer to the instructions for Part 1.

Please provide any other information that will help the Assessor understand the nature of the transfer.

THIS DOCUMENT IS NOT SUBJECT TO PUBLIC INSPECTION

Check and complete as applicable.

- Check and complete as applicable.

- Check and complete as applicable.

- ### CERTIFICATION

The Assessor's office may contact you for additional information regarding this transaction.

BUYER(S) INFORMATION

PLEASE FILL OUT THIS FORM COMPLETELY AND RETURN TO OUR OFFICE AS SOON AS POSSIBLE AS IT WILL ASSIST US IN THE ADMINISTRATION OF YOUR TRANSACTION.

Home Phone Number: () _____

Work Phone Number: () _____

Mobile Phone Number: () _____

Buyer(s) Current Mailing Address: _____

Buyer(s) Mailing Address After Close of Escrow: _____

Buyer(s) Vesting - EXACTLY AS YOU WOULD LIKE THEM TO APPEAR ON ALL DOCUMENTS (please be advised, you will be requested to sign exactly as your name appears):

Please mark appropriate choice(s):

____ Husband and Wife
 ____ A Single Man (Never Married)
 ____ A Single Woman (Never Married)
 ____ A Married Man
 ____ A Married Woman
 ____ A Registered Domestic Partner

____ Unmarried Man
 ____ Unmarried Woman
 ____ A Widower
 ____ A Widow
 ____ Other _____

As:

____ Joint Tenants
 ____ Community Property
 ____ Community Property, with the Right of Survivorship
 ____ Tenants in Common (Please Give Interest Amounts)
 ____ Sole and Separate Property (If Married, A Quitclaim Deed, Statement of Information and Appropriate Instructions Will Need To Be Submitted.) Name of Spouse\RDP: _____
 ____ Partnership (Limited or General)
 ____ Corporation (California Or Other State) _____
 ____ Other _____

New First Trust Deed Loan(s) Buyer(s) is/are applying for:

Name of Lender: _____

Loan Officer Name: _____ Phone Number: () _____

Homeowner's Insurance:

Agent's Name: _____ Phone Number: () _____

Insurance Company: _____

Anticipated Premium: \$ _____

HOW YOU HOLD TITLE TO YOUR PROPERTY CAN HAVE SERIOUS TAX CONSEQUENCES. IT IS STRONGLY RECOMMENDED THAT YOU SEEK TAX AND/OR LEGAL COUNSEL WHEN COMPLETING THIS FORM.

Please Complete, Sign and Return

 JAMES J. CEFALIA, II

 SARAH CEFALIA