

SUBLEASE OF CONDOMINIUM  
AND  
GRANT DEED OF IMPROVEMENTS

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EXHIBIT "A"

ASSIGNMENT AND ASSUMPTION OF SUBLEASE  
AND GRANT DEED OF IMPROVEMENTS

SUBLEASE OF CONDOMINIUM  
AND  
GRANT DEED OF IMPROVEMENTS

THIS CONDOMINIUM SUBLEASE is made this \_\_\_\_\_ day of \_\_\_\_\_, 1993, by and between \_\_\_\_\_  
("Sublessee") and PCH HOMES, LTD., a California limited partnership ("Sublessor").

1. SUBLEASED PROPERTY.

(a) Description. Sublessor is the Lessee under that certain Condominium Development Ground Lease (the "Master Lease"), dated January 1, 1983, under which Sublessor has a leasehold estate in the land which is the subject of this Sublease. The Master Lease was assigned to Sublessor by an Assignment of Lease recorded on \_\_\_\_\_, 19\_\_, as Instrument No. \_\_\_\_\_, in Official Records of Orange County, California ("Official Records"). A Memorandum of the Master Lease was recorded on May 19, 1983, as Instrument No. 83-211629 of Official Records. For and in consideration of the payment of the rents hereinafter reserved and taxes and other charges, and the performance of all of the covenants and conditions of this Sublease by Sublessee, Sublessor hereby leases and demises to Sublessee, and Sublessee hereby rents and accepts from Sublessor, that certain real property ("Subleased Property") situated in the City of Huntington Beach, County of Orange, State of California, described as follows:

PARCEL NO. 1

Condominium Unit \_\_\_\_\_ ("Unit"), as shown and described in the Condominium Plan ("Plan"), which Plan was Recorded on February 8, 1988, as Instrument No. 88-057453, and re-recorded on August 13, 1993, as Instrument No. 93-0545883, both of Official Records.

PARCEL NO. 2

An undivided one-one hundred fifth (1/105th) interest as a tenant in common in a subleasehold estate in and to all of Lot 1 of Tract No. 12238, as shown on a Map Recorded on October 30, 1986, in Book 569, Pages 16 and 17, inclusive, of Miscellaneous Maps, in the Office of the Orange County Recorder (the "Land"), including without limitation the Common Areas defined in the Declaration.

EXCEPTING FROM PARCEL NO. 2 ABOVE, all other Condominium Units, as shown on the Plan.

EXCEPTING FURTHER FROM PARCEL NO. 2 ABOVE, all Improvements and appurtenances located or to be located on the Land.

RESERVING FROM PARCEL NO. 2 ABOVE, all minerals, oil, gas, petroleum, other hydrocarbon substances and all underground

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

RESERVING FROM PARCELS NO. 1 AND NO. 2 ABOVE, for the benefit of Sublessor, and its respective successors in interest and others, easements for access, ingress, egress, encroachment, support, maintenance, drainage, use, enjoyment, repairs, and for other purposes, all as shown in the Plan, and as described in the Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Pierhouse Condominiums ("Declaration"), which was Recorded on August 13, 1993, as Instrument No. 93-0545882, of Official Records.

FURTHER RESERVING FROM PARCELS NO. 1 AND NO. 2 ABOVE, for the benefit of Sublessor, its successors and easements, along with the right to grant and convey said easements, in, under, across and along the Subleased Property, or any part thereof, for the purposes of installation, repair, maintenance, reconstruction and operation of facilities for the transmission of gas, electricity, water, telephone, sewers, storm drains and other utility and public services, including all facilities necessary for installation and operation of a community or master antenna television system or a cable television system, to and within the Subleased Property, provided that the exercise of such rights does not unreasonably interfere with Sublessee's reasonable use and enjoyment thereof.

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

AND FINALLY FURTHER RESERVING FROM PARCELS NO. 1 AND NO. 2 ABOVE, for the benefit of certain Unit Owners of Condominiums in the Land,

exclusive easements appurtenant to Parcels No. 1 and No. 2 described above, for use and occupancy for storage, parking and decks, in, to and over the areas defined as Exclusive Use Common Areas in the Declaration, as described and assigned in the Plan.

PARCEL NO. 3

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

PARCEL NO. 4

Exclusive easements appurtenant to Parcels No. 1 and No. 2 described above, for use and occupancy for storage, parking and decks, in, to and over those portions of the Land, defined as Exclusive Use Common Areas in the Declaration, as described and assigned in the Plan.

SUBJECT TO:

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

(b) Covenants, conditions, restrictions, reservations, rights, rights-of-way and easements of record including without limitation the Declaration and Master Lease.

(b) Acceptance. Sublessee, by acceptance and Recordation of this Sublease or a Memorandum hereof, expressly accepts, covenants and agrees to be bound by all of the provisions of, and specifically agrees to assume performance of, all requirements set forth in the Declaration and this Sublease, which provisions are acknowledged to be reasonable and which provisions (as to the Declaration) are incorporated herein by this reference. The Subleased Property is intended for the uses described in the Declaration and restrictions on its use are set forth in the Declaration. The terms of this Sublease are subject to the provisions of the Master Lease and the Declaration. Unless otherwise expressly provided herein, all capitalized words and phrases used in this Sublease shall have the same meanings given them in the Declaration or the Master Lease, as applicable. In the event of a conflict between this Sublease and the Declaration, this Sublease shall control. This Sublease is conditioned upon the performance of such provisions as are required to be performed by Sublessee under the Declaration.

(c) Title Policy. Following execution of this Sublease and the Close of Escrow for Sublessee's acquisition of the Subleased Property, Sublessor shall cause to be delivered to Sublessee, at Sublessor's expense, a CLTA policy of title insurance, insuring title to the interest of Sublessee in the Subleased Property and the Improvements granted herewith, subject only to the exceptions and reservations referred to herein.

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

2. GRANT OF IMPROVEMENTS.

In consideration of the covenants, agreements and representations of Sublessee contained in this Sublease, Sublessor does hereby grant to Sublessee an undivided one-one hundred fifth (1/105th) fee simple interest in the Improvements and appurtenances on the Land ("Improvements"), together with those easements described as Parcels No. 3 and No. 4 in Paragraph 1 above to the extent that such easements are located, in whole or in part, on the Improvements, subject to the reservations therein. Such interests shall be held by Sublessee as a tenant in common with all other sublessees of Condominiums in the Project. The Subleased Property and that portion of the Improvements conveyed herewith may sometimes hereinafter be collectively referred to as the "Condominium". The foregoing grant is hereby expressly conditioned upon and made subject to the Master Lease and to all reservations, exceptions and other matters set forth in Paragraph 1 of this Sublease. The grant of the Improvements is incident to and appurtenant to this Sublease. The interest in the Improvements hereby granted and transferred and the interest in the Subleased Property shall continue to be and remain one interest in the Condominium, consisting of a Unit and an interest in the Common Areas.

3. TERM OF LEASE.

The term of this Sublease shall be approximately \_\_\_\_\_ (\_\_\_\_) years, commencing on the date of Recordation of this Sublease or a Memorandum thereof ("Commencement Date"), and ending on \_\_\_\_\_, 20\_\_\_\_, ("Term").

4. RENTAL.

Subject to adjustment as provided in Paragraph 5 below, Sublessee agrees to pay to Sublessor, without any deduction and without notice or demand, net over and above all taxes, assessments and other charges hereunder payable by Sublessee, for the use and occupancy of the Subleased Property during the Term of this Sublease, the sum of One Thousand Eight Hundred Fifty Dollars and Seventy-Six Cents (\$1,850.76) per year ("Basic Rental"), payable in advance in equal monthly installments of One Hundred Fifty-Four Dollars and Twenty-Three Cents (\$154.23), ("Monthly Payment"), on the first (1st) day of each calendar month during the Term hereof ("Payment Date") commencing on \_\_\_\_\_, 19\_\_\_\_ ("Rental Commencement Date"); provided that payments for any portion of a month during the Term of this Sublease shall be prorated at the rate of \_\_\_\_\_ Dollars (\$\_\_\_\_) per day. If the Commencement Date falls on a date other than the first (1st) of the month the first Monthly Payment shall be prorated to the next Payment

Date, subject, however, to adjustment at the time and in the manner provided below. Any Monthly Payment which shall not be paid when due shall be subject to a late charge of ten percent (10%) of the amount thereof, and shall bear interest at the maximum rate allowable by law from the date due until the same shall be paid. All rent hereunder and charges with respect thereto shall be paid in lawful money of the United States.

5. RENTAL ADJUSTMENT.

The "Rental" (as defined in the Master Lease) payable by Sublessor under the Master Lease is subject to adjustment effective on January 1, 19\_\_ and on January 1 of each fifth (5th) year thereafter (the "Adjustment Dates") in accordance with Paragraph 4 of the Master Lease. Effective on each Adjustment Date during the Term hereof the Basic Rental shall be increased so that it is equal to one hundred fifteen percent (115%) of the total yearly Rental payable under the Master Lease divided by one hundred five (105) (the total number of condominium units in the Project). Monthly Payments shall be adjusted accordingly.

6. TAXES AND ASSESSMENTS.

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



7. USE OF CONDOMINIUM.

Sublessee shall use the Condominium solely for private single-Family residential purposes as described in the Declaration, and Sublessee shall not use or permit any person to use the Condominium, or any portion thereof, in such manner as to disturb other Owners or occupants of adjoining property, or to constitute a nuisance, offensive use of the Condominium, waste, or a violation of any of the provisions of the Declaration, Master Lease, Rules and Regulations of the Association or applicable public law, ordinance or regulation.

8. MAINTENANCE OF CONDOMINIUM.

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

Sublessee shall at all times fully comply with and abide by the terms, covenants, restrictions, provisions and conditions of the Declaration and any amendments thereof, and any Bylaws, rules, regulations, agreements, decisions and determinations duly made by the Association, respecting the maintenance, use and occupation of the Project and the Condominium and the payment of all assessments and charges of every type levied by the Association in connection therewith. In addition to the foregoing, Sublessee hereby covenants and agrees to promptly pay to the Association before the same shall become delinquent, Sublessee's share of the Common Expenses of the Association and any and all assessments, charges, fees and other costs of every description, levied under the provisions of the Declaration, without cost, expense or liability to Sublessor. Sublessee shall further, by paying his proportionate share of the Common Expenses of the Association, make, build, maintain and repair all fences, sewers, drains, curbs, roads, sidewalks and parking areas which may be required by law to be made, built, maintained and repaired upon or adjoining or in connection with or for the use of the Project. Should the Association fail to fully perform all of its obligations under the Declaration, Sublessor may perform such obligations pursuant to Paragraph 23 of this Sublease, and Sublessee shall pay to Sublessor an amount equal to one hundred ten percent (110%) of Sublessee's share of the aggregate cost of performing the same, as determined under the Declaration, within thirty (30) days



after receipt of notice from Sublessor demanding the payment of said amount. Sublessee shall permit Sublessor, its agents and employees, at all reasonable times during the term of this Sublease to enter the Subleased Property and examine the state of repair and condition thereof, and Sublessee shall at his own expense repair and make good all defects in the Unit within thirty (30) days after receipt of notice of such defects from Sublessor. Sublessee further agrees to otherwise observe and comply with any and all laws, ordinances, rules and regulations now or hereafter made by any governmental authority applicable to the Project, the Subleased Property, that portion of the Improvements granted to Sublessee herewith, or to the use thereof. Sublessee agrees to indemnify, defend and hold Sublessor harmless against all actions, suits, claims, loss, liability, cost (including without limitation attorneys' fees and costs of court) and damage by reason of the nonobservance or nonperformance by Sublessee or any person under him of the provisions and requirements of this Paragraph, whether or not such claims or actions and the like are meritorious. Before commencing construction of any Improvement, addition or alteration on the Project (other than to the interior of a Unit), individually or through the Association, Sublessee shall cause to be deposited with Sublessor a bond or certificate thereof naming Sublessor as an obligee, in a penal sum of not less than the full amount of the cost of such construction and with a corporate surety authorized to do business in the state of California, guaranteeing the completion of such construction free and clear of all materialmen's and mechanic's liens. Sublessee hereby waives any and all rights to make repairs at the expense of Sublessor as provided in Section 1942 of the Civil Code of the State of California and any and all rights provided by section 1941 of said Civil Code, to the extent such rights may be legally waived.

9. INSURANCE.

Sublessee shall, by paying Sublessee's proportionate share of the Common Expenses of the Association, which share is described in the Declaration, keep the Common Area and all buildings and other Improvements on the Project insured against loss or damage by fire, with extended coverage in an insurance company authorized to do business in the State of California, in an amount as near as possible to the full replacement cost thereof, without deduction for depreciation, by blanket policy or policies, written in accordance with the terms of the Declaration in the name of the Association, as trustee, for the "Lessor" under the Master Lease, Sublessor, all Owners and their mortgagees. Sublessee shall provide insurance on Sublessee's personal property and fixtures within his Unit to protect against fire, vandalism, malicious mischief and the perils of the extended coverage endorsement to the California standard policy of fire insurance, or any form of coverage providing equal or greater protection, in the amount of the full insurable value of such property insured in accordance with the provisions of the Declaration. Sublessee hereby expressly waives on behalf of its insurers any right of subrogation against Sublessor, and Sublessor likewise waives on behalf of its insurers any right of subrogation against Sublessee, which any such insurers may have against Sublessor or Sublessee by reason of any claim, liability, loss, or expense arising under this Sublease. Sublessor and Sublessee

agree that any and all insurance policies required to be carried by Sublessee shall contain a standard mortgage protection clause in favor of Sublessee's "Lender" as defined in Paragraph 15 hereof. All such policies issued by the respective insurers shall contain an agreement by the insurers that such policies shall not be cancelled or modified to reduce or eliminate coverage or insured risks without at least thirty (30) days' prior written notice to the named insureds. The Lender shall be entitled to participate in the settlement or adjustment of any losses covered by such policies of insurance and no such settlement or adjustment shall be accepted or approved without the specific consent in writing of Lender. Notwithstanding anything contained in the body of this Sublease, the proceeds from any insurance policy are to be held and distributed pursuant to the provisions of the Declaration.

#### 10. RESTORATION OF IMPROVEMENTS.

If, during the Term hereof, any portion of the Condominium or other Improvements, if any, situated in the Project, or any portion thereof, are damaged or destroyed by fire or other casualty, Sublessee shall promptly and punctually pay any and all assessments levied by the Association pursuant to the provisions of the Declaration, for the purpose of defraying the cost of refurbishing, rebuilding or replacing any portion of the Improvements so damaged or destroyed by fire or other casualty. Any failure on the part of the Association to cause any such damaged or destroyed Improvements to be fully refurbished, rebuilt or replaced, as the case may be, in accordance with the requirements of the Declaration, shall be deemed to constitute a breach in and under this Sublease. In that event all insurance proceeds shall be paid to Sublessor subject to the rights of the Mortgagees, if any, of Sublessor and Sublessee; provided, however, that should there be an election in accordance with the Declaration, not to repair or restore the Project, and should the Board of Directors, within ninety (90) days after said damage occurs, tear down and remove all parts of the damaged or destroyed Improvements then remaining and the debris resulting from said fire or other casualty, and otherwise clean up the Project, then no breach of the covenants and conditions of this Sublease shall arise. If the Association shall elect not to repair or restore as aforesaid, this Sublease shall cease and terminate upon completion of the cleanup operation referred to above and in the Declaration. In such event, the insurance proceeds shall be distributed in accordance with the Declaration and Sublessee shall be relieved of any further obligations hereunder, subject to payment to Sublessor of all Basic Rental, taxes, assessments and other charges hereunder payable by Sublessee, prorated to the date on which the Sublease is so terminated.

#### 11. LIENS AND CLAIMS.

Sublessee shall not suffer or permit to be enforced against Sublessor, the Condominium, or any portion of the Project, any lien, claim or demand arising from any work of construction, repair, restoration, maintenance, alteration, addition or removal performed by, or on behalf of Sublessee. Sublessee shall pay all such liens, claims and demands before any action is brought to enforce the same

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

## 12. LIABILITIES.

Sublessor shall not be liable for any loss, damage or injury of any kind whatsoever to the person or property of Sublessee, or any of Sublessee's family, guests, tenants or invitees or of any other person whomsoever, caused by any use of the Condominium or the Project, or by any defect therein (whether patent or latent), or arising from any occurrence anywhere on the Project or adjacent property, or any fire or other casualty, or occasioned by the failure on the part of Sublessee or Association, as applicable, to maintain the Condominium or Project, as applicable, in safe condition, or by any nuisance made or suffered anywhere on the Project or adjacent property, or by any act or omission of Sublessee, any other Owner or the Association, as applicable, or of any member of Sublessee's family, or of Sublessee's guests, tenants or invitees, or arising from any other cause whatsoever in connection with any portion of the Project or any property adjacent thereto. Sublessee hereby waives on its behalf all claims and demands against Sublessor for any such loss, damage or injury of Sublessee or its family, guests or invitees, and hereby agrees to indemnify, defend and hold Sublessor harmless from (a) any loss, damage, claim of damage, liability, or expense arising out of or resulting from any of the matters or things specified in this Paragraph 12; (b) from any loss, damage, claim of damage, liability, or expense arising out of or resulting from any damage or injury to any person or the property of any person arising from the use of the Condominium or Project by

Sublessee or by any other person by license or invitation of Lessee; (c) the failure of Sublessee or Association in any respect to comply with any of the requirements or provisions of this Sublease or Declaration; and (d) from and against any expense, including cost of litigation and reasonable attorneys' fees incurred in investigating, resisting, or compromising any claim asserted with respect to any of the foregoing. Sublessee will hold all goods, materials, furniture, fixtures and other property whatsoever within the Unit comprising a portion of the Subleased Property or within any portion of the Project at the sole risk of Sublessee and shall and does hereby agree to indemnify, defend and hold Sublessor harmless for any loss or damage thereto (including without limitation attorneys' fees and costs of court) by any cause whatsoever. Sublessee shall, by paying his proportionate share of the Common Expenses of the Association, cause to be kept and maintained a policy of comprehensive general liability insurance in accordance with the terms of the Declaration. When and if requested by Sublessor, Sublessee agrees to obtain additional liability insurance covering such risks and in amounts as may be reasonably required by Sublessor. Upon request Sublessee shall deliver copies of certificates of policies of insurance to be maintained by Sublessee hereunder to Sublessor and all such policies shall provide that they shall not be terminated or modified unless Sublessor is given thirty (30) days' written notice of such termination or modification.

#### 13. SUBLESSOR PAYING CLAIMS.

Should Sublessee fail or refuse to pay any tax, assessment or other charge upon any portion of the Condominium, when due and payable as provided herein, or any lien or claim arising out of the construction, repair, restoration, maintenance and use of the Condominium, or any other claim, charge or demand which Sublessee has agreed to pay under the covenants of this Sublease, and if after ten (10) days written notice from Sublessor to Sublessee and to his authorized Lender, if any, Sublessee or said Lender shall fail or refuse to pay and discharge the same, then Sublessor may, at its option, pay such tax, assessment, lien, claim, charge or demand, or settle or discharge any action therefor or judgment thereon (provided that such action by Sublessor shall not preclude Sublessor from exercising any of its remedies under Paragraph 18 hereof). All costs, expenses and other sums incurred or paid by Sublessor in connection therewith shall be repaid to Sublessor by Sublessee upon written demand, together with interest thereon at the rate of ten percent (10%) per annum from the date of payment until repaid, and any default in such repayment shall constitute a breach of the covenants and conditions of this Sublease.

#### 14. ASSIGNMENT.

Subject to the following restrictions, neither this Sublease nor any right hereunder may be assigned separate and apart from Sublessee's interest in the Improvements conveyed herewith. Any attempt at such assignment, whether voluntary or involuntary, shall be void and of no effect whatsoever. Sublessee may assign this Sublease as a whole so long as: (a) Sublessee or any of Sublessee's successors or assigns shall not be in default hereunder at the time of the proposed assignment; (b) the proposed transferee shall covenant with Sublessor in writing

to keep, perform and be bound by each and all of the covenants and conditions of this Sublease to be kept and performed herein by Sublessee; (c) there shall have first been delivered to Sublessor a copy of a proposed Assignment and Assumption of Sublease and Grant Deed of Improvements, executed by the Sublessee and the proposed assignee, in a form substantially as set forth in Exhibit "A" attached hereto and incorporated herein by this reference; (d) the Sublessee or assignee shall pay to Sublessor a transfer fee of One Hundred Fifty Dollars (\$150.00); and, (e) the transferrer or transferee shall furnish to Sublessor free of expense to Sublessor a copy of a policy of title insurance showing that all interests so assigned (including Sublessor's interest therein) are free and clear of all mechanics' and materialmen's liens as of the date of said assignment. Notwithstanding any of the foregoing provisions of this Paragraph there shall be no assignment of this Sublease (whether voluntary, involuntary, by operation of law or by bankruptcy) without the prior written consent and approval of Sublessor, until such time as the structure housing the Unit comprising a portion of the Subleased Property has been constructed on the Project or until a Lender has made a Subleasehold loan on the Condominium and taken an assignment of Sublessee's interest under this Sublease pursuant to the provisions of Paragraph 15 hereof, as the case may be. There shall be no assignment of this Sublease except in accordance with the provisions of this Paragraph, and any attempted assignment not in accordance with these provisions shall be ineffective for all purposes and confer no rights on any Person. Upon the occurrence and compliance by Sublessee (or waiver by Sublessor) of each and every one of the foregoing conditions, Sublessee shall have no further rights, interests, duties or obligations under or with respect to this Sublease arising after the effective date of such assignment, and the assignee under said assignment shall be entitled to all of the rights provided for hereunder. The provisions of this Paragraph 14 shall be binding upon Sublessee and its successors and assigns.

15. ENCUMBRANCES.

(a) Encumbrance of Sublessee's Estate by Sublessee.

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

part or parts thereof, any holder of a Subleasehold Mortgage shall send to Sublessor a true copy thereof, together with written notice specifying the name and address of any such holder and the pertinent recording date with respect to such Subleasehold Mortgage;

(2) As used herein, "Lender" shall mean the owner and holder of a Subleasehold Mortgage;

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

(4) Immediately after the Recording of a Subleasehold Mortgage, Sublessee, at Sublessee's expense, shall cause to be Recorded in the office of the County Recorder for the county in which the Land is located a written request of Sublessor (Sublessee agreeing to execute and acknowledge such a request) for a copy of any notice of default and of any notice of sale under the Subleasehold Mortgage as provided by the statutes of the State of California relating thereto;

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

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

(a) This Sublease shall not be amended, modified, or terminated by agreement of the parties nor shall Sublessor accept a surrender of this Sublease without the prior written consent of the Lender and any purported amendment, modification, termination or surrender shall not be effective as against Lender;

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

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

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

(e) Any event of default under this Sublease which in the nature thereof cannot be remedied by Lender, including but not limited to the bankruptcy or insolvency of, or appointment of a receiver for, the Sublessee, shall be deemed to be remedied if (i) within sixty (60) days after receiving written notice from Sublessor setting forth the nature of such event of default, or prior thereto, Lender shall have acquired Sublessee's subleasehold estate created hereby or shall have commenced foreclosure or other appropriate proceedings in the nature thereof, (ii) Lender shall diligently prosecute any such proceedings to completion, and (iii) Lender shall have fully cured any default in the payment of any monetary obligations of Sublessee hereunder which do not require possession of the Subleased Property within such sixty (60) day period and shall thereafter continue to faithfully perform all monetary obligations which do not require possession of the Subleased Property, and (iv) after gaining possession of the Subleased Property Lender performs all other obligations of Sublessee hereunder as and when the same are due;



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

(g) Foreclosure of a Subleasehold Mortgage, or any sale thereunder, whether by judicial proceedings or by virtue of any power contained in the Subleasehold Mortgage, or any conveyance of the subleasehold estate created hereby from Sublessee to Lender through, or in lieu of, foreclosure or other appropriate proceedings in the nature thereof shall not require the consent of Sublessor or constitute a breach of any provision of or a default under this Sublease, and upon such foreclosure, sale or conveyance Sublessor shall recognize Lender, or any other foreclosure sale purchaser, as Sublessee hereunder. If Lender becomes Sublessee under this Sublease or under any new sublease obtained pursuant to subparagraph (6)(h) below, Lender shall be personally liable for the obligations of Sublessee under this Sublease or such new sublease only for the period of time that Lender remains Sublessee thereunder. Notwithstanding anything contained herein Lender's right thereafter to assign this Sublease or such new sublease or to sublease the Subleased Property and the Improvements thereon under this Sublease or such new sublease shall not be subject to any restriction, provided that any assignee shall take the subleasehold estate subject to all the covenants and conditions herein contained on the part of Sublessee to be kept observed and performed, and shall, as a condition of such assignment, assume and agree to perform all such obligations, covenants and conditions of Sublessee hereunder. In the event Lender subsequently assigns or transfers its interest under this Sublease after acquiring the same by foreclosure or deed in lieu of foreclosure or subsequently assigns or transfers its interest under any new sublease obtained pursuant to subparagraph (6)(h), and in connection with any such assignment or transfer Lender takes back a mortgage or deed of trust encumbering such subleasehold interest to secure a portion of the purchase price given to Lender for such assignment or transfer, then such mortgage or deed of trust shall be considered a Subleasehold Mortgage as contemplated under this Sublease and Lender shall be entitled to receive the benefit of and enforce the provisions of this Sublease intended for the benefit of the holder of a Subleasehold Mortgage;

(h) If this Sublease is terminated by Sublessor on account of a default by Sublessee (and provided that an unsatisfied Subleasehold Mortgage remains of record) or if Sublessee's interest under this Sublease shall be sold, assigned or transferred pursuant to the exercise of any remedy of the lender, or pursuant to judicial or other proceedings, Sublessor shall, upon written request by Lender given within sixty (60) days after such termination, immediately execute and deliver a new sublease of the

Subleased Property to Lender, or its nominee, purchaser, assignee or transferee, for the remainder of the Term of this Sublease with the same agreements, covenants and conditions (except for any requirements which have been fulfilled by Sublessee prior to termination) as are contained herein and with priority equal to that hereof, provided that Lender shall promptly cure any defaults of Sublessee susceptible to cure by Lender, and provided further that if more than one Lender requests such new sublease, the Lender holding the most senior Subleasehold Mortgage shall prevail. Upon execution and delivery of such new sublease, title to the Improvements on the Subleased Property shall vest in the new sublessee, and Sublessor, at the expense of the new sublessee, shall take such action as shall be necessary to cancel and discharge this Sublease and to remove Sublessee named herein from the Subleased Property;

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

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

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

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

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

(b) Encumbrance of Sublessor's Estate by Sublessor.

During the term of this Sublease, Sublessor shall have the right or power to mortgage or otherwise create a security interest affecting Sublessor's

interest in the Subleased Property ("Leasehold Mortgage") and to renew, modify, replace, extend or refinance such Leasehold Mortgage, subject, however, to the following:

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

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

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

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

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

#### 16. NONREMOVAL AND REVERSION OF IMPROVEMENTS.

Sublessee and Sublessor hereby acknowledge that legal title to the Improvements, including without limitation the residential structures situated upon the Project, is vested in and held by Sublessee and other Owners in the Project. Notwithstanding the foregoing, all Improvements, excluding removable personal property, if any, on the Subleased Property shall remain on the Subleased Property after the termination of this Sublease and shall

thereupon become the property of Sublessor without the payment of any consideration therefor. The term "removable personal property" as used in this Paragraph shall not include property which normally would be attached or fixed to the Improvements or any portion of the Subleased Property, in such a way that it would become a part of the realty, regardless of whether such property is in fact so placed in or on or affixed or attached to the Improvements or any portion of the Subleased Property in such a way as to legally retain the characteristics of personal property. Sublessee expressly waives its rights under Section 1013.5 of the California Civil Code, pertaining to improvements affixed to land by any person acting in good faith and under mistake of law or fact. Upon the expiration of the Term hereof, or any sooner termination of this Sublease, Sublessee shall execute, acknowledge and deliver to Sublessor, upon request, a proper instrument in writing releasing and quitclaiming to Sublessor all right, title and interest of Sublessee in and to any and all portions of the Subleased Property and the Improvements. Sublessee shall not remove any property from, upon, or within the Condominium or upon the Project contrary to the provisions of the Declaration.

17. PLACE OF PAYMENTS AND NOTICES.

All rents and other sums payable by Sublessee to Sublessor hereunder shall be paid to Sublessor at the address specified beneath Sublessor's signature hereto or such other address designated by Sublessor to Sublessee in writing. Whenever either party hereto desires to give written notice to the other respecting this Sublease, such notice, if not personally delivered to Sublessor, or to Sublessee, shall be sent by certified or registered mail, with postage prepaid, and directed to Sublessor at the address specified above and directed to Sublessee at the address specified below Sublessee's signature hereto or such other address designated by Sublessee to Sublessor in writing. The service of any such written notice shall be deemed complete at the time of such personal delivery or within three (3) days after the mailing thereof as herein provided. Should Sublessee consist of more than one person, the personal delivery or mailing of such notice to any one of such persons shall constitute complete service upon all such persons. Any notice provided herein to be given by Sublessor to any Lender shall be served in the same manner as provided in this Paragraph 17, and shall be delivered to Lender or sent to its address as last shown on the records of Sublessor.

18. REMEDIES UPON DEFAULT.

Should Sublessee default in the payment of any installment of rent, tax, assessment, lien, claim, expense or any other sum provided in this Sublease to be paid by Sublessee at the time and in the manner herein specified; or should Sublessee default in the performance of or breach any other covenant, condition or restriction provided in this Sublease to be kept or performed by Sublessee, and should such default or breach continue uncured for a period of sixty (60) days from and after service of written notice thereof by Sublessor to Sublessee, then and in any such event, without barring later election of any other remedy of Sublessor

hereunder, at law or in equity, Sublessor may, at its option, subject to the rights of any Lender as set forth in Paragraph 15 proceed as follows:

(a) Termination of Sublease. Sublessor may terminate or cancel this Sublease by giving Sublessee written notice of such termination or cancellation. Upon such termination or cancellation of this Sublease, Sublessor shall thereafter, pursuant to the provisions of this Paragraph, offer for sale such Condominium for a term equivalent to the balance of the unexpired Term of this Sublease, subject to the same terms and conditions as set forth in this Sublease and subject to the same rights of any Lender as set forth in Paragraph 15 hereof. Upon such termination or cancellation of this Sublease the portion of the Improvements conveyed to Sublessee herein shall automatically and immediately become the property of Sublessor without payment of any consideration therefor. Sublessor shall give to Sublessee twenty (20) days prior, written notice of the time and place of sale in the manner provided in Paragraph 17 of this Sublease. Sublessor will post a notice of sale on the Condominium setting forth the time and place of sale at least twenty (20) days prior to such sale. Sublessor shall further cause a notice setting forth the time and place of such sale to be published at least once, not less than ten (10) days prior to the sale, in a newspaper of general circulation in the county in which the Land is located. Thereafter, the sale of said Condominium shall be held in conformance with the notice of time and place of sale and the sale shall be confirmed to the highest bidder. Sublessor shall have the right to bid at such sale. Upon any such sale, Sublessor shall deduct from the monies derived therefrom the following:

(1) The cost of any alteration, repairs, maintenance or redecoration of the Unit comprising a portion of the Condominium;

(2) All costs of such sale including, without limitation, advertising costs, administrative overhead, commissions and reasonable attorneys' fees incurred; and

(3) An amount equal to all delinquent rents, taxes, assessments and other charges accruing under the Sublease to the date of sale with interest thereon and any other legitimate charges against said Condominium or due Sublessor under this Sublease.

The then remaining balance of the proceeds from such sale, if any, shall be paid over to Sublessee or persons entitled thereto.

(b) Specific Performance. Without taking possession of Sublessee's interest in the Condominium, require strict performance of all covenants and obligations hereof as the same shall respectively accrue and shall have a right of action therefor.

(c) Re-Entry. Without further notice to Sublessee or any subtenant, to enter into the Unit on account of Sublessee and to remove all unauthorized persons and all property therefrom. No such reentry by Sublessor, whether with or without legal process or through unlawful detainer proceedings or otherwise, unless Sublessor shall in writing

otherwise notify Sublessee, shall terminate this Sublease or release Sublessee from any of Sublessee's obligations or liabilities hereunder, whether accruing prior to or subsequent to such acts by Sublessor, but Sublessor shall have in such event all of the rights and remedies given it by law and under the provisions of this Sublease. Sublessor may, at its option, re-let the Condominium or any part thereof for the account of Sublessee, and in that event may re-let the Unit and Sublessee's interest in the Common Areas, or any part thereof, including the Improvements, at such rental and upon such terms and conditions as it may deem proper, for any term within or beyond the then unexpired Term of this Sublease. Sublessee shall be liable for any difference between the aggregate of the unpaid sums herein accrued and hereafter to accrue under the terms of this Sublease, and the net amounts actually realized through such re-letting to the date of the expiration of this Sublease, after deducting brokers' commissions, taxes, insurance, maintenance and all other damages of Sublessor, including any expenses incurred for repairs, alterations or remodeling which are reasonably incurred in order to effect such reletting.

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

#### 19. RECEIVER AND INSOLVENCY.

The following shall also constitute a default by Sublessee hereunder: (a) the appointment of a receiver to take possession of all or substantially all of the assets of Sublessee, which receiver is not removed within thirty (30) days of such appointment, except for a receiver appointed at the instance of Sublessor to take possession of Sublessee's interest in the Condominium of Sublessee, and to collect rents or profits derived therefrom, (b) a general assignment

by Sublessee for the benefit of creditors, or (c) any action taken or suffered by Sublessee under any arrangement, insolvency or bankruptcy act or proceeding, which is not dismissed in Sublessee's favor within thirty (30) days after commencement thereof. Upon the occurrence of any of the foregoing, Sublessor may, at its option, and subject to the rights of Lender under Paragraph 15 hereof, terminate this Sublease with notice to Sublessee and proceed in accordance with the provisions of Paragraph 18 of this Sublease.

20. REPRESENTATIONS.

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

21. HOLDING OVER.

This Sublease shall terminate and become null and void without further notice upon the expiration or earlier termination of the Term hereof. Any holding over shall not constitute a renewal hereof or give Sublessee any rights in or to the Condominium or Project. This Sublease cannot be renewed, extended or in any manner modified except in accordance with this instrument and by a writing signed by all parties hereto. Upon the expiration or earlier termination of the Term of this Sublease, Sublessee shall peaceably deliver up and surrender to Sublessor possession of the Condominium conveyed herewith in accordance with the provisions of Paragraph 16 of this Sublease, in good repair, order and condition, except for reasonable wear and tear and except as otherwise expressly provided herein.

22. EMINENT DOMAIN.

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

(b) If the Condominium, or any part thereof, is condemned, the Board of Directors of the Association shall be entitled to and shall receive the total amount of any award made with respect thereto, regardless of whether the award is based on a single award or a separate award as between the respective parties. If and to the extent that any such award or awards shall be made to Sublessee or to any person claiming through or under Sublessee, Sublessee hereby irrevocably assigns to the Board of Directors all of its



right, title and interest in and to any and all awards, for disbursement to Sublessee and its Lender, in accordance with the provisions of the Declaration. In no event shall the amount payable to or for the benefit of Sublessee exceed the appraisal of the condemning authority or judgment, if any, with respect to the value of Sublessee's percentage undivided interest in the Improvements, provided that such amount shall not be less than the unpaid balance (as of the effective date of the taking) of the indebtedness secured by a first Subleasehold Mortgage. For a Lender to be entitled to the benefit of this subparagraph, it shall be a bank, savings and loan association, insurance company, real estate investment trust, mortgage banker or broker or pension or profit sharing trust subject to Federal or State regulations, and shall have made its loan on the basis of no more than 95% of the value of the Condominium or portion thereof which is security for the loan.

(c) The rights of Sublessor, Sublessee and their mortgagees, if any, with respect to any condemnation awards shall be governed by the provisions of the Declaration subject to the provisions of the Master Lease.

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

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

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

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

23. SUBLESSOR'S COSTS AND EXPENSES.

If at any time during the term of this Sublease the Association shall fail or cease to maintain the Common Areas, or to perform its obligations as set forth in the Declaration, Sublessor may, at its option, assume the performance of all or a portion of the services of the Association. In such event, Sublessee agrees to pay to Sublessor, in addition to the Basic Rental provided for in Paragraph 4 hereof, an amount equal to one hundred ten percent (110%) of the product of Sublessor's costs of the maintenance and operation of the Common Areas and services, including without limitation the fee of a management agent or a reasonable fee charged by Sublessor for its services in management and operation of the Common Areas, multiplied by Sublessee's percentage undivided interest in the subleasehold estate in the Land under Paragraph 1 of this Sublease. Said costs shall be determined annually from the financial records of Sublessor, which records shall be conclusive for the purposes of this Paragraph. Sublessee's share of said annual costs shall be paid by Sublessee to Sublessor within thirty (30) days after written notice thereof by Sublessor to Sublessee, and any default in the payment thereof shall constitute a breach of the covenants herein and a default under the conditions of this Sublease. Sublessee shall further pay to Sublessor on demand all costs and expenses including reasonable attorneys' fees incurred by Sublessor in enforcing any of the covenants and conditions herein contained, in remedying any breach by Sublessee of said covenants and conditions, in recovering possession of the Condominium conveyed herewith, in collecting delinquent rent, taxes and other charges hereunder payable by Sublessee, or in connection with any litigation (other than condemnation proceedings) commenced by or against Sublessee to which Sublessor without fault on its part shall be made a party.

24. ATTORNMMENT.

If Sublessor defaults under the provisions of the Master Lease or under the provisions of any Leasehold Mortgage, Sublessee shall, upon receipt of notice of such default, attorn to, and make Sublessee's rental payments hereunder to the lessor under the Master Lease or the Leasehold Lender, as applicable.

25. CONSTRUCTION AND EFFECT.

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

the paragraphs hereof or to be considered in the construction thereof. Each and all of the obligations, covenants, conditions and restrictions of this Sublease shall be deemed as running with the land and shall inure to the benefit of and be binding upon and enforceable against, as the case may require, the successors and assigns of Sublessor, and subject to the restrictions of Paragraphs 14 and 15 hereof, the heirs, executors, legal representatives, encumbrancers, assignees, successors and subtenants of Sublessee. Except as otherwise expressly provided herein, any amount due from Sublessee not paid when due shall bear interest at the maximum rate permitted by law from the date due. Payment of such interest shall not excuse or cure any default by Sublessee under this Sublease. If Sublessee consists of more than one person, the covenants and obligations of Sublessee hereunder shall be the joint and several covenants and obligations of such persons. Except as otherwise expressly provided herein, all capitalized terms used in this Sublease shall have the same meanings as are given such terms in the Declaration. In this Sublease the masculine gender includes the feminine and neuter, and the singular number includes the plural, whenever the context so requires. This Sublease shall be construed according to the laws of the State of California.

26. INCIDENTS OF CONDOMINIUM OWNERSHIP.

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

27. ESTOPPEL CERTIFICATE.

(a) A party hereto ("certifying party") shall at any time upon no less than ten (10) days' prior written notice from the other party ("requesting party") execute, acknowledge and deliver to the requesting party a statement in writing (i) certifying that this Sublease is unmodified and in full force and effect, or, if modified, stating the nature of such modifications and certifying that this Sublease, as so modified, is in full force and effect and the date to which the rent and other charges are paid in advance,

if any, and (ii) acknowledging that there are not, to the knowledge of the certifying party, any uncured defaults on the part of the requesting party hereunder, or specifying such defaults if any are claimed. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the interest of the requesting party in the Subleased Property.

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

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

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

_____	PCH HOMES, LTD., a California limited partnership
_____	By: MMC DEVELOPMENT, a California corporation
"Sublessee"	Its: General Partner
Address: _____	By: _____
_____	Its: _____
_____	"Sublessor"
_____	Address: _____
_____	_____
_____	_____