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IN REPLY REFER TO:

12996.1

January 5, 2018

EXECUTIVE SUMMARY

**PROSPECTIVE MASTER LEASE AND
CONDOMINIUM SUBLEASE EXTENSIONS**

The Board of Directors (the "Board") for the Village Racquet Club Homeowners Association (the "Association") is contemplating obtaining a 34 year extension of Business Lease PSL 199 (the "Master Lease") as relates to the Village Racquet Club Community (the "Community").

The contemplated terms of the Master Lease Extension are as follows:

- **Extended Master Lease Expiration Date:** The Master Lease expiration date would be extended for 34 years from July 27, 2042 to July 27, 2076.
- **Increased Guaranteed Minimum Annual Rent:** The Guaranteed Minimum Annual Rent ("GMAR") accruing under the Master Lease would increase from approximately \$218,000 to \$395,000, subject also to periodic cost-of-living adjustments.

Upon extension of the Master Lease, individual owners will be able to extend their individual Condominium Subleases on terms which are generally consistent with the following (with all such fees ultimately being paid to the Agua Caliente allottees):

- **Condominium Sublease Extension Fee:** A Condominium Sublease Extension Fee (along with any miscellaneous administrative costs such as the Bureau of Indian Affairs sublease extension processing fee) would be imposed on an escalating schedule as follows:
 - ** \$4,000 for the owners signing up in the first six months;
 - ** \$5,000 for owners signing up in the next six months;
 - ** \$6,000 for owners signing up in the second year;
 - ** \$8,000 for owners signing up in the third year; and
 - ** After the third year, the Condominium Sublease Extension Fee shall increase by 15% per annum over and above the third year lease extension fee.

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- **Condominium Sublease Assignment/Transfer Fee:** A Condominium Sublease Transfer Fee shall be imposed in the amount of assignment/transfer fee of two percent (2%) of the gross sales price each time an owner assigns his/her/its condominium, subject to exemptions from the Assignment/Transfer Fee for certain inter-familial transfers.
- **Condominium Sublease Refinance Fee.** The owner of a condominium will be obligated to pay a Condominium Sublease Refinance Fee in the amount of six months of the then existing monthly rent each time there is a refinance of the owner's condominium.
- **Miscellaneous Fees and Expenses.** The owner of a condominium will be obligated to pay fees and expenses for the processing of the Sublease Extension through the Bureau of Indian Affairs.

The Condominium Sublease Extension Fee, Condominium Assignment/Transfer Fee, Condominium Sublease Refinance Fee, and Miscellaneous Fees and Expenses described above would only be charged to those owners who elect to extend their respective Subleases. No owners would be required to extend their Subleases, but failure to do so would result in the owners' Condominium Sublease continuing to be subject to expiration on July 27, 2042.

The Association would receive an option (the Association would have the right but not the obligation) to purchase an extension of the lease term of the Condominium Subleases ("Condominium Subleases") whose current owner(s) do not extend their Subleases within nine months after the approval of the Master Lease Extension. If that occurs, the Association will become the Sublessee and have the right to possession of the Condominium Unit during the extended term (i.e., from July 27, 2042 to July 27, 2076) unless it sells such extended term to the owner or subsequent owner of the subject Condominium.

EXHIBIT B
SUPPLEMENTAL AGREEMENT

**Business Lease No.: PSL-199
Allot. Nos. PS-100; PS-81; PS-103;
PS-84; PS-82; PS-3; PS-67**

**SUPPLEMENTAL AGREEMENT NO. 2 TO
BUSINESS LEASE NO. PSL-199**

This SUPPLEMENTAL AGREEMENT NO. 2 TO BUSINESS LEASE NO. PSL-199 (the "Second Amendment") is entered into by and between PAULA J. BLEILE-BELKNAP, ROBERT FRANK URTON, JR., ROBERTA M. URTON-ANDERSON, MICHAEL D. CHORMICLE, ESTATE OF LISA M. BLEILE, ESTHER VOORHEES, YOLANDA ROGERS (LIFE ESTATE INTEREST), DINA M. URTON-RUSSELL, MARY URTON (LIFE ESTATE ONLY), ANITA V. JACKSON aka ANITA VIVIAN VOORHEES, MICHELE BALZANO, GIOVANNI BALZANO, II, RICHARD WAYNE CHORMICLE, JAMES WILLIAM CHORMICLE, and KENNETH G. MILLER, JR., collectively the "Lessor", and VILLAGE RACQUET CLUB ASSOCIATION also known as the VILLAGE RACQUET CLUB HOMEOWNERS ASSOCIATION, a California Non-Profit Mutual Benefit Corporation, as the "Lessee". This Second Amendment is entered into so as to be effective as of the date it is approved by the Bureau of Indian Affairs (the "BIA Approval Date").

RECITALS

A. **WHEREAS**, on July 28, 1977, the Acting Area Director, Sacramento Area Office, of the United States Department of the Interior, Bureau of Indian Affairs (the "BIA"), approved Business Lease No. PSL-199 (the "Lease"), by and between VILLAGE RACQUET CLUB, a California corporation, as Lessee, and MICHAEL DEAN CHORMICLE, the HEIRS OF DONALD PATRICK CHORMICLE, ANITA VIVIAN VOORHEES MILLER, ROBERT URTON, the HEIRS OF RUTH URTON CHORMICLE, ESTHER VOORHEES, and GENEVIEVE PIERCE ST. MARIE, collectively as the original master lessor, covering the real property located in the County of Riverside, State of California (the "Property");

B. **WHEREAS**, on April 30, 1979, the BIA approved Supplemental Agreement No. 1 to the Lease (the "First Amendment"); all references in this Second Amendment to the "Lease" shall refer to the original Lease, as amended by the First Amendment (and, if the context requires, as further amended by this Amendment No. 2);

C. **WHEREAS**, there was a series of assignments of the master lessee's interest in the Lease, and a trustee sale thereof, which culminated in INDEPENDENCE ONE BANK OF CALIFORNIA, FSB ("Independence Bank") acquiring the entirety of the master lessee's interest in the Lease;

D. **WHEREAS**, on November 29, 1995, Independence Bank assigned and conveyed any and all of its master lessee's right, title and interest in the Lease to Lessee (defined above as VILLAGE RACQUET CLUB HOMEOWNERS ASSOCIATION, a California Non-Profit corporation). The Assignment was approved by the BIA and recorded in the Official Records of the County Recorder's Office for Riverside County (the "Official Records") on November 29, 1995 as

Instrument No. 396734;

E. **WHEREAS**, the “Lessor” (as defined above) is a group comprised of all of the current owners of the master lessors’ interest in the Lease; and

F. **WHEREAS**, the Lessor and Lessee (as defined above) desire to amend the Lease on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual benefit of the parties hereto, the Lease is amended in the following particulars, and in no others:

1. Section 3 entitled "TERM" is hereby deleted in its entirety and the following is substituted in its place:

"The term of this Lease shall be ninety-nine (99) years commencing on July 28, 1977, i.e., the date this Lease was approved by the BIA. The termination date of the Lease as extended herein shall thus be July 27, 2076 (the “Lease Termination Date”)."

2. Section 5 entitled "RENTALS" is amended by replacing Section 5, Subsection (K) of the First Amendment, and by adding Subsections (K), (L), (M), and (N) as follows:

“(K) Commencing on the BIA Approval Date, Lessee shall commence to pay Lessor a Guaranteed Minimum Annual Rent (“GMAR”) of Three Hundred Ninety-Five Thousand Dollars (\$395,000) per year, which shall be subject to a cost of living adjustment in the manner described in Subsection (J) with the first such adjustment occurring on August 19, 2019, i.e., five years from the date of the most recent appraisal of the Lessor’s interest in the Property, and continuing every five years thereafter.

(L) Promptly after the BIA Approval Date, Lessee shall offer to all existing owners of condominiums on the Property (collectively the “Sublessees”) the right to amend their subleases to extend their respective sublease terms to the Lease Termination Date, subject to the terms and conditions set forth in this Second Amendment and such other terms and conditions as may be established by Lessee which are not inconsistent with this Second Amendment (the “Sublease Extension Program”).

(M) Lessee shall ensure that the sublease amendment form for each Sublessee participating in the Sublease Extension Program (a “Participating Sublessee”) shall require that any future lease assignment(s) by a Participating Sublessee includes a provision wherein the assignee and any successors in interest acknowledge in writing that the applicable sublease as amended includes a cost of living adjustment formula with an adjustment period occurring every 5 years.”

3. Section 18 entitled "SUBLEASE, ASSIGNMENT, TRANSFER" is hereby amended by adding the following language to the end of Subsection (A):

"Lessor shall receive as additional rent one hundred percent (100%) of all fees charged to any and all Participating Sublessees pursuant to the following schedule:

(1) Sublease Extension Fees. Lessee shall charge each Participating Sublessee a \$4,000.00 sublease extension fee to the extent such Participating Sublessee enrolls in the Sublease Extension Program during the first six (6) month period following BIA Approval Date, a \$5,000 sublease extension fee to the extent such Participating Sublessee enrolls within the next six (6) month period, a \$6,000 sublease extension fee to the extent the Participating Sublessee enrolls within the second year, and an \$8,000 sublease extension fee to the extent the Participating Sublessee enrolls within the third year. After the third year, the sublease extension fee shall automatically increase by fifteen percent (15%) per year over the third year sublease extension fee.

(2) Transfer Fees. Commencing on the date that a Participating Sublessee successfully enrolls in the Sublease Extension Program, each Participating Sublessee shall be charged an assignment/transfer fee equal to two percent (2%) of the gross sales price each time such Participating Sublessee and/or an assign sells, assigns, or transfers the Participating Sublessee's ownership interest in the sublease. However, notwithstanding the above, this additional fee shall not apply to *inter-vivos*, inter-family transfers, such as spouse to spouse, registered domestic partner to registered domestic partner, children to parents, parents to children, or transfers into a grantor or family trust, and it would also not apply to transfers upon death by bequest or inheritance.

(3) Payment Requirements: Sublease extension fees shall be collected by Lessee or Lessee's agent, and forwarded to the Bureau of Indian Affairs (BIA) at the time of submission for extension approval. Additional rent consisting of assignment/transfer fees and/or refinancing fees collected by Lessee or Lessee's agent for each calendar month shall be remitted to Lessor, in care of the BIA, within forty-five (45) days after the end of such calendar month, and shall be accompanied by a General Ledger listing of transfer and/or refinancing fees which are included in such payment.

All other additional/percentage rent shall be remitted by Lessee to Lessor, in care of the BIA, by the end of the month succeeding the end of each calendar quarter (i.e., by January 31, April 30, July 31, October 31), based on sublease rents received in such calendar quarter. To the extent that any Sublease holder pays its Sublease rent to Lessee for more than one calendar quarter in advance, Lessee shall have the right, at its election, to report and apply the prepaid amounts that are attributable to future calendar quarters in those future calendar quarters for the purpose of reporting and paying additional/percentage rent under this section. In any event, the sum of each quarter rents collected must coincide to annual rentals collected as reported on the

annual certified audit report of gross receipts as identified in Section 5 of this Amendment.

(4) Lessee's Option: In the event that any Sublessee(s) does not exercise the right to extend such Sublessee's sublease within nine (9) months after the BIA Approval Date, Lessee may at its option, extend the term of the subject unit to the Lease Termination Date, with Lessee retaining full right and control over the subject condominium unit from the expiration of the existing sublease term through the Lease Termination Date (the "HOA Extension Period"). Lessee's rights herein shall include, without limitation, the right to sell or assign the rights to such HOA Extension Period to the current Sublessee(s) and/or its/their successors or assigns and/or to evict the Sublessee(s) and its/their successor or assigns should they breach their sublease and/or hold-over into the HOA Extension Period. During the HOA Extension Period, Lessee shall, for all purposes, be the owner of that condominium unit with the right to occupy, let, sublet, assign, and/or sell the subject unit for the HOA Extension Period. In exchange for the HOA Extension Period, Lessee agrees to pay Lessor the Lease Extension Fee. However, Lessee shall not be responsible for payment of assignment and/or refinance fees relating to such condominium unit, or to increased rent during Lessee's term of ownership (although Lessee will still be required to guarantee payment of the GMAR)."

4. Section 22 entitled "ENCUMBRANCE" is hereby stricken in its entirety and the following provisions inserted instead:

"(A) Consent to Encumbrance. Subject to obtaining the requisite approval of the BIA pursuant to its regulations, this Lease, a fractional part of this Lease, or any right to or interest in this Lease or any of the improvements, may be encumbered an unlimited number of times for any purpose permitted under Federal law and regulations, provided that the Encumbrance is confined to the leasehold interest of Lessee, the fee interest in any improvement, fixture or equipment, or the sublease interest of any Participating Sublessee, and that it does not jeopardize the Lessor's fee interest in the Property or reversionary interest in any Improvement. Additionally, Lessee and the BIA may enter into any consent to Encumbrance, non-disturbance and/or attornment agreements as may be reasonably required by any Encumbrancer of any Participating Sublessee's interest in any portion of the Property, and shall promptly execute and deliver estoppel certificates in connection with any such lien or financing.

(B) Subsequent Encumbrancer. Upon request by any Encumbrancer, Lessor shall execute and deliver any and all reasonable consents, non-disturbance and attornment agreements and/or estoppel certificates to such Encumbrancer, in a form reasonably acceptable to Lessee and such Encumbrancer. If Lessee's leasehold interest or fractional part thereof is acquired by a party and/or parties other than the Encumbrancer of same, said party and/or parties will be bound by all the terms of this Lease and will assume all the obligations of the Lessee. Lessor shall execute and

deliver any reasonable amendments of this Lease (which shall not serve to amend any material term) as may be reasonably requested by any Encumbrancer, subject to approval by the BIA.

(C) Default by Lessee. Upon default by the Lessee of this Lease or a fractional part thereof under any of the terms of an Encumbrance, the Encumbrancer shall furnish the BIA and the Lessor copies of any notice of default sent Lessee and the Encumbrancer may exercise any rights provided in such Encumbrance, provided that before any sale of the Lessee's interest in the Lease or any fractional part thereof, whether under power of sale or foreclosure, the Encumbrancer shall give to the BIA and Lessor notice of the same character and duration as is required to be given to Lessee by either or both such Encumbrance or the laws of the State of California.

(D) Default by Sublessee. Upon default by any Participating Sublessee under any of the terms of an Encumbrance on a sublease, the Encumbrancer shall furnish the Lessee copies of any notice of default sent Sublessee, and the Encumbrancer may exercise any rights provided in such Encumbrance, provided that before any sale of the Sublessee's interest, whether under power of sale or foreclosure, the Encumbrancer shall give to the Lessee notice of the same character and duration as is required to be given to sublessee under the laws of the State of California.

(E) Assignment by Encumbrancer. If the Lease, any fractional part thereof, or a sublease, is sold under power of sale or foreclosure or acquired by an assignment in lieu of foreclosure of an Encumbrance and the Lease or fractional part thereof or sublease interest is acquired by the Encumbrancer, the Encumbrancer may sell and assign the leasehold fractional part thereof or sublease interest without consent and thereby be relieved of further liability under the Lease upon giving the BIA and Lessee thirty (30) days' notice in advance of such assignment, subject to the condition that the assignee shall have agreed in writing to be bound by all of the terms and conditions of this Lease or the applicable sublease.

(F) Rental. Upon acquisition of the interest of the Lessee in this Lease, by foreclosure or assignment in lieu of foreclosure, the acquirer and his/her/its successors-in-interest shall pay all rent and additional rent in accordance with the Lease.

(G) Noncurable Defaults. An acquirer of the interests of Lessee in this Lease or a fractional portion of this Lease shall cure all defaults of Lessee which can be reasonably cured, including without limitation monetary defaults, but shall not be required to cure any default which cannot reasonably be cured or which because of its nature, may not be feasible or practical to cure.

(H) Foreclosure Sale. If a sale or foreclosure under an Encumbrance occurs and the purchaser is a party other than the Encumbrancer, said purchaser will be bound by all of the terms of this Lease and will assume all the obligations of Lessee and/or

Sublessee hereunder.

(I) Notice. If an Encumbrancer provides Lessor with a written request, Lessor agrees to give each such Encumbrancer of any interest in this Lease notice of any default of the payment of rental by the Lessee when said rent becomes forty-five (45) days past due or such shorter time as may be prescribed by the Encumbrance or any other default by Lessee hereunder within forty-five (45) days when performance was due or such shorter time as may be prescribed by the Encumbrance. The mortgage or trust deed executed by Lessee and/or Sublessee may provide that failure to pay rent or perform the other covenants of the Lease is a default under said mortgage or trust deed.

(J) Bankruptcy. Bankruptcy, receivership, or insolvency of Lessee shall not obligate any Encumbrancer to pay any monies to cure or terminate the bankruptcy, receivership or insolvency, and the Encumbrancer shall be required to do not more than is required of said Encumbrancer by the terms of this Lease.

(K) Request for Notice of Default. Upon and immediately after the recording of any Encumbrance, Lessee, at its expense, shall cause to be recorded in the office of the Recorder of Riverside County a written request for a copy of any notice of default and of any notice of sale under the mortgage or trust deed to be provided to Lessee as provided by the statutes of the State of California relating thereto.

(L) Status of Lease. Whenever any Encumbrancer shall so request, the BIA and/or Lessor will promptly provide the Encumbrancer with current information as to the status of this Lease, in the form of estoppel certificates or otherwise as reasonably required.

(M) Payment of Rent by Sublessee. Payment of rent by a Sublessee shall preserve the tenancy of the Sublessee as to payment.

(N) Assignment of Sublessee. In the event of termination of this Lease due to a default of Lessee, all Subleases shall be automatically deemed to be direct lease agreements with Lessor and each sublessee, after notice, shall thereafter pay full rental due under any Sublease directly to the Bureau of Indian Affairs for deposit to account of Lessor. In connection therewith, Lessor and each sublessee shall enter into such new direct Lease agreements and/or non-disturbance and attornment agreements as reasonably necessary to preserve the relevant Sublease on the same terms and conditions as that previously entered into with the Lessee, but subject to the terms of this Lease.

(O) Assignment in Lieu. Acquisitions of the interest of Lessee and/or any Sublessee by an Encumbrancer by assignment in lieu of foreclosure shall confer upon Encumbrancer the same rights and obligations as if the Encumbrancer had acquired title by foreclosure action such as at a trustee's sale.