

ORDER NO. 49135-5
ESCROW NO. 525-351

BK 14161PG 696

RECORDED AT REQUEST OF
ORANGE COAST TITLE CO.
IN OFFICIAL RECORDS OF
ORANGE COUNTY, CALIFORNIA
8:00 A.M. JUL 30 1981
LEE A. BRANCH, County Recorder.

WHEN RECORDED MAIL TO:

42029

GRAY ENTERPRISES
7744 East Cecilia
Downey, California 90241

\$2400
67

Documentary Transfer Tax \$ None
computed on the consideration of property
conveyed by: Lease for Definite Duration

THE UNDERSIGNED GRANTOR

419-041-13

MAIL TAX STATEMENTS TO:

M. D. JANES COMPANY
2950 #D Airway Ave.
Costa Mesa, CA 92626

SUBLEASE OF CONDOMINIUM
AND
GRANT DEED OF IMPROVEMENTS

THIS DOCUMENT OF SUBLEASE (herein referred to as the "Lease") is made this
17th day of July 19 81, by and between GRAY ENTERPRISES, a
California limited partnership, ("Lessor"), and

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M. D. JANES COMPANY, INC., a California Corporation

whose address is 2950 #D Airway Ave., Costa Mesa,
California, ("Lessee"), and M. D. JANES COMPANY, INC., a California Corporation (Grantor).

1. LEASED LAND

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
by Lessee, Lessor hereby leases and demises to Lessee, and Lessee hereby rents and accepts
from Lessor, that certain real property ("Leased Land"), situated in the City of Costa Mesa,
County of Orange, State of California, described as follows:

PARCEL NO. 1

Unit No. 35 on Lot 1 of Tract 10525, as shown and described in the Condominium
Plan ("Plan"), which Plan was recorded on September 17, 1980, in Book 13737, Page
1057, et seq. of Official Records of Orange County.

49135-5

PARCEL NO. 2

An undivided one fifty-fifth (1/55th) interest as a tenant in common in a sub-leasehold
estate in and to all of the real property, including without limitation the Common
Area defined in the Declaration of Covenants, Conditions, Restrictions ("Declaration")
recorded on September 17, 1980, in Book 13747, Page 1545 et seq. of Official Records
of Orange County, on Lot 1 of Tract 10525, in the City of Costa Mesa as shown on a map
recorded in Book 462, Pages 48, 49 and 50 of Miscellaneous Maps, in the office of the
County Recorder of said Orange County.

EXCEPTING THEREFROM, Units 1 through 55, inclusive on Lot 1 of Tract 10525 as shown
on the Condominium Plan.

EXCEPTING FURTHER THEREFROM, all improvements and appurtenances located or to be
located on said Lot 1 of Tract 10525.

RESERVING THEREFROM, easements for access, ingress, egress, encroachment, support,
repair, replacement maintenance and for other purposes, all as shown in the Condominium
Plan and defined in the Declaration.

PARCEL NO. 3

Non-exclusive easements for access, ingress, egress, encroachment, support and for
other purposes, all as shown in the Condominium Plan and defined in the Declaration.

RESERVING UNTO LESSOR, its successors and assigns, easements, along with the right to
grant and convey said easements, in, under, across and along the Leased Land, 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 for a Community
Antenna Television System, to and within the Leased Land; provided, however, that the
exercise of such rights does not unreasonably interfere with Lessee's reasonable use and
enjoyment thereof.

AND RESERVING UNTO LESSOR, its successors and assigns, a license to enter upon the Leased Land for the purpose of maintaining and inspecting the Leased Land, in accordance with the terms of the Declaration.

SUBJECT TO:

- (a) All real property taxes and assessments for the current fiscal year;
- (b) Covenants, conditions, restrictions, reservations, rights, rights-of-way and easements of record.

Lessee, by acceptance and recordation of this Lease, 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, which provisions are acknowledged to be reasonable, and all of the provisions of which are incorporated herein by this reference. The terms of this Lease shall be construed in accordance with the definitions as set forth in the Declaration, and the terms of this Lease are subject to the provisions of the Declaration. The use for which the Leased Land is intended is residential, and the restrictions on its use are fully set forth in the Declaration.

Currently with the execution of this Lease, Grantor shall cause to be delivered to Lessee, at Grantor's cost, a CLTA policy of title insurance prepared by Orange County Title Company, Santa Ana, California, insuring title to the interest of Lessee in the Leased Land, and the Improvements granted herewith, subject only to the exceptions referred to above.

Lessor hereby covenants with Lessee that upon payment of the rent as set forth in this Lease, and upon observance and performance of the covenants by Lessee herein contained, Lessee shall peaceably hold and enjoy the Leased Land for the term of this Lease without hindrance or interruption by Lessor or any other person or persons lawfully claiming by, through or under Lessor, except as may be herein expressly provided.

2. GRANT OF IMPROVEMENTS

In consideration of the covenants, agreements and representations of Lessee contained in this instrument, Grantor does hereby grant, and transfer to Lessee an undivided one fifty-fifth (1/55th) fee simple interest in the improvements and appurtenances on Lot 1 of Tract 10525 ("Improvements") of which the Leased Land is a part; such interest shall be held by Lessee as a tenant in common with all other Owners of Condominiums in the Project, as such terms are defined in the Declaration. The Leased Land and that portion of the Improvements conveyed herewith may sometimes hereinafter be collectively referred to as the "Leasehold Condominium". The foregoing Grant is hereby expressly made subject to all matters set forth in paragraph 1 of this instrument; and Lessee, by acceptance and recordation of this instrument, expressly covenants, accepts and agrees to be bound by all of the provisions of, and specifically agrees to assume performance of all requirements set forth in this instrument and in the Declaration, which provisions and requirements are acknowledged to be reasonable, and which provisions of the Declaration are incorporated herein by this reference.

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

3. TERM OF LEASE

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The Leasehold Condominium created by this Lease is leased for a term of approximately seventy seven (77) years, commencing the date first written above, and ending on December 31, 2057, subject, however, to earlier termination as hereinafter provided in this Lease.

4. RENTAL

Lessee agrees to pay to Lessor at the address of Lessor as herein provided, without any deduction and without notice or demand, as basic rental, not over and above all taxes, assessments and other charges hereunder payable by Lessee, for the use and occupancy of the Condominium of Lessee during the term of this Lease, from the effective date of this instrument, the sum of \$ 1,558.44 per year, payable in advance in twelve equal monthly installments of \$ 129.87 per month on the 15th day of each month of said term, prorated for any portion of a month during the term of this Lease, provided that the first payment thereof shall be paid upon the execution hereof and prorated to the next rental due date, subject, however, to adjustment at the time and in the manner provided in paragraph 20 of this Lease. All rentals hereunder and charges with respect thereto shall be paid in lawful money of the United States.

5. TAXES AND ASSESSMENTS

In addition to the rents provided above, Lessee shall pay or cause to be paid, no later than fifteen (15) days prior to the delinquency date thereof, all taxes and general and special assessments of every description which during the term of this Lease may be levied upon or assessed against all or any portion of the Leasehold Condominium of Lessee, and any interest therein, and other personal or real property in the Leased Land, whether belonging to Lessor or Lessee, and Lessee's portion of such taxes and assessments which are assessed or levied against all or any portion of the Common Area as defined in the Declaration; and Lessee agrees to protect and hold harmless the Lessor and the Leasehold Condominium of Lessee, and all interests therein, from any and all such taxes and assessments, including any interest, penalties, costs of tax lien service and other expenses which may be thereby imposed, and from any lien therefore 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, Lessee shall be required to pay only such installments together with interest as shall become due and payable during the term of this Lease. The fact that all or any portion of Lessee's interest in his Condominium and the Common Areas may not be separately assessed, but combined with the Interest therein of other Unit Owners in the Project, as such terms are defined in the Declaration and that the Unit Owners or Board of Directors of the Association pursuant to the Declaration may elect to assess each Unit Owner for his proportionate share of such taxes or assessments, for and on behalf of Lessee hereunder, shall not relieve or discharge Lessee from its duty and obligation to pay such taxes and assessments as herein provided, in the event the Board of Directors refuses or otherwise fails to make timely payment thereof.

6. USE OF LEASEHOLD CONDOMINIUM

Lessee shall use his Condominium solely for private single family residential purposes, and Lessee shall not use or permit any person to so use his Condominium, or any portion thereof, as to disturb neighborhood or occupants of adjoining property, not to constitute a nuisance, or offensive use of his Condominium, nor to commit waste, nor to violate any public law, ordinance or regulation from time to time applicable thereto.

7. MAINTENANCE OF CONDOMINIUM

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

Lessee shall at all times fully comply with and abide by the terms, covenants, restrictions, provisions and conditions of the Declaration any any amendments thereof, and any By-Laws, rules, regulations, agreements, decisions and determinations duly made by the Board of Directors of Brighton Springs Homeowners Association ("Association") established pursuant to the Declaration, respecting the maintenance, use and occupation of the Project and the Condominium and the payment of all assessments and charges of every type levied by the Board of Directors in connection therewith. In addition to the foregoing, Lessee hereby covenants and agrees to promptly pay to the Board of Directors at all times during the term hereof, before the same shall become delinquent, Lessee's share of the Common Expenses of the Association and any and all assessments, charges, duties and other outgoings of every description, levied under the provisions of the Declaration, without cost, expense or liability to Lessor.

Lessee shall permit Lessor, its agents and employees at all reasonable times during the term of this Lease to enter the Leased Land and examine the state of repair and condition thereof, and Lessee 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 Lessor. Lessee 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 Leased Land, that portion of the improvements granted to Lessee herewith, or to the use thereof. Lessee agrees to indemnify and save harmless the Lessor against all actions, suits, claims, loss, liability, cost and damage by reason of the non-observance or non-performance by Lessee or any person under him of the provisions and requirements of this paragraph 7 whether such claims or actions and the like are meritorious or not.

Lessee hereby waives any and all rights to make repairs at the expense of Lessor 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.

7.5 FIRE INSURANCE

Lessee shall, by paying the Common Assessments attributable to the Leased Land, as set forth in the Declaration, at all times during the term of this Lease, keep all buildings and other improvements on the Project insured against loss or damage by fire, with extended coverage in an insurance company authorized to do business in the State of California, in an amount as near as possible to the full insurable value based on current replacement cost thereof, without deduction for depreciation, by blanket policy or policies, written in accordance with the terms of the Declaration in the name of the Board of Directors of the Association, as trustee, for all owners and their mortgagees, and, further, shall take such affirmative action as is reasonably available to Lessee to ensure that Association maintains such insurance in full force and effect during the term of this Lease.

Lessee shall provide insurance on his personal property and fixtures within his Unit to protect against fire, vandalism, malicious mischief and the perils of the extended coverage endorsement to the California standard policy of fire insurance, or any form of coverage providing equal or greater protection, in the amount of the full insurable value of such property insured, in accordance with the provisions of the Declaration.

Upon request of Lessor, Lessee shall provide Lessor with proof of the existence of fire insurance referred to in this Paragraph 7.5.

8. RESTORATION OF IMPROVEMENTS

If, during the term hereof, any portion of the Condominium of Lessee or other improvements, if any, situated in the Project, or any portion thereof, are damaged or destroyed by fire or other casualty, Lessee shall promptly and punctually pay any and all assessments levied by the Board of Directors pursuant to the provisions of the Declaration, for the purpose of defraying the cost of refurbishing, rebuilding or replacing any portion of the improvements so damaged or destroyed by fire or other casualty. Any failure on the part of the Board of Directors to cause any such damaged or destroyed improvements in the project 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 of and under this Lease; 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 six (6) months 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 Lease shall arise.

9. LIENS AND CLAIMS

Lessee shall not suffer or permit to be enforced against Lessor, 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 as herein provided, or otherwise arising (except liens, claims or demands suffered by or arising from the actions of Lessor), and Lessee shall pay all such liens, claims and demands before any action is brought to enforce the same against Lessor, the Condominium of Lessee, or any portion of the Project; and Lessee agrees to hold Lessor, the Condominium of Lessee and the Project, free and harmless from all liability for any and all such liens, claims, or demands, together with all costs and expenses, including, but not limited to reasonable attorneys fees and court costs incurred by Lessor in connection therewith. Lessee shall give Lessor at least fifteen (15) days prior written notice before commencing any such construction, repair, restoration, maintenance, alteration, addition or removal. Lessor shall have the right at any time to post and maintain on the Condominium of Lessee and on any portion of the Project such notices as may be necessary to protect Lessor against liability for all such liens or to otherwise protect Lessor's interest in the Leased Property. Notwithstanding anything to the contrary contained in this paragraph 9, if Lessee shall in good faith contest the validity of any such lien, claim or demand, then Lessee shall, at its expense, defend itself and Lessor against the same and shall pay and satisfy any adverse judgment that may be rendered thereon before the enforcement thereof against Lessor, the Condominium of Lessee or any portion of the Project, and, if Lessor shall require, Lessee shall furnish to Lessor a surety bond satisfactory to Lessor in an amount equal to such contested lien, claim or demand indemnifying Lessor against liability for same, or if Lessor shall request, Lessee shall procure and record the bond provided for in Section 3134 of the California Civil Code, or any comparable statute hereafter enacted providing for a bond freeing the Condominium of Lessee from the effect of such lien or claim or action thereon.

10. LIABILITIES

Lessor shall not be liable for any loss, damage or injury of any kind whatsoever to the person or property of Lessee, or any of Lessee's employees, guests or invitees or of any other person whomsoever, caused by any use of the Condominium or the Project, or by any defect in any such property, or arising from any accident anywhere on the Project, or any fire or other casualty, or occasioned by the failure on the part of Lessee to maintain his Condominium in safe condition, or by any nuisance made or suffered anywhere on the Project, or by any act or omission of Lessee, or of any member of Lessee's family, or of Lessee's employees, guests or invitees, or arising from any other cause whatsoever in connection with any portion of the Project; and Lessee hereby waives on its behalf all claims and demands against Lessor for any such loss, damage or injury of Lessee, and hereby agrees to indemnify and save Lessor free and harmless from any claims, demands or liability for any such loss, damage or injury of other persons claiming by, through or under Lessee, or other damage (including property damage) and from costs, expenses and other charges arising therefrom and in connection therewith.

Lessee shall, by paying his proportionate share of the Common Expenses of the Association, cause to be kept and maintained during the whole term of this Lease a policy of comprehensive general liability insurance in accordance with the terms of the Declaration.

11. LESSOR PAYING CLAIMS

Should Lessee fail or refuse to pay any tax, assessment or other charge upon any portion of the Condominium of Lessee, when due and payable as provided herein, or any lien or claim arising out of the construction, repair, restoration, maintenance and use of said Condominium, or any other claim, charge or demand which Lessee has agreed to pay under the covenants of this Lease, and if after ten (10) days written notice from Lessor to Lessee and to his authorized encumbrancer, if any, Lessee or said encumbrancer shall fail or refuse to pay and discharge the same, then Lessor may, at its option, pay such tax, assessment, lien, claim, charge or demand, or settle or discharge any action therefore or judgment thereon. All costs, expenses and other sums incurred or paid by Lessor in connection therewith shall be repaid to Lessor by Lessee 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 Lease

12. ASSIGNMENT

Within the limitations herein expressed, Lessee is hereby given the right to assign Lessee's interest in and to this Lease as a whole to a bona fide assignee without the prior written consent of Lessor. No assignment shall be valid and effective if Lessee or any of his successors or assigns shall at the time of assignment be

in default hereunder. In no event shall this lease or any right hereunder be assigned separate and apart from Lessee's interest in the improvements conveyed herewith; and any attempt at such assignment whether voluntary or involuntary, shall be void and of no effect whatsoever. Provided that the foregoing provisions of this paragraph have been complied with, Lessee may assign this Lease as a whole, so long as; (a) Lessee or any of Lessee's successors or assigns shall not be in default hereunder at the time of the proposed assignment; (b) the proposed transferee shall covenant with Lessor in writing to keep, perform and be bound by each and all of the covenants and conditions of this Lease to be kept and performed herein by Lessee; (c) there shall have first been delivered to Lessor a copy of a proposed grant deed of the improvements in a form reasonably acceptable to Lessor and an Assignment and Assumption of Lease, executed by the Lessee and the proposed assignee, in a form reasonably acceptable to Lessor; and (d) the Lessee or assignee shall pay to Lessor a reasonable transfer fee fixed by Lessor.

There shall be no assignment of this Lease 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 Lessee (or waiver by Lessor) of each and every one of the foregoing conditions, Lessee shall have no further rights, interests, or obligations under or with respect to this Lease 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 12 be binding upon Lessee and its successors and assigns.

13. ENCUMBRANCES

Lessee may assign and grant all of Lessee's interest in the Condominium conveyed by this Lease and Grant Deed to a trustee under a deed of trust ("trust deed") for the benefit of a lender ("encumbrancer") upon and subject to the following covenants and conditions:

A. Said trust deed and said assignment and all rights acquired thereunder shall be subject to each and all of the covenants, conditions and restrictions set forth in this Lease and to all rights and interests of the Lessor hereunder, except as herein otherwise provided.

B. In the event of any conflict between the provisions of this Lease and the provisions of any such trust deed or assignment, the provisions of this Lease shall control.

C. The encumbrancer of Lessee shall promptly give notice to Lessor in writing of such transfer. Any such encumbrancer shall be liable to perform the obligations of the Lessee under this Lease, only in the event and so long as such encumbrancer holds title to Lessee's leasehold estate. Any subsequent assignment of such condominium shall be subject to the conditions relating thereto, as set forth in paragraph 12 of this Lease.

D. Upon and immediately after the recording of the trust deed and assignment covering the Condominium owned by Lessee, Lessee, at Lessee's expense, shall cause to be recorded in the office of the Recorder of Orange County, California, a written request of Lessor (Lessee agreeing to execute and acknowledge such a request) for a copy of any notice of default and of any notice of sale under the trust deed as provided by the statutes of the State of California relating thereto. Lessee shall furnish to Lessor a complete copy of the trust deed and note secured thereby; together with the name and address of the holder thereof.

Lessor agrees that it will not terminate this Lease because of any default or breach hereunder on the part of Lessee, if the encumbrancer or the trustee under such deed of trust, within ninety (90) days after service of written notice on any encumbrancer whose names and addresses were previously given to Lessor in a notice or notices from Lessee or any encumbrancer stating that the notice is for the purpose of notice under this provision, of Lessor's intention to terminate this Lease for such default or breach, shall:

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

(2) Keep and perform all of the covenants and conditions of this Lease requiring the payment or expenditure of money by Lessee until such time as the Condominium of Lessee shall be sold upon foreclosure, or by exercise of a power of sale, pursuant to the trust deed or shall be released or conveyed thereunder; provided, however, that if the beneficiary under such trust deed shall fail or refuse to comply with any and all of the conditions of the paragraph with respect to a breach or default as to which notice of intention to terminate this Lease has been given to the encumbrancer, then and thereupon Lessor shall be released from the covenant of forbearance herein contained with respect to such breach or default.

(3) Any notice to the encumbrancer provided for in this paragraph may be given concurrently with or after Lessor's notice of default to Lessee as hereinafter provided in paragraph 15.

E. An encumbrancer shall have the right to acquire in its own name, or the name of a nominee, Lessee's condominium and Lessee's rights under this Lease upon foreclosure of trust deed assignment in lieu of foreclosure, or other appropriate proceedings in the nature thereof.

Should an encumbrancer so acquire Lessee's Condominium hereunder as to the portion of the Condominium encumbered by such lien by foreclosure or other appropriate proceedings in the nature thereof or as a result of any other action or remedy provided for by any mortgage or deed of trust, or by a proper conveyance from Lessee, said encumbrancer may sublease such portion for any period or periods within the term of this Lease, or assign Lessee's Condominium hereunder as to such portion by sale or otherwise, provided that any assignee or purchaser of said Condominium or any person taking through any other means and their respective successors in interest, shall take said Condominium subject to all of the covenants and conditions herein contained on the part of Lessee to be kept, observed and performed, and shall, as a condition of such assignment, purchase or other taking, assume and agree to perform all such covenants and conditions.

F. This Lease shall not be modified without the prior written consent of any encumbrancer which has given notice to Lessor in accordance with paragraph C above.

14. NONREMOVAL AND REVERSION OF IMPROVEMENTS

Lessee hereby acknowledges that legal title to the improvements, including without limitation the residential structures situated upon the Project, is vested in and held by Lessee and other Unit Owners in the Project. Notwithstanding the foregoing, all improvements, excluding removable personal property, if any on the Leased Land shall remain on the Leased Land after the termination of this Lease and shall thereupon become the property of Lessor without the payment of any consideration therefor. The term "removable personal property" as used in the paragraph shall not include the property which normally would be attached or fixed to the improvements or any portion of the Leased Land, 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 Leased Land in such a way as to legally retain the characteristics of personal property. Upon the expiration of the term hereof, or any sooner termination of this Lease, Lessee shall execute, acknowledge and deliver to Lessor, upon request, a proper instrument in writing releasing and quit-claiming to Lessor all right, title and interest of Lessee in and to any and all portions of the Leased land and the improvements. Lessee shall not remove any property from, upon, or within the Condominium of Lessee or property from, upon, or within the Condominium of Lessee or upon the Project contrary to the provisions of the Declaration.

15. PLACE OF PAYMENTS AND NOTICES

All rents and other sums payable by Lessee to Lessor hereunder shall be paid to Lessor at its address set forth above. Whenever either party hereto desires to give written notice to the other respecting this Lease, such notice, if not personally delivered to an officer of Lessor, or to Lessee, shall be sent by certified or registered mail, with postage prepaid, and directed to Lessor at the above address, and directed to Lessee at the address designated by Lessee to Lessor 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 Lessee 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 Lessor to any encumbrancer of Lessee shall be served in the same manner as herein provided in this paragraph 15, and shall be delivered to the encumbrancer or sent to its address as last shown on the records of Lessor.

16. REMEDIES UPON DEFAULT

Should Lessee default in the payment of any installment of rent, tax, assessment, lien, claim, expense or any other sum provided in this Lease to be paid by Lessee at the time and in the manner herein specified; or should Lessee default in the performance of or breach any other covenant, condition or restriction provided in this Lease to be kept or performed by Lessee, and should such default or breach continue uncured for a period of ninety (90) days from and after service of written notice thereof by Lessor to Lessee, then and in any such event, Lessor, at its option, subject, to the rights of any authorized encumbrancer of Lessee as set forth in paragraph 13 hereof, shall have the following remedies:

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

B. Lessor may at its option terminate or cancel this Lease by giving Lessee written notice of such termination or cancellation. Upon such termination or cancellation of this Lease, Lessor shall thereafter, pursuant to the provisions of this paragraph 16, offer for sale such Condominium for a term equivalent to the balance of the unexpired term of this Lease subject to the same terms and conditions as set forth in this Lease and subject to the same rights of any encumbrancers as set forth in paragraph 13 hereof. In the event of any such termination or cancellation of this Lease the portion of the improvements conveyed to Lessee herein shall automatically and immediately become the property of Lessor upon such cancellation or termination without payment of any consideration therefore. Prior to such sale, Lessor shall give to Lessee twenty (20) days prior, written notice of the time and place of sale in the manner provided in paragraph 15 of this Lease. Lessor will post a notice of sale setting forth the time and place of sale on the Condominium at least twenty (20) days prior to such sale. Lessor shall further cause a notice setting forth the time and place of such sale to be published at least once, and not less than ten (10) days prior to the sale, in a newspaper of general circulation in Orange County, California. Thereafter, the sale of said Condominium shall be held in conformance with the notice of time and place of sale and the sale shall be confirmed to the highest bidder. Lessor shall have the right to bid at such sale. Upon any such sale, Lessor 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 attorney's fees incurred; and

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

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

C. Without barring later election of any other remedy, Lessor shall have the right, upon any abandonment of such Condominium by Lessee, without notice to Lessee or any subtenant, to enter into the Unit on account of Lessee and to remove all unauthorized persons and all property therefrom. No such re-entry by Lessor, whether with or without legal process or through unlawful detainer proceedings or otherwise unless Lessor shall in writing otherwise notify Lessee, shall terminate this Lease or release Lessee from any of Lessee's obligations or liabilities hereunder, whether accruing prior or subsequent to such acts by Lessor, but Lessor shall have in such event all of the rights and remedies given it by law and under the provisions of this Lease. Lessor may, at its option, relet the Condominium or any part thereof for the account of Lessee, and in that event may relet the Unit and Lessee's interest in the Common Area, 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 Lease. Lessee shall be liable for any difference between the aggregate of the unpaid sums

herein accrued and hereafter to accrue under the terms of this Lease, and the net amounts actually realized through such reletting to the date of the expiration of this Lease, after deducting broker's commissions, taxes, insurance, maintenance and all other damages of Lessor, including any expenses incurred for repairs, alterations or remodeling which are reasonably incurred in order to effect such reletting.

D. Any termination or cancellation of this Lease as herein provided shall not relieve Lessee from payment of any sum or sums that shall then be due and payable to Lessor hereunder, or any claim for damages then or theretofore accruing against Lessee hereunder; and any such termination or cancellation shall not prevent Lessor 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 Lessor contained in this Lease shall be construed and held to be cumulative, and no one of them shall be exclusive of the other; and Lessor 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, whether or not stated in this Lease. No waiver by Lessor of a breach of any term, covenant or condition of this Lease by Lessee shall operate to extinguish the term, covenant or condition the reach of which was waived, nor be construed or held to be a waiver of Lessor's right to declare a forfeiture for any succeeding or preceding breach of the same or any other term, covenant or condition herein contained. In the event that any action shall be instituted by Lessor for the enforcement of any of its rights or remedies in and under this Lease or as granted by law, and if judgment in favor of Lessor shall be recovered therein, Lessee agrees to pay to Lessor all costs incurred by Lessor in said action, including attorneys' fees to be fixed by the Court therein, as further provided in Paragraph 22 of this Lease.

17. REPRESENTATIONS

Lessee covenants and agrees that it has examined the Condominium conveyed by this Lease and that the same is delivered to it in good order and condition and that no representations as to such Condominium have been made by Lessor or by any person or agent acting for Lessor, 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.

18. HOLDING OVER

This Lease shall terminate and become null and void without further notice upon the expiration of its said term. Any holding over shall not constitute a renewal hereof or give Lessee any rights in or to the Project, it being understood and agreed that this Lease cannot be renewed, extended or in any manner modified except in accordance with this instrument and by a writing signed by all parties hereto. Upon the end of said term or earlier termination of this Lease, Lessee shall peaceably deliver up and surrender to Lessor possession of the Condominium conveyed herewith in accordance with the provisions of paragraph 14 of this Lease, in good repair, order and condition, except for reasonable wear and tear and except as otherwise expressly provided herein.

19. EMINENT DOMAIN

A. The words "condemnation" or "condemned" as used in this paragraph, or elsewhere in this Lease, 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" herein), and shall include a voluntary sale by Lessor 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 pursuant to the exercise of said power of eminent domain.

B. In the event the Condominium of Lessee, 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 and, if and to the extent that any such award or awards shall be made to Lessee

or to any person claiming through or under Lessee, and Lessee 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 Lessee and its encumbrancer of that portion of any such award hereunder which is attributable to the value of the portion of the improvements conveyed herewith and which have been constructed or installed on the Leased Land which are condemned as part of the real property condemned, in accordance with the provisions of the Declaration. In no event shall the amount payable, for the benefit of Lessee exceed the appraisal of the condemning authority or judgment, if any, with respect to the amount of any such award allocable to such portion of the improvements. Provided further, that for an encumbrance to be entitled to the benefit of this subparagraph 19, it shall be a bank, savings and loan association, insurance company, mortgage banking company, real estate investment trust, or pension or profit sharing trust subject to Federal or State regulations, and shall have made its loan on the basis of no more than 95% of the value of the Condominium or portion thereof which is security for the loan.

C. The Board of Directors of the Association, with the consent of Lessor, without any obligation or liability to Lessee or any encumbrancer and without affecting the validity and existence of this Lease, may agree to sell and convey the premises or any portion thereof to the condemning authority, without first requiring that action or proceeding shall be instituted; or, if such action or proceeding shall have been instituted without requiring any trial or hearing thereof, Lessor is expressly empowered to stipulate to judgment therein. Any such conveyance shall be free from this Lease and the rights of Lessee hereunder. Upon the receipt by the Board of Directors of payment on account of such conveyance, the Board of Directors shall pay to Lessor the amounts to which Lessor would be entitled pursuant to (B) above, in accordance with the provisions of the Declaration.

Lessee shall further have the right to claim and recover from the condemning authority, but not from Lessor, such compensation as may be separately recoverable by Lessee in Lessee's own right for any damages to Lessee for any cost or loss to Lessee in altering any portion of the improvements thereon or in removing and relocating Lessee's property and fixtures therefrom 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 Lessor as hereinbefore provided. The taking or condemnation of any portion of the Condominium conveyed herewith, for a term which is less than the then remaining unexpired term of this Lease shall not excuse Lessee from full performance of Lessee's covenants and obligations hereunder for the payment of money, but Lessee, 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 Lessee by reason of such taking.

20. RENTAL ADJUSTMENT

Commencing October 15, 1996, and on October 15 of each succeeding year of the term of this Lease, until October 15, 2009 the basic rental, as provided for in Paragraph 4 hereinabove, shall be adjusted upwards by an amount equal to 4 1/2 percent (4 1/2%) of the basic rental for the preceding year. Commencing October 15, 2009, and on October 15 of each succeeding year of the remainder of the term of this Lease, such basic rental shall be adjusted upwards by an amount equal to 3 percent (3%) of the basic rental for the preceding year. Upon each such adjustment, Lessee shall pay to Lessor such rental as so adjusted for the period applicable thereto at the times and in the manner provided for in Paragraph 4 herein above.

21. LESSOR'S COSTS AND EXPENSES

If at any time during the term of this Lease the Association shall fail or cease to maintain the Common Area, or to perform its obligations as set forth in the Declaration, Lessor may, at its option, assume the performance of all or a portion of the services of the Association. In such event, Lessee agrees to pay to Lessor, in addition to the basic rental hereinabove provided for in Paragraph 4 hereof, Lessee's prorata share of Lessor's costs of the maintenance and operation of the Common Area and services, including the fee of a management agent or a reasonable fee charged by Lessor for its services in management and operation of the Common Area. Said costs shall be determined annually from the financial records of Lessor, which records

shall be conclusive for the purpose of this Paragraph 21, and Lessee's prorata share shall be one fifty-fifth (1/55) of the total of said costs. Lessee's prorata share of said annual costs determined as aforesaid shall be paid by Lessee to Lessor within thirty (30) days after written notice thereof by Lessor to Lessee, and any default in the payment thereof shall constitute a breach of the covenants herein and a default under the conditions of this Lease. Lessee shall further pay to Lessor on demand all costs and expenses including reasonable attorney's fees incurred by Lessor in enforcing any of the covenants and conditions herein contained in remedying and breach by Lessee of said covenants and conditions, in recovering possession of the Condominium conveyed herewith, in collecting delinquent rent, taxes and other charges hereunder payable by Lessee, or in connection with any litigation (other than condemnation proceedings) commenced by or against Lessee to which Lessor without fault on its part shall be made a party.

22. CONSTRUCTION AND EFFECT

Time is of the essence of this Lease. The article headings herein are used only for the purpose of convenience and shall not be deemed to limit the subject of the articles hereof or to be considered in the construction thereof. Each and all of the obligations, covenants, conditions and restrictions of this Lease 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 Lessor and the heirs, executors, legal representatives, encumbrancers, assignees, successors and subtenants of Lessee. If Lessee consists of more than one person, the covenants and obligations of Lessee hereunder shall be the joint and several covenants and obligations of such persons. In this Lease, the masculine gender includes the feminine and neuter, and the singular number includes the plural, whenever the context so requires.

23. GROUND SUBLEASE SUPERSEDED

The Ground Sublease dated March 27, 1978, covering the Leased Land and other real property between WILLIAM O. GRAY and MAUDE N. GRAY, as Lessor, and M. D. JANES COMPANY, INC., a California Corporation, as Lessee ("Ground Sublease"), which was recorded on March 31, 1978, in Book 12682, Page 1491, of Official Records of Orange County, California, as modified by First Amendment to Ground Sublease, dated February 8, 1979, and recorded March 13, 1979, in Book 3066, page 1578 of Official Records of Orange County, California; and any further amendments thereto, are hereby cancelled insofar as said Ground Sublease affects the Condominium conveyed herewith and to that extent the Ground Sublease is superseded by this Lease.

24. INCIDENTS OF CONDOMINIUM OWNERSHIP

Except as otherwise provided herein, Lessee shall at all times during the term of this Lease be deemed to be the owner of the Condominium conveyed herewith for all purposes of the Declaration and By-Laws of the Association and shall have the rights, privileges, duties and obligations of such Owner, including without limitation, membership and vote in the Association. In the event of the sale, voluntary or involuntary transfer, or assignment of Lessor's interest in the Condominium conveyed herewith, the same shall operate to release Lessor from any future obligations upon any of the covenants or conditions express or implied, herein contained in favor of Lessee, and in such event Lessee agrees to look solely to the responsibility of the successors in interest of Lessor, and Lessee will attorn to Lessor's successor in interest and recognize such successor as the Lessor under this Lease.

25. ESTOPPEL CERTIFICATE

A. Lessee shall at any time upon no less than ten (10) days' prior written notice from Lessor execute, acknowledge and deliver to Lessor a statement in writing (i) certifying that his Lease is unmodified and in full force and effect, or, if modified, stating the nature of such modifications and certifying that this Lease, 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 Lessee's knowledge, any unsecured defaults on the part of Lessor 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 Leased Land.

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

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

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

GRAY ENTERPRISES, a California limited partnership

By William O Gray

By Maudie N Gray

"LESSOR"

M. D. JANES COMPANY, INC. a California Corporation

By Thomas E Gray

"GRANTOR"

M.D. JANES COMPANY, INC. a California Corporation

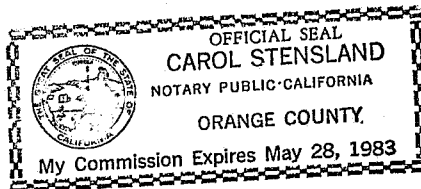
by: Thomas E Gray

"LESSEE"

STATE OF CALIFORNIA)
)
COUNTY OF ORANGE) ss.

ON July 17, _____, 19 81, before me, the undersigned a Notary Public in and for said State, personally appeared _____ THOMAS E. HAYES known to me to be the _____ President, and _____ ~~known to me to be the~~ Secretary of the corporation that executed the within instrument, and known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors. WITNESS my hand and official seal.

Carol Stensland
NOTARY PUBLIC IN AND FOR SAID STATE



STATE OF CALIFORNIA)
)
COUNTY OF ORANGE) ss.

ON July 17, 1981 _____, ~~198~~ _____, before me, the undersigned, a Notary Public in and for said State, personally appeared _____ WILLIAM O. GRAY and MAUDE N. GRAY known to me to be two of _____ the partners of the partnership that executed the within instrument and acknowledged to me that such partnership executed the same.

WITNESS my hand and official seal.

Teresa Marie Tanner
NOTARY PUBLIC IN AND FOR SAID STATE

