Attorney or Party Name, Address, Telephone & FAX Nos., State Bar No. & Email Address

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☐ *Individual appearing without attorney*
☒ *Attorney for:* Chapter 11 Trustee, Peter J. Mastan

FOR COURT USE ONLY

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

In re:

Sawtelle Partners, LLC

Debtor(s).

CASE NO.: 2:16-21234-BR

CHAPTER: 11

NOTICE OF SALE OF ESTATE PROPERTY*

Sale Date: 08/22/2017

Time: 10:00 am

Location: United States Bankruptcy Court, 255 East Temple Street, Los Angeles, CA 90012

Type of Sale: ☐ Public ☒ Private **Last date to file objections**: 08/08/2017

Description of property to be sold: See attached Notice of Motion and Motion for Specific Information.
*Trustee not selling but assigning bare title and settling claims subject to overbid

Terms and conditions of sale: _____

Proposed sale price: _____

Overbid procedure (*if any*): See attached Notice of Motion and Motion

List date, time and location of hearing:

United States Bankruptcy Court, Los Angeles Division
255 East Temple Street, Courtroom 1668
Los Angeles, CA 90012
Date: August 22, 2017
Time: 10:00 a.m.

Contact person for potential bidders (*include name, address, telephone, fax and/or email address*):

Jeffrey I. Golden, Esq.
Lobel Weiland Golden Friedman LLP
650 Town Center Drive, Suite 950
Costa Mesa, CA 92626
Tel: (714) 966-1000 Fax: (714) 966-1002

Date: 08/01/2017

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Attorneys for Chapter 11 Trustee,
Peter J. Mastan

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES DIVISION

In re SAWTELLE PARTNERS, LLC, Debtor.	Case No. 2:16-bk-21234-BR Chapter 11 **NOTICE OF HEARING ON MOTION FOR ORDERS (1) APPROVING COMPROMISE BETWEEN CHAPTER 11 TRUSTEE AND EMACIATION CAPITAL LLC; (2) WITH OPPORTUNITY TO OVERBID, AND (3) USE OF CASH COLLATERAL** HEARING DATE: DATE: August 22, 2017 TIME: 10:00 a.m. PLACE: Courtroom 1668 255 East Temple Street Los Angeles, CA 90012

Lobel Weiland Golden Friedman LLP
650 Town Center Drive, Suite 950
Costa Mesa, California 92626
Tel 714-966-1000 Fax 714-966-1002

TO ALL PARTIES IN INTEREST:

PLEASE TAKE NOTICE that on **August 22, 2017**, at **10:00 a.m**. in **Courtroom 1668** of the United States Bankruptcy Court located at 255 East Temple Street, Los Angeles, CA 90012, a hearing will be held on the *Motion for Orders (1) Approving Compromise Between Chapter 11 Trustee and Emaciation Capital LLF; (2) With Opportunity to Overbid; And (3) Use Of Cash Collateral* ("Motion") filed by Peter J. Mastan, as Chapter 11 Trustee (the "Trustee") of the estate (the "Estate") of Sawtelle Partners, LLC (the "Debtor"). The Motion is summarized as follows:

I. INTRODUCTION

The principal asset of the Debtor's bankruptcy estate is an office building located in Los Angeles, California. While the Trustee has been diligently trying to sell the Property for the benefit of the estate and unsecured creditors, and has had several interested buyers, the claims asserted by the secured creditors total almost $14,500,000, and are in excess of the amount for which the Trustee believes he can sell the property. In particular, the senior secured creditor, Emaciation Capital, asserts a claim which has been rapidly increasing since the petition date. While the Trustee has objected to Emaciation's claim on various grounds, including that the lien was subject to avoidance on fraudulent transfer grounds, Emaciation has also sought relief from the automatic stay to foreclose on the property. The Trustee and Emaciation have now reached an agreement (the "Agreement") under which the estate will receive $108,000 in settlement of the fraudulent transfer claim, and the Trustee will withdraw his opposition to the relief from stay motion and assign the estate's interest in the property to Emaciation. The Trustee believes that this proposed settlement of the claims is in the best interests of the Estate.

II. BACKGROUND FACTS

A. The Bankruptcy Petition

On August 23, 2016 (the "Petition Date"), the Debtor filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code. *See* Request for Judicial Notice ("RJN"), Ex. 1. On November 4, 2016, the Court entered an order directing the appointment of a Chapter 11 trustee. *See* RJN, Ex. 2. By order entered November 10, 2016, the Court approved Mr. Mastan's appointment as the Trustee. *See* RJN, Ex. 3.

B. The Debtor's Assets and Liabilities

The Debtor's primary asset is the real property located at 1850 Sawtelle Boulevard, Los Angeles, California ("Property"). Based upon the advice of his broker, the Trustee has listed the Property for sale in the amount of $14,000,000. The current listing price of the Property is $12,700,000.

In its Schedules of Assets and Liabilities, the Debtor scheduled a secured debt of $9.35 million and unsecured debts of $3.69 million. The Trustee has determined that one of the scheduled unsecured creditors – Satellite Capital, LLC ("Satellite") – asserts a claim of approximately $2.5 million that is secured by a second priority deed of trust.

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C. Emaciation's Proof of Claim

On November 6, 2016, Emaciation filed a secured proof of claim in the amount of $9,357,693.78 as Claim Number 7 ("Claim"). A true and correct copy of the Claim is attached to the Motion as Exhibit 1.

According to the Claim, on November 18, 2015, approximately nine months before the Petition Date, the Debtor and its affiliate Starving Students, Inc., executed a Note promising to pay SF IV Bridge II, LP ("Bridge") the principal amount of $8,300,000 on November 18, 2016 (the "Sawtelle Note"). The Sawtelle Note, and certain supporting documentation (collectively, the "Supporting Documentation"), is attached to the Claim. Emaciation asserts that it acquired the Sawtelle Note from Bridge on or about October 5, 2016, after the Petition was filed.

D. The Updated Payoff Statement

A few weeks after the Claim was filed, on or about November 28, 2016, Emaciation provided an updated payoff statement to the Trustee, asserting a total amount owed of $10,822,998.28 (the "Updated Payoff Statement"), almost $1.5 million more than the amount asserted in the Claim. The total interest asserted as of November 28, 2016 was $1,819,155.89 and the per diem interest charge was listed at $5,510.11. The Updated Payoff Statement also included a late charge of $977,860.70.

E. Stay Relief Motion

Just four days after the Trustee's counsel informed Emaciation of the Trustee's intent to object to the Claim, Emaciation filed its motion seeking relief from the automatic stay to foreclose on the Property ("Stay Relief Motion"). Emaciation sought relief from stay pursuant to Sections 362(d)(1), (2) and (3). The Trustee opposed the Motion, and on August 25, 2017, the Court held a hearing on the motion and tentatively indicated that relief from stay may be granted. At the hearing on July 26, 2017, the Court continued the Stay Relief Motion to August 15, 2017.

F. The Objection to Claim

Given the initial lack of supporting documentation, the 24% default interest rate asserted, and several other charges asserted by Emaciation, the Trustee filed his objection to the Claim ("Claim Objection") on July 7, 2017 (ECF Nos. 83-35). The Trustee asserted that Emaciation failed to provide sufficient documentation of its Claim, and disputed the Claim on several additional grounds, including that a) the default interest rate and so-called "late charge" are inequitable and unenforceable under non-bankruptcy law; b) certain post-petition fees, costs, and charges, including the late charges, attorneys' fees, lender fees and trustee fees, are unreasonable and are not permitted under Section 506(b); and c) the claim should be disallowed under Section 502(d) because Emaciation received a transfer avoidable under Section 548 and has not turned over the value of such transfer as required under Section 550. Just hours after the Trustee's Objection to Claim was filed, Emaciation filed an amended proof of claim ("Amended Claim") and attached a copy of the Loan Agreement. The Claim Objection is currently set for hearing on August 15, 2017.

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G. Overbid

The settlement and compromise is subject to overbid at or before the scheduled hearing. Any interested bidder should contact the Trustee. Any overbid will be assessed by the Trustee and presented if in the Trustee's sole and absolute discretion that the overbid is the highest and the best.

H. The Trustee Seeks Use of Cash Collateral

The Trustee requires the use of Cash Collateral from rents and other funds subject to the consent of the lienholder to pay insurance, bond, utilities, U.S. Trustee fees and other related items, including to reimburse the Trustee for such types of expenditures. The Trustee expects to have consent from the lenders prior to the hearing but request it in an abundance of caution.

III. TERMS OF THE COMPROMISE

The material terms of the compromise are as follows:[1]

1. The Parties agree that the agreement is conditioned on Bankruptcy Court approval. The Effective Date shall be the date on which the order approving the Motion becomes a final order.

2. In settlement of the Fraudulent Transfer Claim, Emaciation shall pay $108,000 ("Settlement Payment") to Trustee, on the terms and conditions set forth in this Agreement, with said payment to be paid in full within two (2) business days of the execution of this Agreement. The Settlement Payment shall be made by wire and in accordance with instructions provided by the Trustee. In the event the Agreement is not approved by the Bankruptcy Court, the Trustee shall return the Settlement Payment to Emaciation as soon as practicable and without interest.

3. Trustee agrees to assign to Emaciation, or Satellite Down, LLC, its assignee, any and all of the estate's right, title and interest in and to the Sawtelle Property on an as-is, where-is basis by means of a quitclaim deed, without any representations or warranties, express or implied, including, but not limited to, habitability or marketability, and subject to any and all rights, liens, interests or claims. The identify of any assignee must be disclosed to the Trustee no later than fourteen (14) days prior to the hearing on the motion to approve this Agreement, and the Trustee will disclose any assignee to the Court prior to approval of this Agreement.

4. The Parties agree to stipulate to continue any pending hearings, including on the Stay Relief Motion and Objection to Claim, pending the execution and Bankruptcy Court approval of this Agreement to the closest available date after the hearing date for approval of this Agreement, but leaving enough time for the pending opposition that is due by Emaciation to the to the Objection to Claim. There will be no further briefing on the Stay Relief Motion.

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[1] The terms set forth herein are merely a summary of the settlement terms. For a complete description of the terms of the settlement, please refer to Exhibit"2" attached to the Motion. In the event that the terms outlined here conflict with the Agreement, the Agreement controls.

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5. On the Effective Date, the Emaciation Claim shall be deemed disallowed, and to the extent necessary, Emaciation shall withdraw, with prejudice, or otherwise execute a stipulated order disallowing the Emaciation Claim. Emaciation agrees that it shall not be entitled to any disbursement from the Debtor's bankruptcy estate; however, this stipulation shall not be considered to be on the merits nor can it be used in any other case forum, and is solely for a compromise in this case for this Settlement Agreement;

6. Within five (5) business days after the Effective Date, the Trustee shall withdraw his opposition to the Stay Relief Motion, with prejudice.

7. This Agreement shall not prejudice or otherwise have any effect on the rights of junior lienholders, including but not limited to Satellite Capital, LLC, and any stipulations in this Agreement may not be used by non-parties to this Agreement in other forums for any reasons. This Agreement is the result of a compromise and is not to be consider collateral estoppel for the benefit of non-parties.

8. The Parties also agreed to execute mutual releases. The release as to Emaciation shall become effective only upon the full and timely payment to Trustee of all sums payable under the terms of this Agreement. The release as to the Trustee shall become effective as of the date of the entry of the order approving this Motion.

The Motion is on file with the Bankruptcy Court and is available by contacting the Trustee's counsel.

Your Rights May Be Affected. You should read these papers carefully and discuss them with your attorney, if you have one. (If you do not have an attorney, you may wish to consult one.)

Deadline for Opposition Papers. The Motion is being heard on regular notice pursuant to LBR 9013-1. If you wish to oppose the Motion, you must file a written response with the Court and serve a copy of it upon the Movant or Movant's attorney at the address set forth above no less than 14 days prior to the above hearing date. If you fail to file a written response to the Motion within such time period, the Court may treat such failure as a waiver of your right to oppose the Motion and may grant the requested relief.

PLEASE TAKE FURTHER NOTICE that any party requesting a copy of the Motion or any supporting documents filed with the Court with respect to the Motion may contact counsel for the Trustee, Jeffrey I. Golden, Lobel Weiland Golden Friedman LLP, by email at jgolden@lwgfllp.com, by mail at 650 Town Center Drive, Suite 950, Costa Mesa, California 92626, or by telephone at (714) 966-1000.

Respectfully submitted,

Dated: August 1, 2017

LOBEL WEILAND GOLDEN FRIEDMAN LLP

By: */s/Jeffrey Golden*
JEFFREY I. GOLDEN
Attorneys for Chapter 11 Trustee,
Peter J. Mastan

Lobel Weiland Golden Friedman LLP
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Costa Mesa, California 92626
Tel 714-966-1000 Fax 714-966-1002

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:
650 Town Center Drive, Suite 950
Costa Mesa, California 92626

A true and correct copy of the foregoing document entitled (*specify*): Notice of Hearing on Motion for Orders (1) Approving Compromise between Chapter 11 Trustee and Emaciation Capital LLC; (2) With Opportunity to Overbid, and (3) Use of Cash Collateral
will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) August 1, 2017, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

☒ Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:
On (*date*) August 1, 2017, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

☒ Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) August 1, 2017, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

Served by Personal Delivery

The Honorable Barry Russell
Edward R. Roybal Federal Building and Courthouse
255 E. Temple Street, Suite 1660 / Courtroom 1668
Los Angeles, CA 90012

☐ Service information continued on attached page

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

8/1/2017 Victoria Rosales	/s/ Victoria Rosales
Date *Printed Name*	*Signature*

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

TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):

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Bankruptcy Unit, NP-3, Hartford Plaza
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Los Angeles, CA 90012

Internal Revenue Service
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~~Long Beach, CA 90803~~
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Attorneys for Chapter 11 Trustee
Peter J. Mastan

UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA

LOS ANGELES DIVISION

In re SAWTELLE PARTNERS, LLC, Debtor.	Case No. 2:16-bk-21234-BR Chapter 11 **MOTION FOR ORDERS (1)APPROVING COMPROMISE BETWEEN CHAPTER 11 TRUSTEE AND EMACIATION CAPITAL LLC; (2) WITH OPPORTUNITY TO OVERBID; (3) USE OF CASH COLLATERAL, MEMORANDUM OF POINTS AND AUTHORITIES, DECLARATIONS OF PETER J. MASTAN IN SUPPORT THEREON** HEARING DATE: DATE: August 22, 2017 TIME: 10:00 a.m. PLACE: Courtroom 1668 255 East Temple Street Los Angeles, CA 90012

Lobel Weiland Golden Friedman LLP
650 Town Center Drive, Suite 950
Costa Mesa, California 92626
Tel 714-966-1000 Fax 714-966-1002

TO THE HONORABLE BARRY RUSSELL, UNITED STATES BANKRUPTCY JUDGE, THE OFFICE OF THE UNITED STATES TRUSTEE, AND ALL INTERESTED PARTIES:

Peter J. Mastan, as Chapter 11 trustee (the "Trustee") of the estate (the "Estate") of Sawtelle Partners, LLC (the "Debtor"), files his *Motion for Orders (1) Approving Compromise Between Chapter 11 Trustee and Emaciation Capital LLC; (2) With Opportunity to Overbid; And (3) Use Of Cash Collateral* ("Motion").

In support of the Motion, the Trustee submits the attached memorandum of points and authorities, the declaration of Peter J. Mastan(the "Mastan Decl.") in support thereof, all pleadings and records on file, all matters subject to judicial notice, and all other evidence which may be introduced at or prior to any hearing on this Motion.

I. INTRODUCTION

The principal asset of the Debtor's bankruptcy estate is an office building located at 1850 Sawtelle Boulevard, Los Angeles, California (the "Property"). While the Trustee has been diligently trying to sell the Property for the benefit of the estate and unsecured creditors, and has had several interested buyers, the claims asserted by the secured creditors total almost $14,500,000, and are in excess of the amount for which the Trustee believes he can sell the property. In particular, the senior secured creditor, Emaciation Capital, LLC ("Emaciation") asserts a claim which has been rapidly increasing since the petition date. While the Trustee has objected to Emaciation's claim on various grounds, including that the lien was subject to avoidance on fraudulent transfer grounds, Emaciation has also sought relief from the automatic stay to foreclose on the property. The Trustee and Emaciation have now reached an agreement (the 'Agreement") under which the estate will receive $108,000 in settlement of the fraudulent transfer claim, and the Trustee will withdraw his opposition to the relief from stay motion and assign the estate's record and title interest (as the claimed liens against the property exceed the value of the property) to Emaciation or its assignee on an AS IS and WHERE IS bases, subject to existing claims, liens and interests, including that of the junior lien holder. The Trustee believes that this proposed settlement of the claims is in the best interests of the

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Estate. It is a reasonable settlement based upon the Court's comments and the fact that the Estate's funds are limited and relief from stay is possible.

II. BACKGROUND FACTS

A. The Bankruptcy Petition

On August 23, 2016 (the "Petition Date"), the Debtor filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code. Request for Judicial Notice ("RJN"), Ex. 1. On November 4, 2016, the Court entered an order directing the appointment of a Chapter 11 trustee. RJN, Ex. 2. By order entered November 10, 2016, the Court approved Mr. Mastan's appointment as the Trustee. RJN, Ex. 3.

B. The Debtor's Assets and Liabilities

The Debtor's primary asset is the real property located at 1850 Sawtelle Boulevard, Los Angeles, California ("Property"). Based upon the advice of his broker, the Trustee has listed the Property for sale in the amount of $14,000,000. The current listing price of the Property is $12,700,000.

In its Schedules of Assets and Liabilities, the Debtor scheduled a secured debt of $9.35 million and unsecured debts of $3.69 million. The Trustee has determined that one of the scheduled unsecured creditors – Satellite Capital, LLC ("Satellite") – asserts a claim of approximately $2.5 million that is secured by a second priority deed of trust.

C. Emaciation's Proof of Claim

On November 6, 2016, Emaciation filed a secured proof of claim in the amount of $9,357,693.78 as Claim Number 7 ("Claim"). Mastan Decl., Exhibit 1.

According to the Claim, on November 18, 2015, approximately nine months before the Petition Date, the Debtor and its affiliate Starving Students, Inc., executed a Note promising to pay SF IV Bridge II, LP ("Bridge") the principal amount of $8,300,000 on November 18, 2016 (the "Sawtelle Note").[1] The Sawtelle Note, and certain supporting documentation (collectively, the "Supporting Documentation"), is attached to the Claim.

[1] The Note is internally inconsistent whether the principal amount was intended to be $8,100,000 or $8,300,000.

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Emaciation asserts that it acquired the Sawtelle Note from Bridge on or about October 5, 2016, after the Petition was filed.

D. The Updated Payoff Statement

A few weeks after the Claim was filed, on or about November 28, 2016, Emaciation provided an updated payoff statement to the Trustee, asserting a total amount owed of $10,822,998.28 (the "Updated Payoff Statement"), almost $1.5 million more than the amount asserted in the Claim. The total interest asserted as of November 28, 2016 was $1,819,155.89 and the per diem interest charge was listed at $5,510.11. The Updated Payoff Statement also included a late charge of $977,860.70.

E. Stay Relief Motion

Just four days after the Trustee's counsel informed Emaciation of the Trustee's intent to object to the Claim, Emaciation filed its motion seeking relief from the automatic stay to foreclose on the Property ("Stay Relief Motion"). Emaciation sought relief from stay pursuant to Sections 362(d)(1), (2) and (3). The Trustee opposed the Motion, and on August 25, 2017, the Court held a hearing on the motion and tentatively indicated that relief from stay may be granted. At the hearing on July 26, 2017, the Court continued the Stay Relief Motion to August 15, 2017, as the Debtor appeared to be a SARE entity.

F. The Objection to Claim

Given the initial lack of supporting documentation, the 24% default interest rate asserted, and several other charges asserted by Emaciation, the Trustee filed his objection to the Claim ("Claim Objection") on July 7, 2017 (ECF Nos. 83-35). The Trustee asserted that Emaciation failed to provide sufficient documentation of its Claim, and disputed the Claim on several additional grounds, including that a) the default interest rate and so-called "late charge" are inequitable and unenforceable under non-bankruptcy law; b) certain post-petition fees, costs, and charges, including the late charges, attorneys' fees, lender fees and trustee fees, are unreasonable and are not permitted under Section 506(b); and c) the claim should be disallowed under Section 502(d) because Emaciation received a transfer avoidable under Section 548 and has not turned over the value of such

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transfer as required under Section 550. Just hours after the Trustee's Objection to Claim was filed, Emaciation filed an amended proof of claim ("Amended Claim") and attached a copy of the Loan Agreement. The Claim Objection is currently set for hearing on August 15, 2017.

III. TERMS OF THE COMPROMISE

The parties have reached a settlement, subject to overbid. The material terms of the compromise, subject to overbid, are as follows:[2]

1. The Parties agree that the agreement is conditioned on Bankruptcy Court approval. The Effective Date shall be the date on which the order approving the Motion becomes a final order.

2. In settlement of the Fraudulent Transfer Claim, Emaciation shall pay $108,000 ("Settlement Payment") to Trustee, on the terms and conditions set forth in this Agreement, with said payment to be paid in full within two (2) business days of the execution of this Agreement. The Settlement Payment shall be made by wire and in accordance with instructions provided by the Trustee. In the event the Agreement is not approved by the Bankruptcy Court, the Trustee shall return the Settlement Payment to Emaciation as soon as practicable and without interest.

3. Trustee agrees to assign to Emaciation, or its assignee, Satellite Down, LLC, any and all of the estate's right, title and interest in and to the Sawtelle Property on an as-is, where-is basis by means of a quitclaim deed, without any representations or warranties, express or implied, including, but not limited to, habitability or marketability, and subject to any and all rights, liens, interests or claims. The identify of any assignee must be disclosed to the Trustee no later than fourteen (14) days prior to the hearing on

[2] The terms set forth herein are merely a summary of the settlement terms. For a complete description of the terms of the settlement, please refer to Exhibit "2." In the event that the terms outlined here conflict with the Agreement, the Agreement controls.

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the motion to approve this Agreement, and the Trustee will disclose any assignee to the Court prior to approval of this Agreement[3].

4. The Parties agree to stipulate to continue any pending hearings, including on the Stay Relief Motion and Objection to Claim, pending the execution and Bankruptcy Court approval of this Agreement to the closest available date after the hearing date for approval of this Agreement, but leaving enough time for the pending opposition that is due by Emaciation to the to the Objection to Claim. There will be no further briefing on the Stay Relief Motion.

5. On the Effective Date, the Emaciation Claim shall be deemed disallowed, and to the extent necessary, Emaciation shall withdraw, with prejudice, or otherwise execute a stipulated order disallowing the Emaciation Claim. Emaciation agrees that it shall not be entitled to any disbursement from the Debtor's bankruptcy estate; however, this stipulation shall not be considered to be on the merits nor can it be used in any other case forum, and is solely for a compromise in this case for this Settlement Agreement;

6. Within five (5) business days after the Effective Date, the Trustee shall withdraw his opposition to the Stay Relief Motion, with prejudice.

7. This Agreement shall not prejudice or otherwise have any effect on the rights of junior lienholders, including but not limited to Satellite Capital, LLC, and any stipulations in this Agreement may not be used by non-parties to this Agreement in other forums for any reasons. This Agreement is the result of a compromise and is not to be consider collateral estoppel for the benefit of non-parties.

8. The Parties also agreed to execute mutual releases. The release as to Emaciation shall become effective only upon the full and timely payment to Trustee of all sums payable under the terms of this Agreement. The release as to the Trustee shall become effective as of the date of the entry of the order approving this Motion.

9. The agreement is subject to overbid.

---

[3] Emaciation has identified Satellite Down LLC as the entity to receive the assignment of the Estate's interest in the Sawtelle Property.

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IV. LEGAL ARGUMENT

A. The Agreement is Fair and Reasonable, is in the Best Interest of the Estate and Creditors and Should be Approved by the Court

Inherent in the grant of jurisdiction over civil proceedings arising under, arising in or related to cases under Title 11 is the Court's authority, under Section 105(a) of the Bankruptcy Code, to enter orders approving compromises. This power is expressly recognized in the Federal Rules of Bankruptcy Procedure 9019(a), which provides that a court may approve a compromise or settlement after notice is provided under Rule 2002. Approval of the compromise is a 'core proceeding' under 28 U.S.C. Section 157(b)(2)(A) and (O). Lastly, Section 323 of the Bankruptcy Code authorizes the Trustee to compromise a controversy.

The approval or rejection of a proposed compromise is within the discretion of the Court and is to be determined by the particular circumstances of each case. *See U.S.A. v. Alaska Nat'l Bank of the North (In re Walsh Constr. Inc.)*, 669 F.2d 1325, 1328 (9th Cir. 1982). The burden of establishing the fairness of the compromise rests on the proponent. The Movant is required to demonstrate that legal evaluations have been made by counsel experienced in such matters and that sufficient investigation has been conducted to enable such counsel to make an informed decision. *See Feder v. Harrington*, 58 F.R.D. 171, 174-75 (S.D.N.Y. 1972). The Trustee satisfies his burden in this case.

In determining the acceptability of a proposed compromise, the following four factors should be considered:

(a) The probability of success in the litigation;

(b) The difficulties if any to be encountered in the matters of collections;

(c) The complexity of the litigation fault; and the expense, inconvenience and delay necessarily attending it; and

(d) The paramount interest of the creditors and the proper deference to their reasonable views. *See Martin v. Kane (In re A&C Properties)*, 784 F.2d 1377, 1381 (9th Cir. 1986).

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This Court is not required to decide the questions of law and fact in dispute, but instead to canvas the issues to see whether the "settlement falls below the lowest point in a range of reasonableness." *Anaconda-Ericsson Inc. (In re Teletronics Servs., Inc.)*, 762 F.2d 185, 189 (2d Cir. 1983). When applying the standards, "the Court must consider the principle that 'law favors compromise.'" *In re Carson,* 82 B.R. 847, 853 (Bankr. S.D. Ohio 1994) (citations omitted).

Here, the Trustee is settling his claims against Emaciation.

Applying these standards to the instant case, the compromise should be approved as reasonable and in the best interests of the Estate. First, the settlement eliminates the significant risk of litigation, not only in the Claim Objection process, but also in the fraudulent transfer litigation which would need to be filed and pursued. There is a risk that if the Claim Objection is unsuccessful, even in part, the continued accrual in post-petition interest will nonetheless consume any potential equity available for the benefit of the Estate. In addition, the Estate would likely incur additional administrative claims to file a fraudulent transfer adversary claim, further diluting any recovery to creditors. The Trustee is informed and believes that it will be time consuming and fact intensive to prove the fraudulent transfer claims and to disprove any asserted defenses. The amount of the total liens exceeds the current amount of what is believed to be the value of the Property. There is New York caselaw which suggests that a 24% default interest may be enforceable. While the Trustee's belief that the late fee is avoidable, there is still significant concern over whether funds could be generated for unsecured creditors, as the property would still appear to be underwater.

In addition, the settlement also eliminates any risk or burden that the Property may cause to the Estate. The Property is not generating sufficient income to cover the costs of utilities and other maintenance and the estate does not have sufficient funds to cover these costs. If relief from stay is granted, the Estate will not receive anything.

Upon review of all these different factors, including the risks attendant with litigation, the Trustee has agreed to settle the fraudulent transfer claim in exchange for an

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immediate payment of $108,000.00. In addition, the Trustee will assign the Estate's interest in the Property to Emaciation, or its assignee (Emaciation has identified Satellite Down, LLC) on an as-is, where-is basis by means of a quitclaim deed, without any representations or warranties, express or implied, including, but not limited to, habitability or marketability, and subject to any and all rights, liens, interests or claims. The settlement resolves any and all claims and controversies between the parties, disallows the claim of Emaciation against the Estate, and includes a mutual release. Accordingly, the Trustee believes that this compromise represents a reasonable settlement of the matter and it is in the best interest of the creditors of the Estate.

B. Overbid

The settlement and compromise is subject to overbid at or before the scheduled hearing. Any interested bidder should contact the Trustee. Any overbid will be assessed by the Trustee and presented if in the Trustee's sole and absolute discretion that the overbid is the highest and the best.

C. The Trustee Seeks Use of Cash Collateral

The Trustee requires the use of Cash Collateral from rents and other funds subject to the consent of the lienholder to pay insurance, bond, utilities, U.S. Trustee fees and other related items, including to reimburse the Trustee for such types of expenditures. The Trustee expects to have consent from the lenders prior to the hearing but request it in an abundance of caution.

Section 363(c) provides that a trustee may not use cash collateral, unless secured parties consent, or the court, after notice and a hearing, authorizes the proposed use. See 11 U.S.C. § 363(c). A bankruptcy court may authorize a debtor's use of the cash collateral without the consent of a secured creditor provided the secured creditor's interest in such cash collateral is adequately protected. See 11 U.S.C. § 363(c) and (e); see also In re Zeeway Corp., 71 B.R. 210, 211 (B.A.P. 9th Cir. 1987). Importantly, "[t]he protection afforded to secured creditors is not absolute." In re ProAlert, LLC, 314 B.R. 436, 441 (B.A.P. 9th Cir. 2004). A secured creditor is entitled to adequate protection only from the

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decline in value of its collateral package post-petition. See In re Timbers of Inwood Forest, 484 U.S. 365, 633 (1988); see also In re Weinstein, 227 B.R. 284, 296 (B.A.P. 9th Cir. 1998) ("[T]he amount by which the collateral depreciates is the amount of adequate protection to which the secured creditor is entitled.").

When, as in this case, cash collateral is used to maintain the real property, the interests of secured creditors with liens on the real property as well as cash collateral, are adequately protected, even if the secured creditors are under secured (i.e., no equity cushion). See, e.g., In re Donato, 170 B.R. 247, 256 (Bankr. D. N.J. 1994) ("The use of cash collateral to pay the operating expenses of the real property in question adequately protects the interest of secured lenders, however, even where the creditor is under secured."); see also In re Pine Lake Village Apartment Co., 16 B.R. 750, 756 (Bankr. S.D.N.Y. 1982) ("Manifestly, the application of the rent income solely to maintain and repair the property so as to prevent further deterioration will enhance the value of the property which serves as the collateral for the plaintiff-mortgagee's claim. The protection and maintenance of the plaintiff-mortgagee's collateral, without any diversion of funds to the debtor, clearly ensures that the plaintiff-mortgagee's investment is adequately protected."); In re 499 W. Warren Street Associates, Ltd. Partnership, 142 B.R. 53, 56 (Bankr. N.D.N.Y. 1992) ("A secured creditor's interest in the collateral itself is adequately protected when a portion of the rents are applied to its operation and maintenance.").

The Secured Creditors remain adequately protected for the proposed use of cash collateral. The Trustee is requesting use of cash collateral solely to pay the expenses necessary to preserve and maintain the value of the Properties, which in and of itself constitutes adequate protection

V. CONCLUSION

Based on the foregoing, the Trustee requests that the Court enter an order:

(1) Granting the Motion;

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(2) Approving the Agreement that is attached as Exhibit "2" and authorizing the Trustee to execute the Agreement and consummate the transactions contemplated by the Agreement;

(3) Authorizing the Trustee to settle the fraudulent transfer claim against Emaciation for an immediate payment of $108,000.00 on the terms set forth in the Agreement;

(4) Authorizing the Trustee to assign the Estate's interest in the Property to Emaciation or Satellite Down, LLC, its assignee, on the terms set forth in the Agreement;

(5) Determining that adequate notice of this Motion and the hearing on the Motion was provided to all interested parties;

(6) Authorizing the Trustee to execute and any all documents necessary to effectuate the settlement;

(7) Authorizing the Trustee to use the Property to achieve the settlement;

(8) Authorizing use of cash collateral to pay insurance, bond, utilities, U.S. Trustee fees and other related items, including to reimburse the Trustee for such types of expenditures; and

(9) Granting such other and further relief as the Court might deem just and appropriate.

Respectfully submitted,

Dated: August 1, 2017

LOBEL WEILAND GOLDEN FRIEDMAN LLP

By: */s/Jeffrey Golden*
JEFFREY I. GOLDEN
Attorneys for Chapter 11 Trustee,
Peter J. Mastan

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DECLARATION OF PETER MASTAN

I, Peter Mastan, declare:

1. I am the chapter 11 trustee for the bankruptcy estate (the "Estate") of Sawtelle Partners, LLC ("Debtor"). I know the following facts to be true of my own personal knowledge and, if called as a witness, could and would competently testify with respect thereto.

2. The Debtor's primary asset is the real property located at 1850 Sawtelle Boulevard, Los Angeles, California ("Property"). Based upon the advice of my broker, I listed the Property for sale in the amount of $14,000,000. The current listing price of the Property is $12,700,000.

3. In its Schedules of Assets and Liabilities, the Debtor scheduled a secured debt of $9.35 million and unsecured debts of $3.69 million. According to the schedules, Satellite Capital, LLC ("Satellite") – asserts a claim of approximately $2.5 million that is secured by a second priority deed of trust.

4. On November 6, 2016, Emaciation filed a secured proof of claim in the amount of $9,357,693.78 as Claim Number 7 ("Claim"). According to the Claim, on November 18, 2015, approximately nine months before the Petition Date, the Debtor and its affiliate Starving Students, Inc., executed a Note promising to pay SF IV Bridge II, LP ("Bridge") the principal amount of $8,300,000 on November 18, 2016 (the "Sawtelle Note"). The Sawtelle Note, and certain supporting documentation (collectively, the "Supporting Documentation"), is attached to the Claim. A true and correct copy of the Claim is attached hereto as Exhibit "1."

5. A few weeks after the Claim was filed, on or about November 28, 2016, Emaciation provided me with an updated payoff statement, asserting a total amount owed of $10,822,998.28 (the "Updated Payoff Statement"), almost $1.5 million more than the amount asserted in the Claim.

6. Just four days after my counsel informed Emaciation of my intent to object to the Claim, Emaciation filed its motion seeking relief from the automatic stay to foreclose

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on the Property ("Stay Relief Motion"). Emaciation sought relief from stay pursuant to Sections 362(d)(1), (2) and (3). Through my counsel, I opposed the Motion, and on August 25, 2017, the Court held a hearing on the motion and tentatively indicated that relief from stay may be granted. At the hearing on July 26, 2017, the Court continued the Stay Relief Motion to August 15, 2017.

7. Given the initial lack of supporting documentation, the 24% default interest rate asserted, and several other charges asserted by Emaciation, I caused to be filed my objection to the Claim ("Claim Objection") on July 7, 2017 (ECF Nos. 83-35). The Claim Objection asserted that Emaciation failed to provide sufficient documentation of its Claim, and disputed the Claim on several additional grounds, including that a) the default interest rate and so-called "late charge" are inequitable and unenforceable under non-bankruptcy law; b) certain post-petition fees, costs, and charges, including the late charges, attorneys' fees, lender fees and trustee fees, are unreasonable and are not permitted under Section 506(b); and c) the claim should be disallowed under Section 502(d) because Emaciation received a transfer avoidable under Section 548 and has not turned over the value of such transfer as required under Section 550. Just hours after my Claim Objection was filed, Emaciation filed an amended proof of claim ("Amended Claim") and attached a copy of the Loan Agreement. The Claim Objection is currently set for hearing on August 15, 2017.

8. Emaciation asserts that, despite the terms of the Loan Agreement, the majority of the proceeds of its loans to the Debtor and affiliates were used to pay off previous obligations of the Debtor. Emaciation has agreed to pay the estate $108,000 in settlement of the fraudulent transfer claim. The terms of the settlement (the "Agreement") are set forth in the Agreement, a true and correct copy of which is attached as Exhibit "2." The amount to be paid by Emaciation to the Estate is referred to in the Agreement as the "Settlement Payment."

9. While I believe there are potential claims against Emaciation for, among other things, the avoidance and recovery of a fraudulent transfer, Emaciation has

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proffered defenses to the claims which will be time consuming to litigate, and records and other evidence may be difficult to gather. Given the nature of litigation, there is a risk that the Estate would be unsuccessful in recovering on its claims. Furthermore, to successfully prosecute the Estate's claims, I believe my counsel will have to incur many more hours in attorney time and will incur significant costs.

10. I have significant experience in insolvency/reorganization matters as a trustee, and am familiar with the litigation of adversary actions and fraudulent transfer claims. Based on my experience, I believe that the compromise is reasonable and in the best interests of the Estate and its creditors.

11. After considering all of the foregoing, and after evaluating the claims against Emaciation and the likelihood of any sale that will benefit the Estate, I made the decision that the Settlement Agreement with Emaciation was advisable, reasonable, and in the best interests of the Estate and should be approved by this Court.

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

Executed this 1st day of August, 2017, at Los Angeles, California.

PETER MASTAN

Lobel Weiland Golden Friedman LLP
650 Town Center Drive, Suite 950
Costa Mesa, California 92626
Tel 714-966-1000 Fax 714-966-1002

EXHIBIT 1

Fill in this information to identify the case:

Debtor 1 SAWTELLE PARNTERS, LLC

Debtor 2 (Spouse, if filing) _____

United States Bankruptcy Court for the: Central District of California

Case number 2:16-bk-21234BR

Official Form 410

Proof of Claim

4/16

Read the instructions before filling out this form. This form is for making a claim for payment in a bankruptcy case. Do not use this form to make a request for payment of an administrative expense. Make such a request according to 11 U.S.C. § 503.

Filers must leave out or redact information that is entitled to privacy on this form or on any attached documents. Attach redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, and security agreements. **Do not send original documents;** they may be destroyed after scanning. If the documents are not available, explain in an attachment.

A person who files a fraudulent claim could be fined up to $500,000, imprisoned for up to 5 years, or both. 18 U.S.C. §§ 152, 157, and 3571.

Fill in all the information about the claim as of the date the case was filed. That date is on the notice of bankruptcy (Form 309) **that you received.**

Part 1: Identify the Claim

1. **Who is the current creditor?**

Emaciation Capital, LLC
Name of the current creditor (the person or entity to be paid for this claim)

Other names the creditor used with the debtor _____

2. **Has this claim been acquired from someone else?**

☐ No
☑ Yes. From whom? SF IV Bridge II, LP

3. **Where should notices and payments to the creditor be sent?**

Federal Rule of Bankruptcy Procedure (FRBP) 2002(g)

Where should notices to the creditor be sent?	**Where should payments to the creditor be sent?** (if different)
Ronald Richards, Esq. Name	_____ Name
P.O. Box 11480 Number Street	_____ Number Street
Beverly Hills CA 90213 City State ZIP Code	_____ City State ZIP Code
Contact phone 310-556-1001 ext 1	Contact phone _____
Contact email ron@ronaldrichards.com	Contact email _____

Uniform claim identifier for electronic payments in chapter 13 (if you use one):

_ _

4. **Does this claim amend one already filed?**

☑ No
☐ Yes. Claim number on court claims registry (if known) _____ Filed on _____ MM / DD / YYYY

5. **Do you know if anyone else has filed a proof of claim for this claim?**

☑ No
☐ Yes. Who made the earlier filing? _____

Part 2: Give Information About the Claim as of the Date the Case Was Filed

6. **Do you have any number you use to identify the debtor?**
- ☐ No
- ☑ Yes. Last 4 digits of the debtor's account or any number you use to identify the debtor: 0 0 0 5

7. **How much is the claim?** $ 9,357,693.78. **Does this amount include interest or other charges?**
- ☐ No
- ☑ Yes. Attach statement itemizing interest, fees, expenses, or other charges required by Bankruptcy Rule 3001(c)(2)(A).

8. **What is the basis of the claim?**

Examples: Goods sold, money loaned, lease, services performed, personal injury or wrongful death, or credit card.

Attach redacted copies of any documents supporting the claim required by Bankruptcy Rule 3001(c).

Limit disclosing information that is entitled to privacy, such as health care information.

money loaned

9. **Is all or part of the claim secured?**
- ☐ No
- ☑ Yes. The claim is secured by a lien on property.

Nature of property:
- ☑ Real estate. If the claim is secured by the debtor's principal residence, file a *Mortgage Proof of Claim Attachment* (Official Form 410-A) with this *Proof of Claim.*
- ☐ Motor vehicle
- ☑ Other. Describe: UCC on personal property via security agreement

Basis for perfection: note / UCC lien perfected at LA County Registrar and SOS

Attach redacted copies of documents, if any, that show evidence of perfection of a security interest (for example, a mortgage, lien, certificate of title, financing statement, or other document that shows the lien has been filed or recorded.)

Value of property: $ 9,900,000.00

Amount of the claim that is secured: $ 9,357,693.78

Amount of the claim that is unsecured: $ 0.00 (The sum of the secured and unsecured amounts should match the amount in line 7.)

Amount necessary to cure any default as of the date of the petition: $ 9,357,693.78

Annual Interest Rate (when case was filed) 24.00 %
- ☑ Fixed
- ☐ Variable

10. **Is this claim based on a lease?**
- ☑ No
- ☐ Yes. **Amount necessary to cure any default as of the date of the petition.** $

11. **Is this claim subject to a right of setoff?**
- ☑ No
- ☐ Yes. Identify the property:

12. **Is all or part of the claim entitled to priority under 11 U.S.C. § 507(a)?**

A claim may be partly priority and partly nonpriority. For example, in some categories, the law limits the amount entitled to priority.

☑ No

☐ Yes. *Check all that apply:*

	Amount entitled to priority
☐ Domestic support obligations (including alimony and child support) under 11 U.S.C. § 507(a)(1)(A) or (a)(1)(B).	$_____
☐ Up to $2,850* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use. 11 U.S.C. § 507(a)(7).	$_____
☐ Wages, salaries, or commissions (up to $12,850*) earned within 180 days before the bankruptcy petition is filed or the debtor's business ends, whichever is earlier. 11 U.S.C. § 507(a)(4).	$_____
☐ Taxes or penalties owed to governmental units. 11 U.S.C. § 507(a)(8).	$_____
☐ Contributions to an employee benefit plan. 11 U.S.C. § 507(a)(5).	$_____
☐ Other. Specify subsection of 11 U.S.C. § 507(a)(__) that applies.	$_____

* Amounts are subject to adjustment on 4/01/19 and every 3 years after that for cases begun on or after the date of adjustment.

Part 3: Sign Below

The person completing this proof of claim must sign and date it. FRBP 9011(b).

If you file this claim electronically, FRBP 5005(a)(2) authorizes courts to establish local rules specifying what a signature is.

A person who files a fraudulent claim could be fined up to $500,000, imprisoned for up to 5 years, or both. 18 U.S.C. §§ 152, 157, and 3571.

Check the appropriate box:

☐ I am the creditor.
☑ I am the creditor's attorney or authorized agent.
☐ I am the trustee, or the debtor, or their authorized agent. Bankruptcy Rule 3004.
☐ I am a guarantor, surety, endorser, or other codebtor. Bankruptcy Rule 3005.

I understand that an authorized signature on this *Proof of Claim* serves as an acknowledgment that when calculating the amount of the claim, the creditor gave the debtor credit for any payments received toward the debt.

I have examined the information in this *Proof of Claim* and have a reasonable belief that the information is true and correct.

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

Executed on date 11/05/2016
MM / DD / YYYY

/s/ Ronald Richards
Signature

Print the name of the person who is completing and signing this claim:

Name: Ronald N. Richards
First name Middle name Last name

Title: Manager/Attorney for LLC

Company: Emaciation Capital, LLC
Identify the corporate servicer as the company if the authorized agent is a servicer.

Address: P.O. Box 11480
Number Street

Beverly Hills CA 90213
City State ZIP Code

Contact phone: 310-556-1001 ext 1 Email: ron@ronaldrichards.com

Payoff Statement

Emaciation Capital, LLC
c/o Ronald Richards, Esq
P.O. Box 11480
Beverly Hills, CA 90213

Loan Number: 400090005
Statement Date: 8/24/2016

Loan For:
Sawtelle Partners, LLC
1850 Sawtelle Blvd
Los Angeles, CA 90025

Principal Balance - Sawtelle Note		$8,181,000.00
Total Interest due 11/19/2015 to 11/19/2016		$1,516,825.58
@10.15% cash rate & 2% accrual rate during non default period; 24% during default period		
Principal Balance - Margalith Note		$202,000.00
Total Interest due 11/19/2015 to 11/19/2016		$16,466.65
@5.925% interest rate during non default period; 10% during default period		
Less Credit for Payments Made		($173,170.29)
Less Reserve Holdbacks from Closing		
Interest Reserve Holdback	($168,306.00)	
Leasing Commission and Tenant Improvement Holdback	($270,000.00)	
Total Holdback		($438,306.00)
Trustee Fees, Costs & Expenses		$29,859.44
Payoff Admin Fee		$250.00
Lender Expenses		$22,768.41
Total Payoff Amount		**$9,357,693.78**

This communication is from a debt collector attempting to collect a debt; any information obtained will be used for that purpose. We reserve the right to correct any portion the this statement at any time. All balances are subject to change as result of any transactions, which occur prior to the application of payoff funds. Accordingly, if Emaciation Capital, LLC has received payment on this account within (30) days and applied those funds to the account for the issuance of this payoff quote and if for any reason those funds are reversed, including, but not limited to insufficient funds or a stop payment be placed on a check, this payoff quote is deemed invalid and a new payoff quote must be obtained form Emaciation Capital, LLC. to reflect the correct amount due and owing. Subsequent quote will reflect the full amount due.

If the account is past due, collection expenses and legal fees may be accruing. If this is an adjustable rate Note, the per diem may change prior to pay off.

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20151463812

Recorded/Filed in Official Records
Recorder's Office, Los Angeles County, California

11/23/15 AT 08:00AM

Pages: 0031

FEES:	166.00
TAXES:	0.00
OTHER:	0.00
PAID:	166.00

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THIS FORM IS NOT TO BE DUPLICATED

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FIRST AMERICAN TITLE INSURANCE COMPANY

Prepared by, and after recording
return to:

Reed Smith LLP
599 Lexington Avenue
New York, New York 10022
Attn: Joseph M. Marger, Esq.

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DEED OF TRUST,
ASSIGNMENT OF LEASES AND RENTS,
SECURITY AGREEMENT
FIXTURE FILING AND
ENVIRONMENTAL INDEMNITY AGREEMENT

(CALIFORNIA)

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DEED OF TRUST,
ASSIGNMENT OF LEASES AND RENTS,
SECURITY AGREEMENT
FIXTURE FILING AND
ENVIRONMENTAL INDEMNITY AGREEMENT

(MAXIMUM AMOUNT UNPAID PRINCIPAL INDEBTEDNESS: $8,300,000.00)

This DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT, FIXTURE FILING AND ENVIRONMENTAL INDEMNITY AGREEMENT (as amended, restated, replaced, supplemented, or otherwise modified from time to time, the "**Security Instrument**") dated as of November 18, 2015, is executed by **SAWTELLE PARTNERS, LLC**, a California limited liability company (the "**Grantor**"), to **FIRST AMERICAN TITLE INSURANCE COMPANY,** a Nebraska corporation, with an address of 1 First American Way, Santa Ana, California 92707 (the "**Trustee**") for the benefit of **SF IV BRIDGE II, LP**, as Beneficiary ("**Beneficiary**").

Section 1.1 Grantor, in consideration of (i) that certain loan in the original aggregate principal amount of **Eight Million Three Hundred Thousand and 00/100 Dollars** ($8,300,000.00) (the "**Mortgage Loan**") evidenced by (x) that certain promissory note in the original principal sum of $8,100,000.00 dated as of the date of this Security Instrument, executed by Grantor and Starving Students (as defined in the Loan Agreement) and made payable to the order of Beneficiary (as amended, restated, replaced, supplemented, or otherwise modified from time to time, collectively the "**Note**"), and (y) that certain promissory note in the original principal sum of $200,000 dated of the date of this Security Instrument, executed by Ethan Margalith and made payable to the order of Beneficiary (as amended, restated, replaced, supplemented, or otherwise modified from time to time, collectively the "**Margalith Note**") (ii) that certain Loan Agreement dated as of the date of this Security Instrument, executed by and between Grantor, the other Borrowers and Beneficiary (as amended, restated, replaced, supplemented or otherwise modified from time to time, the "**Loan Agreement**"), and FOR THE PURPOSE OF SECURING for Beneficiary the repayment of the Indebtedness (as defined in this Security Instrument), and all renewals, extensions and modifications thereof, and the performance of the covenants and agreements of Grantor contained in the Loan Documents (as defined in the Loan Agreement), irrevocably and unconditionally to secure the full and timely payment and performance of the Mortgage Loan, the Note and Grantor's obligations under the Loan Agreement and the other Loan Documents, Grantor does hereby GRANT, BARGAIN, ASSIGN, SELL, CONVEY, WARRANT, TRANSFER, MORTGAGE, PLEDGE, GRANT A SECURITY INTEREST IN, SET OVER AND CONFIRM UNTO Trustee and its successors and assigns, in trust with power of sale and right of entry and possession, all of Grantor's estate, right, title, interest, property, claim and demand, now owned or held or hereafter acquired or arising, in and to the Deed of Trust Property, TO HAVE AND TO HOLD the Deed of Trust Property for Trustee to have and hold for the benefit of Beneficiary, its successors and assigns;

IN TRUST NEVERTHELESS, and upon terms and subject to the conditions hereinafter set forth in this Deed of Trust.

Exhibit "A"

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Grantor hereby releasing, relinquishing and waiving, to the fullest extent allowed by law, all rights and benefits, if any, under and by virtue of the homestead exemption laws of the Property Jurisdiction (as defined in this Security Instrument), if applicable.

Notwithstanding anything to the contrary contained in this Security Instrument, the maximum principal amount of indebtedness secured hereby as of the date hereof, or which may be secured hereby at any time hereafter, is $8,300,000.00, plus amounts expended by Beneficiary after a default by Grantor to the extent that any such amounts constitute payment of (a) Impositions and insurance premiums relating to the Deed of Trust Property, and (b) expenses incurred by Beneficiary in upholding or sustaining the lien of this Security Instrument, including legal fees incurred by Beneficiary to enforce or defend its right under this Security Instrument or the lien created hereby, or (c) any amount, cost or charge to which Beneficiary becomes subrogated, upon payment, whether under recognized principles of law or equity, or under express statutory authority; and all such amounts or costs, together with interest thereon, shall be added to the indebtedness secured hereby and shall be secured by this Security Instrument.

Grantor represents and warrants that Grantor is lawfully seized of the Deed of Trust Property and has the right, power and authority to mortgage, grant, assign, remise, release, warrant and convey the Deed of Trust Property, and that the Deed of Trust Property is not encumbered by any Lien (as defined in this Security Instrument) other than Permitted Encumbrances (as defined in this Security Instrument). Grantor covenants that Grantor will warrant and defend the title to the Deed of Trust Property against all claims and demands other than Permitted Encumbrances.

Grantor and Beneficiary, by its acceptance hereof, each covenants and agrees as follows:

1. Defined Terms.

Capitalized terms used and not specifically defined herein have the meanings given to such terms in the Loan Agreement. All terms used and not specifically defined herein, but which are otherwise defined by the UCC, shall have the meanings assigned to them by the UCC. The following terms, when used in this Security Instrument, shall have the following meanings:

"**Condemnation Action**" means any action or proceeding, however characterized or named, relating to any condemnation or other taking, or conveyance in lieu thereof, of all or any part of the Deed of Trust Property, whether direct or indirect.

"**Enforcement Costs**" means all expenses and costs, including reasonable attorneys' fees and expenses, fees and out-of-pocket expenses of expert witnesses and costs of investigation, incurred by Beneficiary as a result of any Event of Default under the Loan Agreement or in connection with efforts to collect any amount due under the Loan Documents, or to enforce the provisions of the Loan Agreement or any of the other Loan Documents, including those incurred in post-judgment collection efforts and in any bankruptcy or insolvency proceeding (including any action for relief from the automatic stay of any bankruptcy proceeding or Foreclosure Event) or judicial or non-judicial foreclosure proceeding, to the extent permitted by law.

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"**Environmental Indemnity Agreement**" means the indemnity obligations of Grantor under Section 20 of this Agreement (as all of the foregoing may be amended, restated, replaced, supplemented, or otherwise modified from time to time).

"**Environmental Laws**" has the meaning set forth in the Section 20(h) of this Security Instrument.

"**Event of Default**" has the meaning set forth in the Loan Agreement. For purposes of this Deed of Trust and the Margalith Deed of Trust (as hereinafter defined) an Event of Default hereunder shall constitute an Event of Default under the Margalith Deed of Trust and an Event of Default under the Margalith Deed of Trust shall constitute an Event of Default under this Deed of Trust.

"**Fixtures**" means all Goods that are so attached or affixed to the Land or the Improvements as to constitute a fixture under the laws of the Property Jurisdiction.

"**Goods**" means all of Grantor's present and hereafter acquired right, title and interest in all goods which are used now or in the future in connection with the ownership, management, or operation of the Land or the Improvements or are located on the Land or in the Improvements, including inventory; furniture; furnishings; machinery, equipment, engines, boilers, incinerators, and installed building materials; systems and equipment for the purpose of supplying or distributing heating, cooling, electricity, gas, water, air, or light; antennas, cable, wiring, and conduits used in connection with radio, television, security, fire prevention, or fire detection, or otherwise used to carry electronic signals; telephone systems and equipment; elevators and related machinery and equipment; fire detection, prevention and extinguishing systems and apparatus; security and access control systems and apparatus; plumbing systems; water heaters, ranges, stoves, microwave ovens, refrigerators, dishwashers, garbage disposers, washers, dryers, and other appliances; light fixtures, awnings, storm windows, and storm doors; pictures, screens, blinds, shades, curtains, and curtain rods; mirrors, cabinets, paneling, rugs, and floor and wall coverings; fences, trees, and plants; swimming pools; exercise equipment; supplies; tools; books and records (whether in written or electronic form); websites, URLs, blogs, and social network pages; computer equipment (hardware and software); and other tangible personal property which is used now or in the future in connection with the ownership, management, or operation of the Land or the Improvements or are located on the Land or in the Improvements.

"**Imposition Deposits**" means deposits in an amount sufficient to accumulate with Beneficiary the entire sum required to pay the Impositions when due.

"**Impositions**" means

(a) any water and sewer charges which, if not paid, may result in a lien on all or any part of the Deed of Trust Property;

(b) the premiums for fire and other casualty insurance, liability insurance, rent loss insurance and such other insurance as Beneficiary may require under the Loan Agreement;

(c) Taxes; and

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"**Environmental Indemnity Agreement**" means the indemnity obligations of Grantor under Section 20 of this Agreement (as all of the foregoing may be amended, restated, replaced, supplemented, or otherwise modified from time to time).

"**Environmental Laws**" has the meaning set forth in the Section 20(h) of this Security Instrument.

"**Event of Default**" has the meaning set forth in the Loan Agreement. For purposes of this Deed of Trust and the Margalith Deed of Trust (as hereinafter defined) an Event of Default hereunder shall constitute an Event of Default under the Margalith Deed of Trust and an Event of Default under the Margalith Deed of Trust shall constitute an Event of Default under this Deed of Trust.

"**Fixtures**" means all Goods that are so attached or affixed to the Land or the Improvements as to constitute a fixture under the laws of the Property Jurisdiction.

"**Goods**" means all of Grantor's present and hereafter acquired right, title and interest in all goods which are used now or in the future in connection with the ownership, management, or operation of the Land or the Improvements or are located on the Land or in the Improvements, including inventory; furniture; furnishings; machinery, equipment, engines, boilers, incinerators, and installed building materials; systems and equipment for the purpose of supplying or distributing heating, cooling, electricity, gas, water, air, or light; antennas, cable, wiring, and conduits used in connection with radio, television, security, fire prevention, or fire detection, or otherwise used to carry electronic signals; telephone systems and equipment; elevators and related machinery and equipment; fire detection, prevention and extinguishing systems and apparatus; security and access control systems and apparatus; plumbing systems; water heaters, ranges, stoves, microwave ovens, refrigerators, dishwashers, garbage disposers, washers, dryers, and other appliances; light fixtures, awnings, storm windows, and storm doors; pictures, screens, blinds, shades, curtains, and curtain rods; mirrors, cabinets, paneling, rugs, and floor and wall coverings; fences, trees, and plants; swimming pools; exercise equipment; supplies; tools; books and records (whether in written or electronic form); websites, URLs, blogs, and social network pages; computer equipment (hardware and software); and other tangible personal property which is used now or in the future in connection with the ownership, management, or operation of the Land or the Improvements or are located on the Land or in the Improvements.

"**Imposition Deposits**" means deposits in an amount sufficient to accumulate with Beneficiary the entire sum required to pay the Impositions when due.

"**Impositions**" means

(a) any water and sewer charges which, if not paid, may result in a lien on all or any part of the Deed of Trust Property;

(b) the premiums for fire and other casualty insurance, liability insurance, rent loss insurance and such other insurance as Beneficiary may require under the Loan Agreement;

(c) Taxes; and

(d) amounts for other charges and expenses assessed against the Deed of Trust Property which Beneficiary at any time reasonably deems necessary to protect the Deed of Trust Property, to prevent the imposition of liens on the Deed of Trust Property, or otherwise to protect Beneficiary's interests, all as reasonably determined from time to time by Beneficiary.

"**Improvements**" means the buildings, structures, improvements, and alterations now constructed or at any time in the future constructed or placed upon the Land, including any future replacements, facilities, and additions and other construction on the Land.

"**Indebtedness**" means the principal of, interest on, and all other amounts due at any time under the Note, the Loan Agreement, this Security Instrument, any Loan Document, any prepayment premiums, late charges, interest charged at the Default Rate, and accrued interest as provided in the Loan Agreement and this Security Instrument, advances, costs and expenses to perform the obligations of Grantor and Believe or to protect the Deed of Trust Property or the security of this Security Instrument, all other monetary obligations of Grantor and Believe under the Loan Documents, and any and all Loan Documents including amounts due as a result of any indemnification obligations, and any Enforcement Costs.

"**Land**" means the real property described in Exhibit A.

"**Leases**" means all present and future leases (including without limitation, the Key Lease), subleases, licenses, concessions or grants or other possessory interests now or hereafter in force, whether oral or written, covering or affecting the Deed of Trust Property, or any portion of the Deed of Trust Property (including proprietary leases or occupancy agreements if Grantor is a cooperative housing corporation), and all modifications, extensions or renewals thereof, and shall include, in any event, all Leases as such term is defined in the Assignment of Leases and Rents (as defined in the Loan Agreement).

"**Lien**" means any claim or charge against property for payment of a debt or an amount owed for services rendered, including any mortgage, deed of trust, deed to secure debt, security interest, tax lien, any materialman's or mechanic's lien, or any lien of a Governmental Authority, including any lien in connection with the payment of utilities, or any other encumbrance.

"**Loan Documents**" as defined in the Loan Agreement.

"**Deed of Trust Property**" means all of Grantor's present and hereafter acquired right, title and interest, if any, in and to all of the following:

(a) the Land;

(b) the Improvements;

(c) the Personalty;

(d) current and future rights, including subsurface rights, air rights, development rights, zoning rights and other similar rights or interests, easements, tenements, rights-of-way, strips and gores of land, streets, alleys, roads, sewer rights, waters, watercourses, and

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appurtenances related to or benefitting the Land or the Improvements, or both, and all rights-of-way, streets, alleys and roads which may have been or may in the future be vacated;

(e) insurance policies relating to the Deed of Trust Property (and any unearned premiums) and all proceeds paid or to be paid by any insurer of the Land, the Improvements, the Personalty, or any other part of the Deed of Trust Property, whether or not Grantor obtained the insurance pursuant to Beneficiary's requirements;

(f) all awards, payments and other compensation made or to be made by any municipal, state or federal authority with respect to Grantor's property, including any awards or settlements resulting from (1) Condemnation Actions, (2) any damage to the Deed of Trust Property caused by governmental action that does not result in a Condemnation Action, (3) the total or partial taking of the Land, the Improvements, the Personalty, or any other part of the Deed of Trust Property under the power of eminent domain or otherwise and including any conveyance in lieu thereof, or (4) any other claim of Grantor, Believe or Guarantor;

(g) contracts, options and other agreements for the sale of the Land, the Improvements, the Personalty, or any other part of the Deed of Trust Property entered into by Grantor now or in the future, including cash or securities deposited to secure performance by parties of their obligations;

(h) all minerals, oil, gas, shale, crops, timber, trees, shrubs, flowers and landscaping features and rights (including, without limitation, extracting rights) now or hereafter located on, under or above Land;

(i) Leases and Lease guaranties, letters of credit and any other supporting obligation for any of the Leases given in connection with any of the Leases, and all Rents;

(j) earnings, royalties, accounts receivable, issues and profits from the Land (including without limitation, any oil, gas and/or mineral royalties, rents or bonuses), the Improvements or any other part of the Deed of Trust Property, and all undisbursed proceeds of the Mortgage Loan and, if Grantor is a cooperative housing corporation, maintenance charges or assessments payable by shareholders or residents;

(k) Imposition Deposits;

(l) refunds or rebates of Impositions by any municipal, state or federal authority or insurance company (other than refunds applicable to periods before the real property tax year in which this Security Instrument is dated);

(m) tenant security deposits;

(n) names under or by which any of the above Deed of Trust Property may be operated or known, and all trademarks, trade names, and goodwill relating to any of the Deed of Trust Property;

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(o) products, and all cash and non-cash proceeds from the conversion, voluntary or involuntary, of any of the above into cash or liquidated claims, and the right to collect such proceeds; and

(p) all of Grantor's right, title and interest in the oil, gas, minerals, mineral interests, royalties, overriding royalties, production payments, net profit interests and other interests and estates in, under and on the Deed of Trust Property and other oil, gas and mineral interests with which any of the foregoing interests or estates are pooled or unitized.

"**Margalith Deed of Trust**" means that certain Deed of Trust, Security Agreement, Assignment of Lease and Rents and Fixture Filing dated the date hereof made by Ethan Margalith and Lisa Margalith in favor of Beneficiary to secure the obligations of Ethan Margalith under the Margalith Note and the obligations of the Borrower under the Loan Agreement and the other Loan Documents.

"**Permitted Encumbrance**" means only the easements, restrictions and other matters listed in a schedule of exceptions to coverage in the Title Policy and Taxes for the current tax year that are not yet due and payable.

"**Personalty**" means all of Grantor's present and hereafter acquired right, title and interest in all Goods, accounts, choses of action, chattel paper, documents, general intangibles (including Software), payment intangibles, instruments, investment property, letter of credit rights, supporting obligations, computer information, source codes, object codes, records and data, all telephone numbers or listings, claims (including claims for indemnity or breach of warranty), deposit accounts and other property or assets of any kind or nature related to the Land or the Improvements now or in the future, including operating agreements, surveys, plans and specifications and contracts for architectural, engineering and construction services relating to the Land or the Improvements, and all other intangible property and rights relating to the operation of, or used in connection with, the Land or the Improvements, including all governmental permits relating to any activities on the Land.

"**Property Jurisdiction**" means the jurisdiction in which the Land is located.

"**Rents**" means all rents (whether from residential or non-residential space), revenues and other income from the Land or the Improvements, including subsidy payments received from any sources, including payments under any "Housing Assistance Payments Contract" or other rental subsidy agreement (if any), parking fees, laundry and vending machine income and fees and charges for food, health care and other services provided at the Deed of Trust Property, whether now due, past due, or to become due, and tenant security deposits.

"**Software**" means a computer program and any supporting information provided in connection with a transaction relating to the program. The term does not include any computer program that is included in the definition of Goods.

"**Taxes**" means all taxes, assessments, vault rentals and other charges, if any, general, special or otherwise, including assessments for schools, public betterments and general or local improvements, which are levied, assessed or imposed by any public authority or quasi-public

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authority, and which, if not paid, may become a lien, on the Land or the Improvements or any taxes upon any Loan Document.

"**Title Policy**" has the meaning set forth in the Loan Agreement.

"**UCC**" means the Uniform Commercial Code in effect in the Property Jurisdiction, as amended from time to time.

"**UCC Collateral**" means any or all of that portion of the Deed of Trust Property in which a security interest may be granted under the UCC and in which Grantor has any present or hereafter acquired right, title or interest.

2. Security Agreement; Fixture Filing.

(a) To secure to Beneficiary, the repayment of the Indebtedness, and all renewals, extensions and modifications thereof, and the performance of the covenants and agreements of Grantor and Believe contained in the Loan Documents, Grantor hereby pledges, assigns, and grants to Beneficiary a continuing security interest in the UCC Collateral. This Security Instrument constitutes a security agreement and a financing statement under the UCC. This Security Instrument also constitutes a financing statement pursuant to the terms of the UCC with respect to any part of the Deed of Trust Property that is or may become a Fixture under applicable law, and will be recorded as a "fixture filing" in accordance with the UCC. Grantor hereby authorizes Beneficiary to file financing statements, continuation statements and financing statement amendments in such form as Beneficiary may require to perfect or continue the perfection of this security interest without the signature of Grantor. If an Event of Default has occurred and is continuing, Beneficiary shall have the remedies of a secured party under the UCC or otherwise provided at law or in equity, in addition to all remedies provided by this Security Instrument and in any Loan Document. Beneficiary may exercise any or all of its remedies against the UCC Collateral separately or together, and in any order, without in any way affecting the availability or validity of Beneficiary's other remedies. For purposes of the UCC, the debtor is Grantor and the secured party is Beneficiary. The name and address of the debtor and secured party are set forth after Grantor's signature below which are the addresses from which information on the security interest may be obtained.

(b) Grantor represents and warrants that: (1) Grantor maintains its chief executive office at the location set forth after Grantor's signature below, and Grantor will notify Beneficiary in writing of any change in its chief executive office within five (5) days of such change; (2) Grantor is the record owner of the Deed of Trust Property; (3) Grantor's state of incorporation, organization, or formation, if applicable, is as set forth on Page 1 of this Security Instrument; (4) Grantor's exact legal name is as set forth on Page 1 of this Security Instrument; (5) Grantor's organizational identification number, if applicable, is as set forth after Grantor's signature below; (6) Grantor is the owner of the UCC Collateral subject to no liens, charges or encumbrances other than the lien hereof; (7) except as expressly provided in the Loan Agreement, the UCC Collateral will not be removed from the Deed of Trust Property without the consent of Beneficiary; and (8) no financing statement covering any of the UCC Collateral or any proceeds thereof is on file in any public office except pursuant hereto.

(c) All property of every kind acquired by Grantor after the date of this Security Instrument which by the terms of this Security Instrument shall be subject to the lien and the security interest created hereby, shall immediately upon the acquisition thereof by Grantor and without further conveyance or assignment become subject to the lien and security interest created by this Security Instrument. Nevertheless, Grantor shall execute, acknowledge, deliver and record or file, as appropriate, all and every such further deeds of trust, mortgages, deeds to secure debt, security agreements, financing statements, assignments and assurances as Beneficiary shall require for accomplishing the purposes of this Security Instrument and to comply with the rerecording requirements of the UCC.

3. Assignment of Leases and Rents; Appointment of Receiver; Beneficiary in Possession.

(a) As part of the consideration for the Indebtedness, Grantor absolutely and unconditionally assigns and transfers to Beneficiary all Leases and Rents. It is the intention of Grantor to establish present, absolute and irrevocable transfers and assignments to Beneficiary of all Leases and Rents and to authorize and empower Beneficiary to collect and receive all Rents without the necessity of further action on the part of Grantor. Grantor and Beneficiary intend the assignments of Leases and Rents to be effective immediately and to constitute absolute present assignments, and not assignments for additional security only. Only for purposes of giving effect to these absolute assignments of Leases and Rents, and for no other purpose, the Leases and Rents shall not be deemed to be a part of the Deed of Trust Property. However, if these present, absolute and unconditional assignments of Leases and Rents are not enforceable by their terms under the laws of the Property Jurisdiction, then each of the Leases and Rents shall be included as part of the Deed of Trust Property, and it is the intention of Grantor, in such circumstance, that this Security Instrument create and perfect a lien on each of the Leases and Rents in favor of Beneficiary, which liens shall be effective as of the date of this Security Instrument.

(b) Until an Event of Default has occurred and is continuing, but subject to the limitations set forth in the Loan Documents, Grantor shall have a revocable license to exercise all rights, power and authority granted to Grantor under the Leases, and to collect and receive all Rents, to hold all Rents in trust for the benefit of Beneficiary, and to apply all Rents to pay the monthly debt service on the Loan and the other amounts then due and payable under the other Loan Documents, including Imposition Deposits, and to pay the current costs and expenses of managing, operating and maintaining the Deed of Trust Property, including utilities and Impositions (to the extent not included in Imposition Deposits), tenant improvements and other capital expenditures. So long as no Event of Default has occurred and is continuing (and no event which, with the giving of notice or the passage of time, or both, would constitute an Event of Default has occurred and is continuing), the Rents remaining after application pursuant to the preceding sentence may be retained and distributed by Grantor free and clear of, and released from, Beneficiary's rights with respect to Rents under this Security Instrument.

(c) If an Event of Default has occurred and is continuing, without the necessity of Beneficiary entering upon and taking and maintaining control of the Deed of Trust Property directly, by a receiver, or by any other manner or proceeding permitted by the laws of the Property Jurisdiction, the revocable license granted to Grantor pursuant to Section 3(b) shall automatically terminate, and Beneficiary shall immediately have all rights, powers and authority

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granted to Grantor under any Lease (including the right, power and authority to modify the terms of any such Lease, or extend or terminate any such Lease) and, without notice, Beneficiary shall be entitled to all Rents as they become due and payable, including Rents then due and unpaid. During the continuance of an Event of Default, Grantor authorizes Beneficiary to collect, sue for and compromise Rents and directs each tenant of the Deed of Trust Property to pay all Rents to, or as directed by, Beneficiary, and Grantor shall, upon Grantor's receipt of any Rents from any sources, pay the total amount of such receipts to Beneficiary. Although the foregoing rights of Beneficiary are self-effecting, at any time during the continuance of an Event of Default, Beneficiary may make demand for all Rents, and Beneficiary may give, and Grantor hereby irrevocably authorizes Beneficiary to give, notice to all tenants of the Deed of Trust Property instructing them to pay all Rents to Beneficiary. No tenant shall be obligated to inquire further as to the occurrence or continuance of an Event of Default, and no tenant shall be obligated to pay to Grantor any amounts that are actually paid to Beneficiary in response to such a notice. Any such notice by Beneficiary shall be delivered to each tenant personally, by mail or by delivering such demand to each rental unit.

(d) If an Event of Default has occurred and is continuing, Beneficiary may, regardless of the adequacy of Beneficiary's security or the solvency of Grantor, and even in the absence of waste, enter upon, take and maintain full control of the Deed of Trust Property, and may exclude Grantor and its agents and employees therefrom, in order to perform all acts that Beneficiary, in its discretion, determines to be necessary or desirable for the operation and maintenance of the Deed of Trust Property, including the execution, cancellation or modification of Leases, the collection of all Rents (including through use of a lockbox, at Beneficiary's election), the making of repairs to the Deed of Trust Property and the execution or termination of contracts providing for the management, operation or maintenance of the Deed of Trust Property, for the purposes of enforcing this assignment of Rents, protecting the Deed of Trust Property or the security of this Security Instrument and the Mortgage Loan, or for such other purposes as Beneficiary in its discretion may deem necessary or desirable.

(e) Notwithstanding any other right provided Beneficiary under this Security Instrument or any other Loan Document, if an Event of Default has occurred and is continuing, and regardless of the adequacy of Beneficiary's security or Grantor's solvency, and without the necessity of giving prior notice (oral or written) to Grantor, Beneficiary may apply to any court having jurisdiction for the appointment of a receiver for the Deed of Trust Property to take any or all of the actions set forth in Section 3. If Beneficiary elects to seek the appointment of a receiver for the Deed of Trust Property at any time after an Event of Default has occurred and is continuing, Grantor, by its execution of this Security Instrument, expressly consents to the appointment of such receiver, including the appointment of a receiver *ex parte*, if permitted by applicable law. Grantor consents to shortened time consideration of a motion to appoint a receiver. Beneficiary or the receiver, as applicable, shall be entitled to receive a reasonable fee for managing the Deed of Trust Property and such fee shall become an additional part of the Indebtedness. Immediately upon appointment of a receiver or Beneficiary's entry upon and taking possession and control of the Deed of Trust Property, possession of the Deed of Trust Property and all documents, records (including records on electronic or magnetic media), accounts, surveys, plans, and specifications relating to the Deed of Trust Property, and all security deposits and prepaid Rents, shall be surrendered to Beneficiary or the receiver, as

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applicable. If Beneficiary or receiver takes possession and control of the Deed of Trust Property, Beneficiary or receiver may exclude Grantor and its representatives from the Deed of Trust Property.

(f) The acceptance by Beneficiary of the assignments of the Leases and Rents pursuant to this Section 3 shall not at any time or in any event obligate Beneficiary to take any action under any Loan Document or to expend any money or to incur any expense. Beneficiary shall not be liable in any way for any injury or damage to person or property sustained by any Person in, on or about the Deed of Trust Property. Prior to Beneficiary's actual entry upon and taking possession and control of the Land and Improvements, Beneficiary shall not be:

(1) obligated to perform any of the terms, covenants and conditions contained in any Lease (or otherwise have any obligation with respect to any Lease);

(2) obligated to appear in or defend any action or proceeding relating to any Lease or the Deed of Trust Property; or

(3) responsible for the operation, control, care, management or repair of the Deed of Trust Property or any portion of the Deed of Trust Property.

The execution of this Security Instrument shall constitute conclusive evidence that all responsibility for the operation, control, care, management and repair of the Deed of Trust Property is and shall be that of Grantor, prior to such actual entry and taking possession and control by Beneficiary of the Land and Improvements.

(g) Beneficiary shall be liable to account only to Grantor and only for Rents actually received by Beneficiary. Beneficiary shall not be liable to Grantor, anyone claiming under or through Grantor or anyone having an interest in the Deed of Trust Property by reason of any act or omission of Beneficiary under this Section 3, and Grantor hereby releases and discharges Beneficiary from any such liability to the fullest extent permitted by law, provided that Beneficiary shall not be released from liability that occurs as a result of Beneficiary's gross negligence or willful misconduct as determined by a court of competent jurisdiction pursuant to a final, non-appealable court order. If the Rents are not sufficient to meet the costs of taking control of and managing the Deed of Trust Property and collecting the Rents, any funds expended by Beneficiary for such purposes shall be added to, and become a part of, the principal balance of the Indebtedness, be immediately due and payable, and bear interest at the Default Rate from the date of disbursement until fully paid. Any entering upon and taking control of the Deed of Trust Property by Beneficiary or the receiver, and any application of Rents as provided in this Security Instrument, shall not cure or waive any Event of Default or invalidate any other right or remedy of Beneficiary under applicable law or provided for in this Security Instrument or any Loan Document.

4. Protection of Beneficiary's Security.

If Grantor and/or Believe, as applicable, fails to perform any of its obligations under this Security Instrument or any other Loan Document, or any action or proceeding is commenced that purports to affect the Deed of Trust Property, Beneficiary's security, rights or interests under this

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Security Instrument or any Loan Document (including eminent domain, insolvency, code enforcement, civil or criminal forfeiture, enforcement of Environmental Laws, fraudulent conveyance or reorganizations or proceedings involving a debtor or decedent), Beneficiary may, at its option, make such appearances, disburse or pay such sums and take such actions, whether before or after an Event of Default or whether directly or to any receiver for the Deed of Trust Property, as Beneficiary reasonably deems necessary to perform such obligations of Grantor and to protect the Deed of Trust Property or Beneficiary's security, rights or interests in the Deed of Trust Property or the Mortgage Loan, including:

(a) paying fees and out-of-pocket expenses of attorneys, accountants, inspectors and consultants;

(b) entering upon the Deed of Trust Property to make repairs or secure the Deed of Trust Property;

(c) obtaining (or force-placing) the insurance required by the Loan Documents; and

(d) paying any amounts required under any of the Loan Documents that Grantor has failed to pay.

Any amounts so disbursed or paid by Beneficiary shall be added to, and become part of, the principal balance of the Indebtedness, be immediately due and payable and bear interest at the Default Rate from the date of disbursement until fully paid. The provisions of this Section 4 shall not be deemed to obligate or require Beneficiary to incur any expense or take any action.

5. Default; Acceleration; Remedies.

(a) If an Event of Default has occurred and is continuing, Beneficiary, at its option, may declare the Indebtedness to be immediately due and payable without further demand, and may either with or without entry or taking possession as herein provided or otherwise, proceed by suit or suits at law or in equity or any other appropriate proceeding or remedy (1) to enforce payment of the Mortgage Loan; (2) to foreclose this Security Instrument judicially or non-judicially; (3) to enforce or exercise any right under any Loan Document; and (4) to pursue any one (1) or more other remedies provided in this Security Instrument or in any other Loan Document or otherwise afforded by applicable law. Each right and remedy provided in this Security Instrument or any other Loan Document is distinct from all other rights or remedies under this Security Instrument or any other Loan Document or otherwise afforded by applicable law, and each shall be cumulative and may be exercised concurrently, independently, or successively, in any order. Grantor has the right to bring an action to assert the nonexistence of an Event of Default or any other defense of Grantor to acceleration and sale.

(b) In connection with any sale made under or by virtue of this Security Instrument, the whole of the Deed of Trust Property may be sold in one (1) parcel as an entirety or in separate lots or parcels at the same or different times, all as Beneficiary may determine in its sole discretion. Beneficiary shall have the right to become the purchaser at any such sale. In the event of any such sale, the outstanding principal amount of the Mortgage Loan and the other Indebtedness, if not previously due, shall be and become immediately due and payable without

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demand or notice of any kind. If the Deed of Trust Property is sold for an amount less than the amount outstanding under the Indebtedness, the deficiency shall be determined by the purchase price at the sale or sales. To the extent not prohibited by applicable law, Grantor waives all rights, claims, and defenses with respect to Beneficiary's ability to obtain a deficiency judgment.

(c) Grantor acknowledges and agrees that the proceeds of any sale shall be applied as determined by Beneficiary unless otherwise required by applicable law.

(d) In connection with the exercise of Beneficiary's rights and remedies under this Security Instrument and any other Loan Document, there shall be allowed and included as Indebtedness: (1) all expenditures and expenses authorized by applicable law and all other expenditures and expenses which may be paid or incurred by or on behalf of Beneficiary for reasonable legal fees, appraisal fees, outlays for documentary and expert evidence, stenographic charges and publication costs; (2) all expenses of any environmental site assessments, environmental audits, environmental remediation costs, appraisals, surveys, engineering studies, wetlands delineations, flood plain studies, and any other similar testing or investigation deemed necessary or advisable by Beneficiary incurred in preparation for, contemplation of or in connection with the exercise of Beneficiary's rights and remedies under the Loan Documents; and (3) all additional advances made pursuant to Section 8303 of the Civil Practice Law and Rules of the State of New York and costs (which may be reasonably estimated as to items to be expended in connection with the exercise of Beneficiary's rights and remedies under the Loan Documents) of procuring all abstracts of title, title searches and examinations, title insurance policies, and similar data and assurance with respect to title as Beneficiary may deem reasonably necessary either to prosecute any suit or to evidence the true conditions of the title to or the value of the Deed of Trust Property to bidders at any sale which may be held in connection with the exercise of Beneficiary's rights and remedies under the Loan Documents. All expenditures and expenses of the nature mentioned in this Section 5, and such other expenses and fees as may be incurred in the protection of the Deed of Trust Property and rents and income therefrom and the maintenance of the lien of this Security Instrument, including the fees of any attorney employed by Beneficiary in any litigation or proceedings affecting this Security Instrument, the Note, the other Loan Documents, or the Deed of Trust Property, including bankruptcy proceedings, any Foreclosure Event (as defined in the Loan Agreement), or in preparation of the commencement or defense of any proceedings or threatened suit or proceeding, or otherwise in dealing specifically therewith, shall be so much additional Indebtedness and shall be immediately due and payable by Grantor, with interest thereon at the Default Rate until paid.

(e) Any action taken by Beneficiary pursuant to the provisions of this Section 5 shall comply with the laws of the Property Jurisdiction. Such applicable laws shall take precedence over the provisions of this Section 5, but shall not invalidate or render unenforceable any other provision of any Loan Document that can be construed in a manner consistent with any applicable law. If any provision of this Security Instrument shall grant to Beneficiary (including Beneficiary acting as a mortgagee-in-possession), or a receiver appointed pursuant to the provisions of this Security Instrument any powers, rights or remedies prior to, upon, during the continuance of or following an Event of Default that are more limited than the powers, rights, or remedies that would otherwise be vested in such party under any applicable law in the absence of said provision, such party shall be vested with the powers, rights, and remedies granted in such

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applicable law to the full extent permitted by law. The rights and remedies of Beneficiary specified in this Security Instrument shall be in addition to Beneficiary's rights and remedies under New York law, specifically including Section 254 of the Real Property Law. In the event of any conflict between the provision of this Security Instrument and the provisions of Section 254 of the Real Property Law, the provisions of this Security Instrument shall control.

6. Waiver of Statute of Limitations and Marshaling.

Grantor hereby waives the right to assert any statute of limitations as a bar to the enforcement of the lien of this Security Instrument or to any action brought to enforce any Loan Document. Notwithstanding the existence of any other security interests in the Deed of Trust Property held by Beneficiary or by any other party, Beneficiary shall have the right to determine the order in which any or all of the Deed of Trust Property shall be subjected to the remedies provided in this Security Instrument and/or any other Loan Document or by applicable law. Beneficiary shall have the right to determine the order in which any or all portions of the Indebtedness are satisfied from the proceeds realized upon the exercise of such remedies. Grantor, for itself and all who may claim by, through or under it, and any party who now or in the future acquires a security interest in the Deed of Trust Property and who has actual or constructive notice of this Security Instrument, waives any and all right to require the marshaling of assets or to require that any of the Deed of Trust Property be sold in the inverse order of alienation or that any of the Deed of Trust Property be sold in parcels (at the same time or different times) in connection with the exercise of any of the remedies provided in this Security Instrument or any other Loan Document, or afforded by applicable law.

7. Waiver of Redemption; Rights of Tenants.

(a) Grantor hereby covenants and agrees that it will not at any time apply for, insist upon, plead, avail itself, or in any manner claim or take any advantage of, any appraisement, stay, exemption or extension law or any so-called "Moratorium Law" now or at any time hereafter enacted or in force in order to prevent or hinder the enforcement or foreclosure of this Security Instrument. Without limiting the foregoing:

(1) Grantor, for itself and all Persons who may claim by, through or under Grantor, hereby expressly waives any so-called "Moratorium Law" and any and all rights of reinstatement and redemption, if any, under any order or decree of foreclosure of this Security Instrument, it being the intent hereof that any and all such "Moratorium Laws", and all rights of reinstatement and redemption of Grantor and of all other Persons claiming by, through or under Grantor are and shall be deemed to be hereby waived to the fullest extent permitted by the laws of the Property Jurisdiction;

(2) Grantor shall not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any right, power remedy herein or otherwise granted or delegated to Beneficiary but will suffer and permit the execution of every such right, power and remedy as though no such law or laws had been made or enacted; and

(3) if Grantor is a trust, Grantor represents that the provisions of this Section 7 (including the waiver of reinstatement and redemption rights) were made at the express

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direction of Grantor's beneficiaries and the persons having the power of direction over Grantor, and are made on behalf of the trust estate of Grantor and all beneficiaries of Grantor, as well as all other persons mentioned above.

(b) Beneficiary shall have the right to foreclose subject to the rights of any tenant or tenants of the Deed of Trust Property having an interest in the Deed of Trust Property prior to that of Beneficiary. The failure to join any such tenant or tenants of the Deed of Trust Property as party defendant or defendants in any such civil action or the failure of any decree of foreclosure and sale to foreclose their rights shall not be asserted by Grantor as a defense in any civil action instituted to collect the Indebtedness, or any part thereof or any deficiency remaining unpaid after foreclosure and sale of the Deed of Trust Property, any statute or rule of law at any time existing to the contrary notwithstanding.

8. Notice.

(a) All notices under this Security Instrument shall be:

(1) in writing, and shall be (A) mailed, postage prepaid, by certified delivery, return receipt requested, or (B) sent by nationally recognized overnight express courier that provides a signed receipt in confirmation of delivery;

(2) addressed to the intended recipient at its respective address set forth in the Loan Agreement; and

(3) deemed given on the earlier to occur of:

(A) the date when the notice is received by the addressee; or

(B) if the recipient refuses or rejects delivery, the date on which the notice is so refused or rejected, as conclusively established by the records of the United States Postal Service or such overnight express courier service.

(b) Any party to this Security Instrument may change the address to which notices intended for it are to be directed by means of notice given to the other party in accordance with this Section 8.

(c) Any required notice under this Security Instrument which does not specify how notices are to be given shall be given in accordance with this Section 8.

9. Mortgagee-in-Possession.

Grantor acknowledges and agrees that the exercise by Beneficiary of any of the rights conferred in this Security Instrument shall not be construed to make Beneficiary a mortgagee-in-possession of the Deed of Trust Property so long as Beneficiary has not itself entered into actual possession of the Land and Improvements.

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10. Satisfaction of Debt.

Upon payment of the Indebtedness in full, Beneficiary shall (a) discharge this Security Instrument, or (b) if at such time, industry practice is to assign rather than discharge a mortgage, upon Grantor's written request, Beneficiary shall assign Beneficiary's interest in this Security Instrument, together with any Note not previously paid or notes secured by this Security Instrument, to a person or entity specified by Grantor in writing to Beneficiary. Beneficiary shall make any such assignment without recourse to Beneficiary, using such form of assignment as is acceptable to Beneficiary. If any original note is lost or destroyed, Beneficiary shall provide a lost note affidavit, which shall provide that Beneficiary shall have no liability for such loss or destruction. Grantor shall pay Beneficiary's reasonable costs incurred in discharging or assigning this Security Instrument, as applicable. Grantor further agrees to hold harmless and indemnify Beneficiary for and against any loss, cost, damage or liability incurred by Beneficiary in connection with any such assignment.

11. State Specific Provisions.

(a) **Controlling Provisions**. In the event of any conflict between the provisions of Section 11 or any other provisions of this Deed of Trust, then the provisions of Section 11 shall control.

(b) **Other Remedies**. Beneficiary shall have such other rights and remedies as are available under any statute or at law or in equity generally, including without limitation California Code of Civil Procedure Sections 736, 726.5 and 564(c) and California Civil Code Section 2929.5, and the delineation of certain remedies in this Deed of Trust shall not be deemed in limitation of any such other rights and remedies.

(c) **Waiver of Lien**. In accordance with California Code of Civil Procedure Section 726.5, Beneficiary may waive its lien against the Deed of Trust Property, to the extent any part of it is found to be environmentally impaired, and may exercise all rights and remedies of an unsecured creditor against Grantor and all of Grantor's assets and property for the recovery of any deficiency, including, without limitation, seeking an attachment order under California Code of Civil Procedure Section 483.010. No such waiver shall be final or binding on Beneficiary until a final money judgment is obtained against Grantor. As between Beneficiary and Grantor, for purposes of Section 726.5, Grantor shall have the burden of proving that the release or threatened release was not knowingly or negligently caused or contributed to, or knowingly or willfully permitted or acquiesced to by Grantor or any related party (or any affiliate or agent of Grantor or any related party) and that Grantor made written disclosure of any contamination to Beneficiary or that Beneficiary otherwise obtained actual knowledge of such contamination prior to the making of the Loan. Notwithstanding anything to the contrary contained in this Deed of Trust or the other Loan Documents, Grantor shall be fully and personally liable for all judgments and awards entered against Grantor pursuant to Section 726.5 and shall not be limited to the original principal amount of the obligations secured by this Deed of Trust. For purposes of Section 726.5, the acts, knowledge and notice of each "726.5 Party" shall be attributed to and be deemed to have been performed by the party or parties then obligated on and liable for payment of the Note. As used herein, "726.5 Party" shall mean Grantor, any successor owner to Grantor of all or any portion of the Deed of Trust Property, any related party

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of Grantor or any such successor and any affiliate or agent of Grantor, any such successor or any such related party.

(d) **Action on Environmental Provisions**. Without limiting any of the remedies provided in the Loan Documents, Grantor agrees that any representations, warranties or obligations of Grantor concerning the presence or use of Hazardous Materials on the Deed of Trust Property or the Deed of Trust Property's or Grantor's compliance with or liability under any Hazardous Materials Law are "environmental provisions" (as defined in California Code of Civil Procedure Section 736(f)(2)) made by Grantor relating to the Deed of Trust Property, and that Grantor's failure to comply with, or breach of warranty under, any such environmental provision is a breach of contract such that Beneficiary shall have the remedies provided under California Code of Civil Procedure Section 736 for the recovery of damages and for the enforcement of such environmental provisions. Grantor's obligation to pay costs, damages or liabilities incurred by Beneficiary but not permitted to be recovered pursuant to Section 736 shall not be secured by this Deed of Trust, irrespective of whether such amounts are included at any time for purposes of calculating the amount outstanding under the Note. Nothing provided in this Deed of Trust shall prevent Beneficiary from enforcing the Environmental Indemnity Agreement set forth in Section 20 of this Security Instrument to recover costs, damages or liabilities not permitted to be recovered under Section 736. Notwithstanding any other provision of the Loan Documents, Beneficiary shall not be obligated to apply any amounts received at any time, whether from Grantor, any surety of Grantor's obligations, any purchaser of the Deed of Trust Property at a foreclosure sale or any other source, to repay costs, damages or liabilities incurred by Beneficiary which arise out of the breach of any environmental provision and Beneficiary shall be free to apply any such amounts received so as to maximize the amount available to be recovered under any action being maintained or to be maintained pursuant to Section 736. Grantor waives any rights it may have, including the rights granted under California Civil Code Section 1479, to direct the application of payments made under the loan evidenced by the Note. Grantor and Beneficiary agree that: (a) this Article 11 is intended as Beneficiary's written request for information (and Grantor's response) concerning the environmental condition of the real property security as required by California Code of Civil Procedure §726.5; and (b) each provision in this Article (together with any indemnity applicable to a breach of any such provision) with respect to the environmental condition of the real property security is intended by Beneficiary and Grantor to be an "environmental provision" for purposes of California Code of Civil Procedure §736, and as such it is expressly understood that Grantor's duty to indemnify Beneficiary hereunder shall survive: (a) any judicial or non-judicial foreclosure under the Deed of Trust, or transfer of the Property in lieu thereof, (b) the release and reconveyance or cancellation of the Deed of Trust; and (c) the satisfaction of all of Grantor's obligation under the Loan Documents.

(e) **Request for Notices**. Pursuant to California Civil Code Section 2924b, Grantor hereby requests that a copy of any notice of default and a copy of any notice of sale given pursuant to this Deed of Trust be mailed to Grantor at the address set forth in Section 8 above.

(f) **California Insurance Provisions**. Beneficiary has disclosed and hereby discloses to Grantor in writing that under Section 2955.5 of the California Civil Code:

> "No Beneficiary shall require a Grantor, as a condition of receiving or maintaining a loan secured by real property, to provide hazard insurance coverage against risks to the

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improvements on that real property in an amount exceeding the replacement value of the improvements on the property."

(g) **Power of Sale**. In addition to the remedies set forth in Section 4.1 hereof, if an Event of Default (as defined in the Loan Agreement) exists, Beneficiary, or its successors and assigns, may elect to cause the Deed of Trust Property or any part thereof to be sold as follows:

(i) Beneficiary may proceed as if all of the Deed of Trust Property were real property, in accordance with subsection (d) below, or Beneficiary may elect to treat any of the Deed of Trust Property which consists of a right in action or which is property that can be severed from the Land without causing structural damage thereto as if the same were personal property, and dispose of the same in accordance with subsection (c) below, separate and apart from the sale of real property, the remainder of the Deed of Trust Property being treated as real property.

(ii) Beneficiary may cause any such sale or other disposition to be conducted immediately following the expiration of any grace period, if any, herein provided (or immediately upon the expiration of any redemption period required by law) or Beneficiary may delay any such sale or other disposition for such period of time as Beneficiary deems to be in its best interest. Should Beneficiary desire that more than one such sale or other disposition be conducted, Beneficiary may at its option, cause the same to be conducted simultaneously, or successively on the same day, or at such different days or times and in such order as Beneficiary may deem to be in its best interest.

(iii) Should Beneficiary elect to cause any of the Deed of Trust Property to be disposed of as personal property as permitted by subparagraph (a) above, it may dispose of any part hereof in any manner now or hereafter permitted by Article 9 of the California UCC or in accordance with any other remedy provided by law. Both Grantor and Beneficiary shall be eligible to purchase any part or all of such property at any such disposition. Any such disposition may be either public or private as Beneficiary may so elect, subject to the provisions of the California UCC. Beneficiary shall give Grantor at least five (5) days' prior written notice of the time and place of any public sale or other disposition of such property or of the time at or after which any private sale or any other intended disposition is to be made, and if such notice is sent to Grantor as provided in Section 9.6, it shall constitute reasonable notice to Grantor.

(iv) Should Beneficiary elect to sell the Deed of Trust Property which is real property or which Beneficiary has elected to treat as real property, upon such election Beneficiary or Trustee shall give such notice of default and election to sell as may then be required by law. Thereafter, upon the expiration of such time and the giving of such notice of sale as may then be required by law, Trustee, at the time and place specified in the notice of sale, shall sell such Deed of Trust Property, or any portion thereof specified by Beneficiary, at public auction to the highest bidder for cash in lawful money of the United States, subject, however, to the provisions of subparagraph (i) hereof. Trustee for good cause may, and upon request of Beneficiary shall, from time to time, postpone the sale by public announcement thereof at the time and place noticed therefor. If the Deed of Trust Property consists of several lots or parcels, Beneficiary may designate the order in which such lots or parcels shall be offered for sale or sold. Any person, including Grantor, Trustee or Beneficiary, may purchase at the sale. Upon any sale Trustee shall

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execute and deliver to the purchaser or purchasers a deed or deeds conveying the property so sold, but without any covenant or warranty whatsoever, express or implied, whereupon such purchaser or purchasers shall be let into immediate possession.

(v) In the event of a sale or other disposition of any such property, or any part thereof, and the execution of a deed or other conveyance, pursuant thereto, the recitals therein of facts, such as a default, the giving of notice of default and notice of sale, demand that such sale should be made, postponement of sale, terms of sale, sale, purchaser, payment of purchase money, and any other fact affecting the regularity or validity of such sale or disposition, shall be conclusive proof of the truth of such facts; and any such deed of conveyance shall be conclusive against all persons as to such facts recited therein.

(vi) Beneficiary and/or Trustee shall apply the proceeds of any sale or disposition hereunder to payment of the following: (1) the expenses of such sale or disposition together with Trustee's fees and reasonable attorneys' fees, and the actual cost of publishing, recording, mailing and posting notice; (2) the cost of any search and/or other evidence of title procured in connection therewith and transfer tax on any deed or conveyance; (3) all sums expended under the terms hereof, not then repaid, with accrued interest in the amount provided herein; (4) all other sums secured hereby; and (5) the remainder if any to the person or persons legally entitled thereto.

(vii) The acknowledgment of the receipt of the purchase money, contained in any deed or conveyance executed as aforesaid, shall be sufficient discharge from all obligations to see to the proper application of the consideration therefor.

(viii) Grantor hereby expressly waives any right which it may have to direct the order in which any of the Deed of Trust Property shall be sold in the event of any sale or sales pursuant hereto.

(ix) Upon any sale of the Deed of Trust Property, whether made under a power of sale herein granted or pursuant to judicial proceedings, if the holder of the Note is a purchaser at such sale, it shall be entitled to use and apply all or any portion of the indebtedness then secured hereby for or in settlement or payment of all or any portion of the purchase price of the property purchased, and, in such case, this Deed of Trust, the Note and documents evidencing expenditures secured hereby shall be presented to the person conducting the sale in order that the amount of said indebtedness so used or applied may be credited thereon as having been paid.

(x) No remedy herein conferred upon or reserved to Trustee or Beneficiary is intended to be exclusive of any other remedy herein or by law provided, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. Every power or remedy given by this instrument to Trustee or Beneficiary, or to which either of them may be otherwise entitled, may be exercised from time to time and as often as may be deemed expedient by Trustee or Beneficiary, and either of them may pursue inconsistent remedies. If there exists additional security for the performance of the obligations secured hereby, the holder of the Note, at its sole option and without limiting or affecting any rights or remedies hereunder, may exercise any of the rights and remedies to

which it may be entitled hereunder either concurrently with whatever other rights it may have in connection with such other security or in such order as it may determine.

(xi) Beneficiary may from time to time rescind any notice of default or notice of sale before any Trustee's sale in accordance with the laws of the State of California. The exercise by Beneficiary of such right of rescission shall not constitute a waiver of any breach or default then existing or subsequently occurring, or impair the right of Beneficiary to execute and deliver to Trustee, as above provided, other declarations or notices of default to satisfy the obligations of this Deed of Trust or secured hereby, nor otherwise affect any provision, covenant or condition of this Deed of Trust or any other Loan Document or any of the rights, obligations or remedies of Trustee or Beneficiary hereunder or thereunder.

12. Governing Law; Consent to Jurisdiction and Venue.

This Security Instrument shall be governed by the laws of the Property Jurisdiction without giving effect to any choice of law provisions thereof that would result in the application of the laws of another jurisdiction. Grantor agrees that any controversy arising under or in relation to this Security Instrument shall be litigated exclusively in the Property Jurisdiction. The state and federal courts and authorities with jurisdiction in the Property Jurisdiction shall have exclusive jurisdiction over all controversies that arise under or in relation to any security for the Indebtedness. Grantor irrevocably consents to service, jurisdiction, and venue of such courts for any such litigation and waives any other venue to which it might be entitled by virtue of domicile, habitual residence or otherwise.

13. Miscellaneous Provisions.

(a) This Security Instrument shall bind, and the rights granted by this Security Instrument shall benefit, the successors and assigns of Beneficiary. This Security Instrument shall bind, and the obligations granted by this Security Instrument shall inure to, any permitted successors and assigns of Grantor under the Loan Agreement. If more than one (1) person or entity signs this Security Instrument as Grantor, the obligations of such persons and entities shall be joint and several. The relationship between Beneficiary and Grantor shall be solely that of creditor and debtor, respectively, and nothing contained in this Security Instrument shall create any other relationship between Beneficiary and Grantor. No creditor of any party to this Security Instrument and no other person shall be a third party beneficiary of this Security Instrument or any other Loan Document.

(b) The invalidity or unenforceability of any provision of this Security Instrument or any other Loan Document shall not affect the validity or enforceability of any other provision of this Security Instrument or of any other Loan Document, all of which shall remain in full force and effect. This Security Instrument contains the complete and entire agreement among the parties as to the matters covered, rights granted and the obligations assumed in this Security Instrument. This Security Instrument may not be amended or modified except by written agreement signed by the parties hereto.

(c) The following rules of construction shall apply to this Security Instrument:

(1) The captions and headings of the sections of this Security Instrument are for convenience only and shall be disregarded in construing this Security Instrument.

(2) Any reference in this Security Instrument to an "Exhibit" or "Schedule" or a "Section" or an "Article" shall, unless otherwise explicitly provided, be construed as referring, respectively, to an exhibit or schedule attached to this Security Instrument or to a Section or Article of this Security Instrument.

(3) Any reference in this Security Instrument to a statute or regulation shall be construed as referring to that statute or regulation as amended from time to time.

(4) Use of the singular in this Security Instrument includes the plural and use of the plural includes the singular.

(5) As used in this Security Instrument, the term "including" means "including, but not limited to" or "including, without limitation," and is for example only, and not a limitation.

(6) Whenever Grantor's knowledge is implicated in this Security Instrument or the phrase "to Grantor's knowledge" or a similar phrase is used in this Security Instrument, Grantor's knowledge or such phrase(s) shall be interpreted to mean to the best of Grantor's knowledge after reasonable and diligent inquiry and investigation.

(7) Unless otherwise provided in this Security Instrument, if Beneficiary's approval, designation, determination, selection, estimate, action or decision is required, permitted or contemplated hereunder, such approval, designation, determination, selection, estimate, action or decision shall be made in Beneficiary's sole and absolute discretion.

(8) All references in this Security Instrument to a separate instrument or agreement shall include such instrument or agreement as the same may be amended or supplemented from time to time pursuant to the applicable provisions thereof.

(9) "Beneficiary may" shall mean at Beneficiary's discretion, but shall not be an obligation.

14. Time is of the Essence.

Grantor agrees that, with respect to each and every obligation and covenant contained in this Security Instrument and the other Loan Documents, time is of the essence.

15. WAIVER OF TRIAL BY JURY.

TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH OF GRANTOR AND BENEFICIARY (BY ITS ACCEPTANCE HEREOF) (A) COVENANTS AND AGREES NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS SECURITY INSTRUMENT OR THE RELATIONSHIP BETWEEN THE PARTIES AS GRANTOR AND BENEFICIARY

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THAT IS TRIABLE OF RIGHT BY A JURY AND (B) WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY EACH OF GRANTOR AND BENEFICIARY, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL.

16. Acknowledgment of Receipt.

Grantor acknowledges receipt of a copy of this Security Instrument, the Note and the other Loan Documents.

17. Recourse Obligations.

The terms of Section 11.22 (Recourse Obligations) of the Loan Agreement are incorporated herein.

18. Cross-Default. Grantor hereby agrees and consents that the occurrence of an "Event of Default" under any Loan Document shall also be an Event of Default under this Security Instrument and the Loan Agreement.

19. Concerning the Trustee.

(a) **Trustee's Acceptance**. Trustee accepts the trust created by this Deed of Trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law.

(b) **Trustee's Resignation**. Trustee may resign at any time upon giving thirty (30) days' notice in writing to Grantor and to Beneficiary.

(c) **Successor Trustees**. If Trustee or any successor Trustee shall die, resign or become disqualified from acting in the execution of this trust, or Beneficiary shall desire to appoint a substitute Trustee, Beneficiary shall have full power to appoint one or more substitute Trustees and, if preferred, several substitute Trustees in succession who shall succeed to all the estates, rights, powers and duties of Trustee. Such appointment shall be recorded in the same public register as this Deed of Trust. Such appointment may be executed by any authorized agent of Beneficiary and as so executed, such appointment shall be conclusively presumed to be executed with authority, valid and sufficient, without further proof of any action.

(d) **Perfection of Appointment**. Should any deed, conveyance or instrument of any nature be required from Grantor by any successor Trustee to more fully and certainly vest in and confirm to such successor Trustee such estates, rights, powers and duties, then, upon request by such Trustee, all such deeds, conveyances and instruments shall be made, executed, acknowledged and delivered and shall be caused to be recorded and/or filed by Grantor.

(e) **Consent to Recordings**. At any time and from time to time, without liability therefor and without notice, upon written request of Beneficiary, Trustee shall (i) consent in

writing to the making of any map or plat of the Property, (ii) join in granting any easement thereon, (iii) join in any extension agreement or any agreement subordinating the lien or charge hereof, or (iv) upon presentation of this Deed of Trust and the Note or notes secured hereby for endorsement, and without affecting the personal liability of any person for the payment of the indebtedness secured hereby or the effect of this Deed of Trust upon the remainder of the Property, reconvey any part of the Property.

(f) **Reconveyance**. Upon written request of Beneficiary stating that all sums secured hereby have been paid and upon surrender to Trustee of this Deed of Trust and the Note or notes secured hereby for cancellation and retention and upon payment of its fees, Trustee shall reconvey, without warranty, the Property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truth thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

(g) **Certain Rights**. With the approval of Beneficiary, Trustee shall have the right to select, employ and consult with counsel. Trustee shall have the right to rely on any instrument, document or signature authorizing or supporting any action taken or proposed to be taken by it hereunder, believed by it in good faith to be genuine. Trustee shall be entitled to reimbursement for actual, reasonable expenses incurred by it in the performance of its duties and to reasonable compensation for Trustee's services hereunder as shall be rendered. Grantor shall, from time to time, pay the compensation due to Trustee hereunder and reimburse Trustee for, and indemnify, defend and save Trustee harmless against, all liability and reasonable expenses which may be incurred by it in the performance of its duties, including those arising from joint, concurrent, or comparative negligence of Trustee; however, Grantor shall not be liable under such indemnification to the extent such liability or expenses resulting solely from Trustee's gross negligence or willful misconduct. Grantor's obligations under this Section 8.1 shall not be reduced or impaired by principles of comparative or contributory negligence.

(h) **Retention of Money.** All moneys received by Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys (except to the extent required by law), and Trustee shall be under no liability for interest on any moneys received by him hereunder.

(i) **Trustee Liability.** In no event or circumstance shall Trustee or any substitute Trustee hereunder be personally liable under or as a result of this Deed of Trust, either as a result of any action by Trustee (or any substitute Trustee) in the exercise of the powers hereby granted or otherwise.

(j) **No Notification**. Trustee is not obligated to notify any party hereto of pending sale under any other deed of trust or of any action or proceeding in which Grantor, Beneficiary or Trustee shall be a party, unless brought by Trustee.

(k) **No Duty to Act**. Trustee shall be under no duty to take any action hereunder except as expressly required hereunder or by law, or to perform any act which would involve Trustee in any expense or liability or to institute or defend any suit in respect hereof, unless properly indemnified to Trustee's reasonable satisfaction. Trustee, by acceptance of this Deed of Trust, covenants to perform and fulfill the trusts herein created, being liable, however, only

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for willful negligence or misconduct, and hereby waives any statutory fee and agrees to accept reasonable compensation, in lieu thereof, for any services rendered by Trustee in accordance with the terms hereof. Trustee may resign at any time upon giving thirty (30) days' notice to Grantor and to Beneficiary. Beneficiary may remove Trustee at any time or from time to time and select a successor trustee. In the event of the death, removal, resignation, refusal to act, or inability to act of Trustee, or in its sole discretion for any reason whatsoever Beneficiary may, without notice and without specifying any reason therefor and without applying to any court, select and appoint a successor trustee, by an instrument recorded wherever this Deed of Trust is recorded and all powers, rights, duties and authority of Trustee, as aforesaid, shall thereupon become vested in such successor without conveyance from the predecessor Trustee. Such instrument must contain the name of the original Grantor, Trustee and Beneficiary hereunder, the book and page where this Deed of Trust is recorded, and the name and address of the new Trustee. Such substitute trustee shall not be required to give bond for the faithful performance of the duties of Trustee hereunder unless required by Beneficiary. The procedure provided for in this paragraph for substitution of Trustee shall be in addition to and not in exclusion of any other provisions for substitution, by law or otherwise.

(l) **Compensation**. Trustee shall be entitled to reasonable compensation for all services rendered or expenses incurred in the administration or execution of the trusts hereby created and Grantor hereby agrees to pay same. Trustee and Beneficiary shall be indemnified, held harmless and reimbursed by Grantor for any liability, damage or expense, including attorneys' fees and amounts paid in settlement, which they or either of them may incur or sustain in the execution of this trust or in the doing of any act which they, or either of them, are required or permitted to do by the terms hereof or by law.

20. **Environmental Matters**.

(a) **Environmental Representations and Warranties**. Grantor represents and warrants to Beneficiary that:

(i) The Land and Grantor are not in violation of any Environmental Laws or subject to any existing, pending, or threatened investigation by any Governmental Authority under any Environmental Laws.

(ii) Grantor has not obtained and is not required by any Environmental Laws to obtain any permits or licenses to construct or use the Land or the Improvements.

(iii) Grantor has conducted an appropriate inquiry into previous uses and ownership of the Land, and after such inquiry determined that no Hazardous Substance has been disposed of, transported, or released on or at the Land.

(iv) No part of the Land is being used or, to the knowledge of Grantor, has been used at any previous time, for the disposal, storage, treatment, processing, transporting, or other handling of Hazardous Substances, nor is any part of the Land affected by any Hazardous Substance contamination.

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(v) To the best of Grantor's knowledge and belief, no real property adjoining the Land is being used, or has ever been used at any previous time, for the disposal, storage, treatment, processing, or other handling of Hazardous Substances, nor is any other real property adjoining the Land affected by Hazardous Substances contamination.

(vi) No investigation, administrative order, consent order or agreement, litigation, or settlement with respect to Hazardous Substances or Hazardous Substances contamination is proposed, threatened, anticipated, or in existence regarding the Land. The Land is not currently on, and to Grantor's knowledge, after diligent investigation and inquiry, has never been on, any federal or state "Superfund" or "Superlien" list.

(vii) Neither Grantor nor, to the best of Grantor's knowledge and belief, any tenant of any portion of the Land has received any notice from any Governmental Authority regarding any violation of any Environmental Laws.

(viii) The use that Grantor makes and intends to make of the Land shall not result in the disposal or release of any Hazardous Substances on, in, or to the Land.

(ix) Grantor shall not cause any violation of any Environmental Laws, nor permit any tenant of any portion of the Land to cause such a violation, nor permit any environmental liens to be placed on any portion of the Land.

(x) Neither Grantor nor any third party shall use, generate, manufacture, store, release, discharge, or dispose of any Hazardous Substance on, under, or about the Land, or transport any Hazardous Substance to or from the Land.

(b) **Survival of Representations and Warranties**. The foregoing representations and warranties shall be continuing and shall be true and correct for the period from the date of this instrument to the release of this Deed of Trust (whether by payment of the Indebtedness secured by this Deed of Trust or foreclosure or action in lieu of foreclosure), and these representations and warranties shall survive such release.

(c) **Notice to Beneficiary**. Grantor shall give prompt written notice to Beneficiary of:

(i) Any proceeding or inquiry by any Governmental Authority (including, without limitation, the California State Department of Health Services) regarding the presence or threatened presence of any Hazardous Substance on the Land;

(ii) All claims made or threatened by any third party against Grantor or the Land relating to any loss or injury resulting from any Hazardous Substance;

(iii) Any notice given to Grantor under California Civil Code §851(b); and

(iv) Grantor's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Land that could cause it or any part of it to be subject to any restrictions on the ownership, occupancy, transferability, or use of the Land under any Environmental Laws.

(d) **Beneficiary's Right to Join Legal Actions**. Beneficiary shall have the right, at its option, but at Grantor's sole cost and expense, to join and participate in, as a party if it so elects, any legal proceedings or actions initiated by or against Grantor or the Land in connection with any Environmental Laws.

(e) **Grantor's Environmental Indemnity**. Grantor shall indemnify, defend, and hold harmless Beneficiary, its directors, officers, employees, agents, successors, and assigns from and against any loss, damage, cost, expense, or liability directly or indirectly arising from or attributable to the use, generation, manufacture, production, storage, release, threatened release, discharge, disposal, or presence of a Hazardous Substance on, under, or about the Land, or any order, consent decree, or settlement relating to the cleanup of a Hazardous Substance, or any claims of loss, damage, liability, expense, or injury relating to or arising from, directly or indirectly, any disclosure by Beneficiary to anyone of information, whether true or not, relative to a Hazardous Substance or Environmental Law violation, including, without limitation, Attorney Fees. This indemnity shall survive the release of this Deed of Trust (whether by payment of the Indebtedness secured by this Deed of Trust or foreclosure or action in lieu of foreclosure).

(f) **Environmental Audits**. If Beneficiary has received information indicating a reasonable possibility that Hazardous Substances contamination, use, generation, or storage exists on the Land or other properties in the area of the Land, Beneficiary may request and Grantor shall provide at its sole cost and expense within forty-five (45) days after written request by Beneficiary a report from a qualified engineering firm or other qualified consultant acceptable to Beneficiary with respect to an investigation and audit of the Land (environmental audit), which environmental audit report shall be addressed to Beneficiary and based on a thorough review of past and present uses, occupants, ownership, and tenancy of the Land and adjacent properties; soils or test boring reports from the construction of the Land; liaison with any Governmental Authority regarding known or suspected Hazardous Substances contamination, use, generation, or storage on the Land or other properties in the area; review of aerial photographs; and visual site inspection noting unregulated fills, storage tanks or areas, ground discoloration or soil odors; and other investigative methods deemed necessary by the consultant to enable the consultant to report that there is no apparent or likely contamination of the Land by Hazardous Substances, whether such source of contamination is the Land or another property in the area; and Grantor shall, if deemed reasonably necessary to further investigate suspected or likely contamination, provide Beneficiary with supplemental reports by acceptable qualified consultants of the analysis of core drilling or groundwater supplies from the Land, showing no contamination by Hazardous Substances.

(g) **Duty to Cure**. If the environmental audit discloses matters unacceptable to Beneficiary, Grantor shall cure such matters in a manner acceptable to Beneficiary within 180 days after the environmental audit or supplemental report. Failure to cure such matters shall be a default under the Loan Documents and Beneficiary may, without prior notice, declare all sums secured by this Deed of Trust, regardless of their stated due date(s), immediately due and payable, and may exercise all rights and remedies provided in this Deed of Trust. provided, however, that if the cure of any such matters cannot reasonably be made within such 180-day period and Grantor promptly and diligently commences to cure such default within that period, then the period to cure shall be deemed extended for up to an additional 90 days after the

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environmental audit or supplemental report as long as Grantor diligently and continuously proceeds to cure such matters to Beneficiary's satisfaction.

(h) **Definitions**.

(i) "Environmental Laws." Any Governmental Requirements pertaining to health, industrial hygiene, or the environment, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) as amended (42 USC §§9601–9675); the Resource Conservation and Recovery Act of 1976 (RCRA) (42 USC §§6901–6992k); the Hazardous Materials Transportation Act (49 USC §§5101–5128); the Federal Water Pollution Control Act (33 USC §§1251–1387); the Clean Air Act (42 USC §§7401–7671q); the Toxic Substances Control Act (15 USC §§2601–2692); the Refuse Act (33 USC §§407–426p); the Emergency Planning and Community Right-To-Know Act (42 USC §§11001–11050); the Safe Drinking Water Act (42 USC §§300f–300j); the California Hazardous Waste Treatment Reform Act of 1995 (Stats 1995, ch 638 (SB 1222-Calderon)); the California Unified Hazardous Waste and Hazardous Materials Management Regulatory Program (Stats 1993, ch 418 (SB 1082-Calderon)); the Carpenter-Presley-Tanner Hazardous Substance Account Act (Health & S C §§25300–25395.45); the California Expedited Remedial Action Reform Act of 1994 (Health & S C §§25396–25399.2); and the Porter-Cologne Water Quality Control Act (Water C §§13000–16104).

(ii) "Governmental Authority." Any and all courts, boards, agencies, commissions, offices, or authorities of any nature whatsoever for any governmental unit (federal, state, county, district, municipal, city, or otherwise) whether now or later in existence.

(iii) "Governmental Requirements." Any and all laws, statutes, codes, ordinances, regulations, enactments, decrees, judgments, and orders of any Governmental Authority.

(iv) "Hazardous Substance." Any and all (a) substances defined as "hazardous substances," "hazardous materials," "toxic substances," or "solid waste" in CERCLA, RCRA, and the Hazardous Materials Transportation Act (49 USC §§5101–5128), and in the regulations promulgated under those laws; (b) substances defined as "hazardous wastes" in California Health and Safety Code §25117 and in the regulations promulgated under that law; (c) substances defined as "hazardous substances" in California Civil Code §2929.5; (d) substances listed in the United States Department of Transportation Table (49 CFR §172.101 and amendments); (e) substances defined as "medical wastes" in the Medical Waste Management Act (Chapter 6.1 of the California Health and Safety Code); (f) asbestos-containing materials; (g) polychlorinated biphenyl; (h) underground storage tanks, whether empty, filled, or partially filled with any substance; (i) petroleum and petroleum products, including crude oil or any fraction thereof, natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel, or any such mixture; and (j) such other substances, materials, and wastes that are or become regulated under applicable local, state, or federal law, or that are classified as hazardous or toxic under any Governmental Requirements or that, even if not so regulated, are known to pose a hazard to the health and safety of the occupants of the Land or of real property adjacent to it.

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IN WITNESS WHEREOF, Grantor has executed this instrument the day and year first above written.

GRANTOR:

SAWTELLE PARTNERS, LLC

By: _____
Name: Ethan Margalith
Title: Manager

ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of Los Angeles)

On 11-17-2015 before me, Adam S. Goldman, Notary Public
(insert name and title of the officer)
personally appeared Ethan Margalith, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(~~ies~~), and that by his/~~her/their~~ signature(~~s~~) on the instrument the person(~~s~~), or the entity upon behalf of which the person(~~s~~) acted, executed the instrument.
I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)
Adam S. Goldman, Notary Public

ADAM S. GOLDMAN
Commission # 1966551
Notary Public - California
Los Angeles County
My Comm. Expires Jan 13, 2016

Deed of Trust

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EXHIBIT A

Legal Description

1850 Sawtelle Boulevard, Los Angeles, CA

Real property in the City of Los Angeles, County of Los Angeles, State of California, described as follows:

LOTS 11 AND 12 IN BLOCK A OF THE TUCKER-LANGDON TRACT, IN THE CITY OF LOS ANGELES, AS PER MAP RECORDED IN BOOK 6 PAGE 167 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 4261-020-034

[redacted]

UCC FINANCING STATEMENT
FOLLOW INSTRUCTIONS

15-7496546067
11/19/2015 12:48
FILED
CALIFORNIA
SECRETARY OF STATE
SOS
52101200004 UCC 1 FILING

A. NAME & PHONE OF CONTACT AT FILER (optional)

B. E-MAIL CONTACT AT FILER (optional)

C. SF
United Corporate Services, Inc.
320 N. 10th Street, Ste. 120
Sacramento, CA 95814
(916) 447-1350
Account #36608730

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME: SAWTELLE PARTNERS, LLC					
OR 1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)			SUFFIX
1c. MAILING ADDRESS: 1850 Sawtelle Boulevard, Suite 300	CITY: Los Angeles	STATE: CA	POSTAL CODE: 90025		COUNTRY: USA

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME					
OR 2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)			SUFFIX
2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE		COUNTRY

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME: STABILIS FUND IV, LP					
OR 3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)			SUFFIX
3c. MAILING ADDRESS: 767 Fifth Avenue, 12th Floor	CITY: New York	STATE: NY	POSTAL CODE: 10153		COUNTRY: USA

4. COLLATERAL: This financing statement covers the following collateral:
See Schedule A attached hereto and made a part hereof.

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and Instructions) ☐ being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box
☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box
☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA:
Filed with California SOS

Stabilis/Sawtelle

FILING OFFICE COPY — UCC FINANCING STATEMENT (Form UCC1) (Rev. 04/20/11)

International Association of Commercial Administrators (IACA)

52101200004

SCHEDULE A

DEBTOR: SAWTELLE PARTNERS, LLC

SECURED PARTY STABILIS FUND IV, LP

All of Debtor's present and hereafter acquired right, title and interest, if any, in and to all of the following collectivelym the **"Mortgaged Property"**:

(a) the Land; the real property described in Exhibit A attached hereto and made a part hereof (the **"Land"**)

(b) the Improvements; the buildings, structures, improvements, and alterations now constructed or at any time in the future constructed or placed upon the Land, including any future replacements, facilities, and additions and other construction on the Land

(c) the Personalty; all of Debtor's present and hereafter acquired right, title and interest in all Goods, accounts, choses of action, chattel paper, documents, general intangibles (including Software), payment intangibles, instruments, investment property, letter of credit rights, supporting obligations, computer information, source codes, object codes, records and data, all telephone numbers or listings, claims (including claims for indemnity or breach of warranty), deposit accounts and other property or assets of any kind or nature related to the Land or the Improvements now or in the future, including operating agreements, surveys, plans and specifications and contracts for architectural, engineering and construction services relating to the Land or the Improvements, and all other intangible property and rights relating to the operation of, or used in connection with, the Land or the Improvements, including all governmental permits relating to any activities on the Land

(d) current and future rights, including subsurface rights, air rights, development rights, zoning rights and other similar rights or interests, easements, tenements, rights-of-way, strips and gores of land, streets, alleys, roads, sewer rights, waters, watercourses, and appurtenances related to or benefitting the Land or the Improvements, or both, and all rights-of-way, streets, alleys and roads which may have been or may in the future be vacated;

(e) insurance policies relating to the Mortgaged Property (and any unearned premiums) and all proceeds paid or to be paid by any insurer of the Land, the Improvements, the Personalty, or any other part of the Mortgaged Property, whether or not Debtor obtained the insurance pursuant to Secured Party's requirements;

(f) all awards, payments and other compensation made or to be made by any municipal, state or federal authority with respect to Debtor's property, including any awards or settlements resulting from (1) Condemnation Actions, (2) any damage to the Mortgaged Property caused by governmental action that does not result in a Condemnation Action, (3) the total or partial taking of the Land, the Improvements, the Personalty, or any other part of the Mortgaged

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Property under the power of eminent domain or otherwise and including any conveyance in lieu thereof, or (4) any other claim of Debtor, Believe or Guarantor;

(g) contracts, options and other agreements for the sale of the Land, the Improvements, the Personalty, or any other part of the Mortgaged Property entered into by Debtor now or in the future, including cash or securities deposited to secure performance by parties of their obligations;

(h) all minerals, oil, gas, shale, crops, timber, trees, shrubs, flowers and landscaping features and rights (including, without limitation, extracting rights) now or hereafter located on, under or above Land;

(i) Leases and Lease guaranties, letters of credit and any other supporting obligation for any of the Leases given in connection with any of the Leases, and all Rents;

(j) earnings, royalties, accounts receivable, issues and profits from the Land (including without limitation, any oil, gas and/or mineral royalties, rents or bonuses), the Improvements or any other part of the Mortgaged Property, and all undisbursed proceeds of the Mortgage Loan and, if Debtor is a cooperative housing corporation, maintenance charges or assessments payable by shareholders or residents;

(k) Imposition Deposits;

(l) refunds or rebates of Impositions by any municipal, state or federal authority or insurance company (other than refunds applicable to periods before the real property tax year in which this Security Instrument is dated);

(m) tenant security deposits;

(n) names under or by which any of the above Mortgaged Property may be operated or known, and all trademarks, trade names, and goodwill relating to any of the Mortgaged Property;

(o) products, and all cash and non-cash proceeds from the conversion, voluntary or involuntary, of any of the above into cash or liquidated claims, and the right to collect such proceeds; and

(p) all of Debtor's right, title and interest in the oil, gas, minerals, mineral interests, royalties, overriding royalties, production payments, net profit interests and other interests and estates in, under and on the Mortgaged Property and other oil, gas and mineral interests with which any of the foregoing interests or estates are pooled or unitized

All Capitalized terms not otherwise defined herein shall have the meaning given to such terms in the Deed of Trust, Assignment of Leases and Rents, Security Agreements and Fixture Filing by Debtor to Secured Party dated on or about November 9, 2015 ("Security Instrument"), a copy of which is on file with the Secured Party.

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EXHIBIT A

Legal Description

LOTS 11 AND 12 IN BLOCK A OF THE TUCKER-LANGDON TRACT, IN THE CITY OF LOS ANGELES, AS PER MAP RECORDED IN BOOK 6 PAGE 167 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDED OF SAID COUNTY

APN: 4261-020-034

This page is part of your document - DO NOT DISCARD

20151463815

Recorded/Filed in Official Records
Recorder's Office, Los Angeles County, California

11/23/15 AT 08:00AM

Pages: 0006

FEES:	25.00
TAXES:	0.00
OTHER:	0.00
PAID:	25.00

LEADSHEET

201511230990003

00011401813

007236339

SEQ: 15

DAR - Title Company (Hard Copy)

THIS FORM IS NOT TO BE DUPLICATED

E522081

R06

FIRST AMERICAN TITLE INSURANCE COMPANY

2

[redacted]

11/23/2015
20151463815

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)

B. E-MAIL CONTACT AT FILER (optional)

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

Reed Smith LLP
Attn: Gerard Hefner
599 Lexington Avenue, 22nd floor
New York, NY 10022

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME: SAWTELLE PARTNERS, LLC

OR

1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

1c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY
1850 Sawtelle Boulevard, Suite 300	Los Angeles	CA	90025	USA

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME

OR

2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME: STABILIS FUND IV, LP

OR

3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

3c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY
767 Fifth Avenue, 12th Floor	New York	NY	10153	USA

4. COLLATERAL: This financing statement covers the following collateral:

See Schedule A attached hereto and made a part hereof.

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and Instructions) ☐ being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box: ☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box: ☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA:
Filed in LA County — Stabilis/Sawtelle

FILING OFFICE COPY — UCC FINANCING STATEMENT (Form UCC1) (Rev. 04/20/11)

International Association of Commercial Administrators (IACA)

76095 156

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UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS

9. NAME OF FIRST DEBTOR: Same as line 1a or 1b on Financing Statement; if line 1b was left blank because Individual Debtor name did not fit, check here ☐

9a. ORGANIZATION'S NAME
SAWTELLE PARTNERS, LLC

OR

9b. INDIVIDUAL'S SURNAME

FIRST PERSONAL NAME

ADDITIONAL NAME(S)/INITIAL(S) | SUFFIX

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

10. DEBTOR'S NAME: Provide (10a or 10b) only one additional Debtor name or Debtor name that did not fit in line 1b or 2b of the Financing Statement (Form UCC1) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name) and enter the mailing address in line 10c

10a. ORGANIZATION'S NAME

OR

10b. INDIVIDUAL'S SURNAME

INDIVIDUAL'S FIRST PERSONAL NAME

INDIVIDUAL'S ADDITIONAL NAME(S)/INITIAL(S) | SUFFIX

10c. MAILING ADDRESS | CITY | STATE | POSTAL CODE | COUNTRY

11. ☐ ADDITIONAL SECURED PARTY'S NAME or ☐ ASSIGNOR SECURED PARTY'S NAME: Provide only one name (11a or 11b)

11a. ORGANIZATION'S NAME

OR

11b. INDIVIDUAL'S SURNAME | FIRST PERSONAL NAME | ADDITIONAL NAME(S)/INITIAL(S) | SUFFIX

11c. MAILING ADDRESS | CITY | STATE | POSTAL CODE | COUNTRY

12. ADDITIONAL SPACE FOR ITEM 4 (Collateral):

13. ☑ This FINANCING STATEMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS (if applicable)

14. This FINANCING STATEMENT:
☐ covers timber to be cut ☐ covers as-extracted collateral ☑ is filed as a fixture filing

15. Name and address of a RECORD OWNER of real estate described in item 16 (if Debtor does not have a record interest):

16. Description of real estate:

See Exhibit A attached hereto and incorporated herein by reference for a description of the real estate.

17. MISCELLANEOUS:

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SCHEDULE A

DEBTOR: SAWTELLE PARTNERS, LLC

SECURED PARTY STABILIS FUND IV, LP

All of Debtor's present and hereafter acquired right, title and interest, if any, in and to all of the following collectivelym the "**Mortgaged Property**":

(a) the Land; the real property described in Exhibit A attached hereto and made a part hereof (the "**Land**")

(b) the Improvements; the buildings, structures, improvements, and alterations now constructed or at any time in the future constructed or placed upon the Land, including any future replacements, facilities, and additions and other construction on the Land

(c) the Personalty; all of Debtor's present and hereafter acquired right, title and interest in all Goods, accounts, choses of action, chattel paper, documents, general intangibles (including Software), payment intangibles, instruments, investment property, letter of credit rights, supporting obligations, computer information, source codes, object codes, records and data, all teiephone numbers or listings, claims (including claims for indemnity or breach of warranty), deposit accounts and other property or assets of any kind or nature related to the Land or the Improvements now or in the future, including operating agreements, surveys, plans and specifications and contracts for architectural, engineering and construction services relating to the Land or the Improvements, and all other intangible property and rights relating to the operation of, or used in connection with, the Land or the Improvements, including all governmental permits relating to any activities on the Land

(d) current and future rights, including subsurface rights, air rights, development rights, zoning rights and other similar rights or interests, easements, tenements, rights-of-way, strips and gores of land, streets, alleys, roads, sewer rights, waters, watercourses, and appurtenances related to or benefitting the Land or the Improvements, or both, and all rights-of-way, streets, alleys and roads which may have been or may in the future be vacated;

(e) insurance policies relating to the Mortgaged Property (and any unearned premiums) and all proceeds paid or to be paid by any insurer of the Land, the Improvements, the Personalty, or any other part of the Mortgaged Property, whether or not Debtor obtained the insurance pursuant to Secured Party's requirements;

(f) all awards, payments and other compensation made or to be made by any municipal, state or federal authority with respect to Debtor's property, including any awards or settlements resulting from (1) Condemnation Actions, (2) any damage to the Mortgaged Property caused by governmental action that does not result in a Condemnation Action, (3) the total or partial taking of the Land, the Improvements, the Personalty, or any other part of the Mortgaged

Debtor - Sawtelle Partners, LLC

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Property under the power of eminent domain or otherwise and including any conveyance in lieu thereof, or (4) any other claim of Debtor, Believe or Guarantor;

(g) contracts, options and other agreements for the sale of the Land, the Improvements, the Personalty, or any other part of the Mortgaged Property entered into by Debtor now or in the future, including cash or securities deposited to secure performance by parties of their obligations;

(h) all minerals, oil, gas, shale, crops, timber, trees, shrubs, flowers and landscaping features and rights (including, without limitation, extracting rights) now or hereafter located on, under or above Land;

(i) Leases and Lease guaranties, letters of credit and any other supporting obligation for any of the Leases given in connection with any of the Leases, and all Rents;

(j) earnings, royalties, accounts receivable, issues and profits from the Land (including without limitation, any oil, gas and/or mineral royalties, rents or bonuses), the Improvements or any other part of the Mortgaged Property, and all undisbursed proceeds of the Mortgage Loan and, if Debtor is a cooperative housing corporation, maintenance charges or assessments payable by shareholders or residents;

(k) Imposition Deposits;

(l) refunds or rebates of Impositions by any municipal, state or federal authority or insurance company (other than refunds applicable to periods before the real property tax year in which this Security Instrument is dated);

(m) tenant security deposits;

(n) names under or by which any of the above Mortgaged Property may be operated or known, and all trademarks, trade names, and goodwill relating to any of the Mortgaged Property;

(o) products, and all cash and non-cash proceeds from the conversion, voluntary or involuntary, of any of the above into cash or liquidated claims, and the right to collect such proceeds; and

(p) all of Debtor's right, title and interest in the oil, gas, minerals, mineral interests, royalties, overriding royalties, production payments, net profit interests and other interests and estates in, under and on the Mortgaged Property and other oil, gas and mineral interests with which any of the foregoing interests or estates are pooled or unitized

All Capitalized terms not otherwise defined herein shall have the meaning given to such terms in the Deed of Trust, Assignment of Leases and Rents, Security Agreements and Fixture Filing by Debtor to Secured Party dated on or about November 18, 2015 ("Security Instrument"), a copy of which is on file with the Secured Party.

Debtor - Sawtelle Partners, LLC

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EXHIBIT A

Legal Description

LOTS 11 AND 12 IN BLOCK A OF THE TUCKER-LANGDON TRACT, IN THE CITY OF LOS ANGELES, AS PER MAP RECORDED IN BOOK 6 PAGE 167 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDED OF SAID COUNTY

APN: 4261-020-034

This document is an exact copy (not prepared by the County Recorder) of a Asgmt of Deed of Trust which was recorded in the Office of the County Recorder of Los Angeles County, State of California on Oct. 11, 2016 as Document No 20161238101 in Book — Page —

CHICAGO TITLE INSURANCE COMPANY

By

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Ronald Richards, Esq.
P.O. Box 11480
Beverly Hills, CA 90213

(Space Above For Recorder's Use)

ASSIGNMENT OF DEED OF TRUST

KNOW THAT SF IV BRIDGE II, LP, a Delaware limited partnership, having an address at 767 5th Avenue, 12th Floor, New York, New York 10153 (the "Assignor"), in consideration of TEN AND 00/100 ($10.00) DOLLARS and other good and valuable consideration paid by Emaciation Capital, LLC, a California limited liability company, having an address at P.O. Box 11480, Beverly Hills, CA 90213 (the "Assignee"), hereby assigns **WITHOUT RECOURSE OR WITHOUT REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESS OR IMPLIED BY LAW OR IN FACT** unto the Assignee and its successors and assigns, all of Assignor's interest in and to that certain Deed of Trust, Assignment of Leases and Rents, Security Agreement Fixture Filing and Environmental Indemnity Agreement dated November 18, 2015, made by Sawtelle Partners, LLC to First American Title Insurance Company, as Trustee for the benefit of SF IV Bridge II, LP as Beneficiary, and recorded on November 23, 2015 as Instrument Number 20151463812 in Official Records, Recorder's Office of Los Angeles County, California. The foregoing assignment is being made without representation or warranty, express or implied.

IN WITNESS WHEREOF, the undersigned has executed this Assignment of Deed of Trust, as of October 7, 2016.

SF IV BRIDGE II, LP

By: Stabilis GP IV, LLC
Its: General Partner

By:
Name: Joseph J. Tuso
Title: Authorized Signatory

ACKNOWLEDGMENT

STATE OF NEW YORK)

COUNTY OF NASSAU)

On the 7th day of October, 2016, before me, the undersigned, personally appeared Joseph J. Tuso, personally known to me or proved to me on the basis of satisfactory evidence to be the individuals whose names are subscribed to the within instrument and acknowledged to me that they executed the same in their capacity, and that by their signature on the instrument, the individual or the person upon behalf of which the individual acted, executed the instrument.

Given under my hand and official seal this 7th day of October, 2016.

Notary Public

AFFIX SEAL

My commission expires: 10/15/2017

KAREN K DUONG
Notary Public - State of New York
NO. 02DU6290896
Qualified in Nassau County
My Commission Expires Oct 15, 2017

This document is an exact copy (not prepared by the County Recorder) of a Asgnt of Leases & Rents which was recorded in the Office of the County Recorder of Los Angeles County, State of California on Oct 11 2016 as Document No ____ in Book ____ Page 20161238102

CHICAGO TITLE INSURANCE COMPANY

By ____

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Ronald Richards, Esq.
P.O. Box 11480
Beverly Hills, CA 90213

(Space Above For Recorder's Use)

ASSIGNMENT OF ASSIGNMENT OF LEASES AND RENTS

KNOW THAT SF IV BRIDGE II, LP, a Delaware limited partnership, having an address at 767 5th Avenue, 12th Floor, New York, New York 10153 (the "Assignor"), in consideration of TEN AND 00/100 ($10.00) DOLLARS and other good and valuable consideration paid by Emaciation Capital, LLC, a California limited liability company, having an address at P.O. Box 11480, Beverly Hills, CA 90213 (the "Assignee"), hereby assigns **WITHOUT RECOURSE OR WITHOUT REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESS OR IMPLIED BY LAW OR IN FACT** unto the Assignee and its successors and assigns, all of Assignor's interest in and to that certain Assignment of Leases and Rents, dated November 18, 2015, recorded on November 23, 2015 as Instrument Number 20151463813 in the Official Records, Recorder's Office of Los Angeles County, California. The foregoing assignment is being made without representation or warranty, express or implied.

IN WITNESS WHEREOF, the undersigned has executed this Assignment of Assignment of Lease and Rents as of October 7, 2016.

SF IV BRIDGE II, LP

By: Stabilis GP IV, LLC
Its: General Partner

By: ____
Name: Joseph J. Tuso
Title: Authorized Signatory

ACKNOWLEDGMENT

STATE OF NEW YORK)

COUNTY OF NASSAU)

On the 7th day of October, 2016, before me, the undersigned, personally appeared Joseph J. Tuso, personally known to me or proved to me on the basis of satisfactory evidence to be the individuals whose names are subscribed to the within instrument and acknowledged to me that they executed the same in their capacity, and that by their signature on the instrument, the individual or the person upon behalf of which the individual acted, executed the instrument.

Given under my hand and official seal this 7th day of October, 2016.

Notary Public

AFFIX SEAL

My commission expires: 10/15/2017

KAREN K DUONG
Notary Public - State of New York
NO. 02DU6290896
Qualified in Nassau County
My Commission Expires Oct 15, 2017

This page is part of your document - DO NOT DISCARD

20151463813

Recorded/Filed in Official Records
Recorder's Office, Los Angeles County, California

11/23/15 AT 08:00AM

Pages: 0014

FEES:	72.00
TAXES:	0.00
OTHER:	0.00
PAID:	72.00

LEADSHEET

201511230990003

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007236339

SEQ: 13

DAR - Title Company (Hard Copy)

THIS FORM IS NOT TO BE DUPLICATED

E522081

R06

FIRST AMERICAN TITLE INSURANCE COMPANY

2

Prepared by, and after recording
return to:

Reed Smith LLP
599 Lexington Avenue
29th Floor
New York, New York 10022
Attn: Joseph M. Marger, Esq.
Facsimile No.: 212-521-5450

11/23/2015
20151463813

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ASSIGNMENT OF LEASES AND RENTS

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ASSIGNMENT OF LEASES AND RENTS

THIS ASSIGNMENT OF LEASES AND RENTS (this "**Assignment**") made as of November 18, 2015, by **SAWTELLE PARTNERS, LLC** (the "**Borrower**") having a principal place of business at 1850 Sawtelle Blvd, Los Angeles, California 90049, as assignor, to **SF IV BRIDGE II, LP**, a Delaware limited partnership, as assignee, having an address at 767 Fifth Avenue, 12th Floor, New York, NY 10153 (together with its successors and assigns, "**Lender**").

W I T N E S S E T H:

WHEREAS, this Assignment is given in connection with a loan in the aggregate principal sum of Eight Million Three Hundred Thousand and No/100 Dollars ($8,300,000.00) (the "**Loan**") made by Lender to Borrower, Starving Students, Inc. and Ethan Margalith (collectively, the "**Borrowers**"), pursuant to that certain Loan Agreement, by and between Borrowers, and Lender dated as of the date hereof (as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time, the "**Loan Agreement**") and evidenced by (x) that certain Note in the original principal amount of $8,100,000.00 dated as of the date of this Assignment, executed by Borrower and made payable to the order of Lender (as amended, restated, replaced, supplemented, or otherwise modified from time to time, the "**Note**"), and (y) that certain promissory note in the original principal amount of $200,000 dated of even date herewith, executed by Ethan Margalith in favor of Lender (as amended, restated, replaced, supplemented, or otherwise modified from time to time, the "**Margalith Note**"; all obligations of Borrower under the Loan Agreement or the Note shall be referred to collectively as the "**Indebtedness**"); Exhibit "A"

WHEREAS, Borrower desires to secure the payment of the Loan and the performance of all of its obligations under the Note, the Loan Agreement and the other Loan Documents; and

WHEREAS, this Assignment is given pursuant to the Loan Agreement, and payment, fulfillment, and performance by Borrower of its obligations thereunder and under the other Loan Documents is secured hereby, and each and every term and provision of the Loan Agreement and the Note, including the rights, remedies, obligations, covenants, conditions, agreements, indemnities, representations and warranties therein, are hereby incorporated by reference herein as though set forth in full and shall be considered a part of this Assignment.

NOW THEREFORE, in consideration of the making of the Loan by Lender and the covenants, agreements, representations and warranties set forth in this Assignment, Lender and Borrower agree follows:

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ARTICLE 1 - ASSIGNMENT

Section 1.1 **Property Assignment**. Borrower hereby absolutely and unconditionally bargains, assigns and grants to Lender the following property, rights, interests and estates, now owned, or hereafter acquired by Borrower:

(a) Leases. All leases, subleases, sub-subleases, licenses, franchises, concessions, storage agreements or other use or occupancy agreements or grants of other possessory interests, tenancies, and any other agreements (in each case whether oral or written) affecting the use, possession or occupancy of any space in that certain lot or piece of land, more particularly described in Exhibit A annexed hereto and made a part hereof, together with the buildings, tanks, structures, fixtures, additions, enlargements, extensions, modifications, repairs, replacements and improvements now or hereafter located thereon (collectively, the "**Property**") or any part thereof, whether now or hereafter existing or entered into (including, without limitation, any use or occupancy arrangements created pursuant to Section 365(d) of the Bankruptcy Code (defined below) or otherwise in connection with the commencement or continuance of any bankruptcy, reorganization, arrangement, insolvency, dissolution, receivership or similar proceedings, or any assignment for the benefit of creditors, in respect of any tenant or occupant of any portion of the Property) and every modification, amendment or other agreement relating to the foregoing and every guarantee of the performance and observance of the covenants, conditions and agreements to be performed and observed by the other party thereto, and the right, title and interest of Borrower, its successors and assigns, therein and thereunder.

(b) Other Leases and Agreements. All other leases and other agreements (including, without limitation, any oil, gas, shale or mineral leases or agreements and all Major Agreements and any Key Lease), whether or not in writing, affecting the use, enjoyment or occupancy of the Property or any portion thereof now or hereafter made, whether made before or after the filing by or against Borrower of any petition for relief under 11 U.S.C. §101 et seq., as the same may be amended from time to time (the "**Bankruptcy Code**") together with any extension, renewal or replacement of the same, this Assignment of other present and future leases and present and future agreements being effective without further or supplemental assignment. The "leases" described in Subsection 1.1(a) and the leases and other agreements described in this Subsection 1.1(b) are collectively referred to as the "**Leases**".

(c) Rents. All rents, issues, profits, royalties (including all oil and gas, shale, mineral or other hydrocarbon substances), earnings, receipts, revenues, accounts, account receivable, security deposits and other deposits (subject to the prior right of the tenants making such deposits) and income, including, without limitation, fixed, additional and percentage rents, and all operating expense reimbursements, reimbursements for increases in taxes, sums paid by tenants to Borrower to reimburse Borrower for amounts originally paid or to be paid by Borrower or Borrower's agents or affiliates for which such tenants were liable, such as, for example, tenant improvements costs in excess of any work letter, lease takeover costs, moving expenses and tax and operating expense pass-throughs for which a tenant is solely liable, parking, maintenance, common area, tax, insurance, utility and service charges and contributions, proceeds of sale of electricity, gas, heating, air-conditioning and other utilities and services, deficiency rents and liquidated damages, and other benefits now or hereafter derived

from any portion of the Property or otherwise due and payable or to become due and payable as a result of any ownership, use, possession, occupancy or operation thereof and/or services rendered, goods provided and business conducted in connection therewith (including any payments received pursuant to Section 502(b) of the Bankruptcy Code or otherwise in arrangement, insolvency, dissolution, receivership or similar proceedings, or any assignment for the benefit of creditors, in respect of any tenant or other occupants of any portion of the Property and all claims as a creditor in connection with any of the foregoing) and all cash or security deposits, advance rentals, and all deposits or payments of a similar nature relating thereto, now or hereafter, including during any period of redemption, derived from the Property or any portion thereof and all proceeds from the cancellation, surrender, sale or other disposition of the Leases. (collectively, the "**Rents**").

(d) Bankruptcy Claims. All of Borrower's claims and rights (the "**Bankruptcy Claims**") to the payment of damages arising from any rejection by a lessee of any Lease under the Bankruptcy Code.

(e) Lease Guaranties. All of Borrower's right, title and interest in and claims under any and all lease guaranties, letters of credit and any other credit support (individually, a "**Lease Guaranty**", collectively, the "**Lease Guaranties**") given by any guarantor in connection with any of the Leases or leasing commissions (individually, a "**Lease Guarantor**", collectively, the "**Lease Guarantors**") to Borrower.

(f) Proceeds. All proceeds from the sale or other disposition of the Leases, the Rents, the Lease Guaranties and the Bankruptcy Claims.

(g) Other. All rights, powers, privileges, options and other benefits of Borrower as lessor under the Leases and beneficiary under the Lease Guaranties, including without limitation the immediate and continuing right to make claim for, receive and collect all Rents payable or receivable under the Leases and all sums payable under the Lease Guaranties or pursuant thereto (and to apply the same to the payment of the Loan), and to do all other things which Borrower or any lessor is or may become entitled to do under the Leases or the Lease Guaranties.

(h) Entry. The right, at Lender's option, upon revocation of the license granted herein, to enter upon the Property in person, by agent or by court-appointed receiver, to collect the Rents.

(i) Power of Attorney. Borrower's irrevocable power of attorney, coupled with an interest, to take any and all of the actions set forth in Section 3.1 of this Assignment and any or all other actions designated by Lender for the proper management and preservation of the Property.

(j) Other Rights and Agreements. Any and all other rights of Borrower in and to the items set forth in subsections (a) through (i) above, and all amendments, modifications, replacements, renewals and substitutions thereof.

Section 1.2 Representations and Warranties. Borrower represents and warrants that:

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(a) Borrower is entitled to receive the Rents free and clear of all rights, loans, liens, encumbrances, and claims except as disclosed to and accepted by Lender in writing.

(b) Borrower has the full right, power and authority to enter into this Assignment and to assign and convey the Rents to Lender.

(c) Borrower has not previously assigned or conveyed the Rents to any other person by any instrument now in force.

(d) Borrower will not sell, assign, encumber, or otherwise dispose of any of Borrower's rights in the Rents except as provided in this Assignment..

ARTICLE 2 - TERMS OF ASSIGNMENT

Section 2.1 **Present Assignment And License Back**. It is intended by Borrower that this Assignment constitute a present, absolute assignment of the Leases, Rents, Lease Guaranties and Bankruptcy Claims, and not an assignment for additional security only. Nevertheless, subject to the terms of this Section 2.1 and to the limitations set forth in the Loan Documents, Lender grants to Borrower a revocable license to collect, receive, use and enjoy the Rents and other sums due under the Leases and to otherwise have and possess all rights and obligations with respect to the Leases and Borrower shall hold such Rents and all other sums or a portion thereof sufficient to discharge all current sums due on the Loan, in trust for the benefit of Lender for use in the payment of the Loan.

Section 2.2 **Notice To Lessees**. Borrower hereby authorizes and directs the lessees named in the Leases or any other future lessees or occupants of the Property and all Lease Guarantors to pay over to Lender or to such other party as Lender directs all Rents and all sums due under any Lease Guaranties upon receipt from Lender of written notice to the effect that Lender is then the holder of this Assignment and that an Event of Default (as defined in the Loan Agreement) exists, and to continue so to do until otherwise notified by Lender.

Section 2.3 **Incorporation By Reference**. All representations, warranties, covenants, conditions and agreements contained in the Loan Agreement and the other Loan Documents as same may be modified, renewed, substituted or extended are hereby made a part of this Assignment to the same extent and with the same force as if fully set forth herein.

Section 2.4 **Assignment under CC 2938**. This is an absolute assignment of Rents made in connection with an obligation secured by property pursuant to California Civil Code section 2938. THIS ASSIGNMENT IS GIVEN TO SECURE: (1) PAYMENT OF THE INDEBTEDNESS; AND (2) PERFORMANCE OF ANY AND ALL OBLIGATIONS OF BORROWER UNDER THE NOTE, THIS ASSIGNMENT, AND THE RELATED DOCUMENTS (EXCLUDING HOWEVER ANY GUARANTIES OR ENVIRONMENTAL INDEMNITY AGREEMENTS).

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ARTICLE 3- REMEDIES

Section 3.1 Remedies of Lender. Upon or at any time after the occurrence of an Event of Default and without notice to Borrower, the license granted to Borrower in Section 2.1 of this Assignment shall automatically be revoked, and Lender shall immediately be entitled to collect all Rents and sums due under any Lease Guaranties (including Rents or other amounts past due), whether or not Lender enters upon or takes control of the Property. In addition, Lender may, at its option, without waiving such Event of Default, without regard to the adequacy of the security for the Loan, either in person or by agent, nominee or attorney, with or without bringing any action or proceeding, or by a receiver appointed by a court, dispossess Borrower and its agents and servants from the Property, without liability for trespass, damages or otherwise and exclude Borrower and its agents or servants wholly therefrom, and take possession of the Property and all books, records and accounts relating thereto and have, hold, manage, lease and operate the Property on such terms and for such period of time as Lender may deem proper and either with or without taking possession of the Property in its own name, demand, sue for or otherwise collect and receive all Rents and sums due under all Lease Guaranties, including those past due and unpaid with full power to make from time to time all alterations, renovations, repairs or replacements thereto or thereof as Lender may deem proper and may apply the Rents and sums received pursuant to any Lease Guaranties to the payment of the following in such order and proportion as Lender in its sole discretion may determine, any law, custom or use to the contrary notwithstanding: (a) all expenses of managing and securing the Property, including, without being limited thereto, the salaries, fees and wages of a managing agent and such other employees or agents as Lender may deem necessary or desirable and all expenses of operating and maintaining the Property, including, without being limited thereto, all taxes, charges, claims, assessments, water charges, sewer rents and any other liens, and premiums for all insurance which Lender may deem necessary or desirable, and the cost of all alterations, renovations, repairs or replacements, and all expenses incident to taking and retaining possession of the Property; and (b) the Loan, together with all costs and reasonable attorneys' fees. In addition, upon the occurrence of an Event of Default, Lender, at its option, may (i) complete any construction on the Property in such manner and form as Lender deems advisable, (ii) exercise all rights and powers of Borrower, including, without limitation, the right to negotiate, execute, cancel, enforce or modify any Leases, obtain and evict tenants, and demand, sue for, collect and receive all Rents from the Property and all sums due under any Lease Guaranties, (iii) require Borrower to pay monthly in advance to Lender, or any receiver appointed to collect the Rents, the fair and reasonable rental value for the use and occupancy of such part of the Property as may be in possession of Borrower or (iv) require Borrower to vacate and surrender possession of the Property to Lender or to such receiver and, in default thereof, Borrower may be evicted by summary proceedings or otherwise. All net proceeds received by Lender, over and above the cost of the costs of collection, shall be applied against the Indebtedness in such order as Lender decides.

Section 3.2 Other Remedies.

(a) Nothing contained in this Assignment and no act done or omitted by Lender pursuant to the power and rights granted to Lender hereunder shall be deemed to be a waiver by Lender of its rights and remedies under the Loan Agreement, the Note, or the other Loan

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Documents and this Assignment is made and accepted without prejudice to any of the rights and remedies possessed by Lender under the terms thereof.

(b) The right of Lender to collect the Loan and to enforce any other security therefor held by it may be exercised by Lender either prior to, simultaneously with, or subsequent to any action taken by it hereunder.

(c) Borrower hereby absolutely, unconditionally and irrevocably waives any and all rights to assert any setoff, counterclaim or crossclaim of any nature whatsoever with respect to the obligations of Borrower under this Assignment, the Loan Agreement, the Note, the other Loan Documents or otherwise with respect to the Loan in any action or proceeding brought by Lender to collect same, or any portion thereof, or to enforce and realize upon the lien and security interest created by this Assignment, the Loan Agreement, the Note, or any of the other Loan Documents (provided, however, that the foregoing shall not be deemed a waiver of Borrower's right to assert any compulsory counterclaim if such counterclaim is compelled under local law or rule of procedure, nor shall the foregoing be deemed a waiver of Borrower's right to assert any claim which would constitute a defense, setoff, counterclaim or crossclaim of any nature whatsoever against Lender in any separate action or proceeding).

(d) If an Event of Default occurs and continues beyond any applicable notice or cure periods, Lender shall have the right to have a receiver appointed to take possession of all or any part of the Property, with the power to protect and preserve the Property, to operate the Property preceding foreclosure or sale, and to collect the Rents from the Property and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Property exceeds the Indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver. Neither the appointment of a receiver for the Property by any court at the request of Lender or by agreement with Borrower nor the entering into possession of the Property or any part shall be deemed to make Lender a "mortgagee in possession" or otherwise responsible in any manner for the Property or the use, occupancy, enjoyment, or operation of all or any portion of it.

(e) There shall be no merger of the interest or estate created by this assignment with any other interest or estate in the Property at any time held by or for the benefit of Lender in any capacity, without the written consent of Lender.

(f) NOTWITHSTANDING ANY OF THE PROVISIONS TO THE CONTRARY CONTAINED IN THIS ASSIGNMENT, GRANTOR HEREBY WAIVES ANY AND ALL RIGHTS OF REDEMPTION FROM SALE UNDER ANY ORDER OR JUDGMENT OF FORECLOSURE ON GRANTOR'S BEHALF AND ON BEHALF OF EACH AND EVERY PERSON, EXCEPT JUDGMENT CREDITORS OF GRANTOR, ACQUIRING ANY INTEREST IN OR TITLE TO THE PROPERTY SUBSEQUENT TO THE DATE OF THIS ASSIGNMENT.

Section 3.3 **Other Security**. Lender may take or release other security for the payment of the Loan, may release any party primarily or secondarily liable therefor and may

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apply any other security held by it to the reduction or satisfaction of the Loan without prejudice to any of its rights under this Assignment.

Section 3.4 Non-Waiver.

(a) The exercise by Lender of the option granted it in Section 3.1 of this Assignment and the collection of the Rents and sums due under the Lease Guaranties and the application thereof as herein provided shall not be considered a waiver of any default by Borrower under the Note, the Loan Agreement, the Leases, this Assignment or the other Loan Documents.

(b) The failure or delay of Lender to insist upon strict performance of any term hereof shall not be deemed to be a waiver of any term of this Assignment. Borrower shall not be relieved of Borrower's obligations hereunder by reason of (a) the failure of Lender to comply with any request of Borrower or any other party to take any action to enforce any of the provisions hereof or of the Loan Agreement, the Note or the other Loan Documents, (b) the release regardless of consideration, of the whole or any part of the Property, or (c) any agreement or stipulation by Lender extending the time of payment or otherwise modifying or supplementing the terms of this Assignment, the Loan Agreement, the Note, or the other Loan Documents.

(c) Lender may resort for the payment of the Loan to any other security held by Lender in such order and manner as Lender, in its discretion, may elect.

(d) Lender may take any action to recover the Loan, or any portion thereof, or to enforce any covenant hereof without prejudice to the right of Lender thereafter to enforce its rights under this Assignment.

(e) The rights of Lender under this Assignment shall be separate, distinct and cumulative and none shall be given effect to the exclusion of the others. No act of Lender shall be construed as an election to proceed under any one provision herein to the exclusion of any other provision.

Section 3.5 Bankruptcy. (a) Upon or at any time after the occurrence of an Event of Default, Lender shall have the right to proceed in its own name or in the name of Borrower in respect of any claim, suit, action or proceeding relating to the rejection of any Lease, including, without limitation, the right to file and prosecute, to the exclusion of Borrower, any proofs of claim, complaints, motions, applications, notices and other documents, in any case in respect of the lessee under such Lease under the Bankruptcy Code.

(b) If there shall be filed by or against Borrower a petition under the Bankruptcy Code, and Borrower, as lessor under any Lease, shall determine to reject such Lease pursuant to Section 365(a) of the Bankruptcy Code, then Borrower shall give Lender not less than ten (10) days' prior notice of the date on which Borrower shall apply to the bankruptcy court for authority to reject the Lease. Lender shall have the right, but not the obligation, to serve upon Borrower within such ten-day period a notice stating that (i) Lender demands that Borrower assume and assign the Lease to Lender pursuant to Section 365 of the Bankruptcy Code and (ii) Lender covenants to cure or provide adequate assurance of future performance under the Lease. If Lender serves upon Borrower the notice described in the preceding sentence,

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Borrower shall not seek to reject the Lease and shall comply with the demand provided for in clause (i) of the preceding sentence within thirty (30) days after the notice shall have been given, subject to the performance by Lender of the covenant provided for in clause (ii) of the preceding sentence.

ARTICLE 4 - NO LIABILITY, FURTHER ASSURANCES

Section 4.1 **No Liability of Lender**. This Assignment shall not be construed to bind Lender to the performance of any of the covenants, conditions or provisions contained in any Lease or Lease Guaranty or otherwise impose any obligation upon Lender. Lender shall not be liable for any loss sustained by Borrower resulting from Lender's failure to let the Property after an Event of Default or from any other act or omission of Lender in managing the Property after an Event of Default unless such loss is caused by the willful misconduct and bad faith of Lender. Lender shall not be obligated to perform or discharge any obligation, duty or liability under the Leases or any Lease Guaranties or under or by reason of this Assignment and Borrower shall, and hereby agrees to, indemnify Lender for, and to hold Lender harmless from, any and all liability, loss or damage which may or might be incurred under the Leases, any Lease Guaranties or under or by reason of this Assignment and from any and all claims and demands whatsoever, including the defense of any such claims or demands which may be asserted against Lender by reason of any alleged obligations and undertakings on its part to perform or discharge any of the terms, covenants or agreements contained in the Leases or any Lease Guaranties. Should Lender incur any such liability, the amount thereof, including costs, expenses and reasonable attorneys' fees, shall be secured by this Assignment and the other Loan Documents and Borrower shall reimburse Lender therefor immediately upon demand and upon the failure of Borrower so to do Lender may, at its option, declare all sums secured by this Assignment and the other Loan Documents immediately due and payable. This Assignment shall not operate to place any obligation or liability for the control, care, management or repair of the Property upon Lender, nor for the carrying out of any of the terms and conditions of the Leases or any Lease Guaranties; nor shall it operate to make Lender responsible or liable for any waste committed on the Property by the tenants or any other parties, or for any dangerous or defective condition of the Property including, without limitation, the presence of any Hazardous Substances (as defined in the Environmental Indemnity), or for any negligence in the management, upkeep, repair or control of the Property resulting in loss or injury or death to any tenant, licensee, employee or stranger.

Section 4.2 **No Mortgagee in Possession**. Nothing herein contained shall be construed as constituting Lender a "mortgagee in possession" in the absence of the taking of actual possession of the Property by Lender. In the exercise of the powers herein granted Lender, no liability shall be asserted or enforced against Lender, all such liability being expressly waived and released by Borrower.

Section 4.3 **Further Assurances**. Borrower will, at the cost of Borrower, and without expense to Lender, do, execute, acknowledge and deliver all further acts, conveyances, assignments, notices of assignments, transfers and assurances as Lender shall, from time to time, require for the better assuring, conveying, assigning, transferring and confirming unto Lender the property and rights hereby assigned or intended now or hereafter so to be, or which Borrower may be or may hereafter become bound to convey or assign to Lender, or for carrying out the

intention or facilitating the performance of the terms of this Assignment or for filing, registering or recording this Assignment and, on demand, will execute and deliver and hereby authorizes Lender to execute in the name of Borrower to the extent Lender may lawfully do so, one or more financing statements, chattel mortgages or comparable security instruments, to evidence more effectively the lien and security interest hereof in and upon the Leases.

ARTICLE 5 - MISCELLANEOUS PROVISIONS

Section 5.1 **Conflict of Terms**. In case of any conflict between the terms of this Assignment and the terms of the Loan Agreement, the terms of the Loan Agreement shall prevail.

Section 5.2 **No Oral Change**. This Assignment and any provisions hereof may not be modified, amended, waived, extended, changed, discharged or terminated orally, or by any act or failure to act on the part of Borrower or Lender, but only by an agreement in writing signed by Lender and by the party against whom the enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought (as applicable).

Section 5.3 **General Definitions**. All capitalized terms not defined herein shall have the respective meanings set forth in the Loan Agreement. Unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, words used in this Assignment may be used interchangeably in singular or plural form and the word "Borrower" shall mean "each Borrower and any subsequent owner or owners of the Property or any part thereof or interest therein," the word "Lender" shall mean "Lender and any subsequent holder of the Note, the word "Note" shall mean "the Note and any other evidence of indebtedness secured by the Loan Agreement, the word "Property" shall include any portion of the Property and any interest therein, the phrases "attorneys' fees", "legal fees" and "counsel fees" shall include any and all attorney's, paralegal and law clerk fees and disbursements, including, but not limited to, fees and disbursements at the pre-trial, trial and appellate levels incurred or paid by Lender in protecting its interest in the Property, the Leases and the Rents and enforcing its rights hereunder; whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa.

Section 5.4 **Inapplicable Provisions.** If any term, covenant or condition of this Assignment is held to be invalid, illegal or unenforceable in any respect, this Assignment shall be construed without such provision.

Section 5.5 **Governing Law**. This Assignment shall be governed in accordance with the terms and provisions of , the laws of the State of California without regard to its conflicts of law provisions.

Section 5.6 **Termination of Assignment**. Upon payment in full of the Loan, this Assignment shall become and be void and of no effect and thereafter, Lender agrees, at Borrower's cost and expense (including reasonable attorney's fees), to execute a termination of this Assignment in order to release this Assignment of record.

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Section 5.7 **Notices**. All notices or other written communications hereunder shall be delivered in accordance with Section 11.7 (Notices) of the Loan Agreement.

Section 5.8 **Jurisdiction and Venue; Accelerated Adjudication. (a) Borrower hereby agrees that all actions or proceedings initiated by Borrower and arising directly or indirectly of this Assignment shall, at Lender's sole election be either (i) litigated in the appropriate State or Federal Court in California,**

Section 5.9 **WAIVER OF TRIAL BY JURY**. **BORROWER HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER IN CONTRACT, TORT OR OTHERWISE, RELATING DIRECTLY OR INDIRECTLY TO THIS ASSIGNMENT, THE NOTE, OR THE OTHER LOAN DOCUMENTS OR ANY ACTS OR OMISSIONS OF LENDER, ITS OFFICERS, EMPLOYEES, DIRECTORS OR AGENTS IN CONNECTION THEREWITH.**

Section 5.10 **Exculpation**. The provisions of Section 11.22 (Recourse Obligations) of the Loan Agreement are hereby incorporated by reference into this Assignment to the same extent and with the same force as if fully set forth herein.

Section 5.11 **Successors and Assigns**. This Assignment shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns forever. Lender has the right to sell, transfer, assign or otherwise dispose of its rights, obligations and/or interest in the Loan and the Loan Documents, including, without limitation, this Assignment, pursuant to the terms of the Loan Agreement.

Section 5.12 **Headings, Etc.** The headings and captions of various paragraphs of this Assignment are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

[NO FURTHER TEXT ON THIS PAGE]

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IN WITNESS WHEREOF, Borrower has executed this instrument the day and year first above written.

BORROWER:

SAWTELLE PARTNERS, LLC

By: _____
Name: Ethan Margalith
Title: Manager

ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of Los Angeles)

On 11-17-2015 before me, Adam S. Goldman, Notary Public
(insert name and title of the officer)

personally appeared Ethan Margalith, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/~~are~~ subscribed to the within instrument and acknowledged to me that he/she/~~they~~ executed the same in his/~~her/their~~ authorized capacity(~~ies~~), and that by his/~~her/their~~ signature(~~s~~) on the instrument the person(~~s~~), or the entity upon behalf of which the person(~~s~~) acted, executed the instrument.
I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)
Adam S. Goldman, Notary Public

ADAM S. GOLDMAN
Commission # 1966551
Notary Public - California
Los Angeles County
My Comm. Expires Jan 13, 2016

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14

EXHIBIT A

LEGAL DESCRIPTION

1850 Sawtelle Boulevard, Los Angeles, CA

Real property in the City of Los Angeles, County of Los Angeles, State of California, described as follows:

LOTS 11 AND 12 IN BLOCK A OF THE TUCKER-LANGDON TRACT, IN THE CITY OF LOS ANGELES, AS PER MAP RECORDED IN BOOK 6 PAGE 167 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 4261-020-034

NOTE

$8,100,000 Date: November 18, 2015

THIS NOTE (this "**Note**") is made as of November 18, 2015, by **SAWTELLE PARTNERS, LLC ("Sawtelle"); AND STARVING STUDENTS, INC., ("SSI"** and, together with Sawtelle, collectively the "**Borrower**"), each have a principal place of business at c/o 1850 Sawtelle Boulevard, Suite 300, Los Angeles, California 90025, to and in favor of **SF IV BRIDGE II, LP**, a Delaware limited partnership at its principal place of business at 767 Fifth Avenue, 12th Floor, New York, NY 10153 ("**Lender**").

WHEREAS, Borrower, Ethan Margalith (**"Margalith"**) and Lender have entered into that certain Loan Agreement dated the date hereof (the "**Loan Agreement**") pursuant to which Lender has extended certain loans and other credit accommodations to Borrower and Margalith in the aggregate principal amount of Eight Million Three Hundred Thousand and no/100 Dollars ($8,300,000.00); and

WHEREAS, Sawtelle and Lender have simultaneously entered into a Deed of Trust Assignment of Leases and Rents, Security Agreement and Fixture Filing securing this Note in the principal sum of $8,100,000 (the "**Deed of Trust**"); and

WHEREAS, Margalith and Lender have simultaneously entered into a Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing securing the Margalith Note (as defined in the Loan Agreement) in the principal sum of $200,000 (the "**Margalith Deed of Trust**") which secures the Margalith Note (as defined in the Margalith Deed of Trust); and

WHEREAS, Borrower desires to set forth and memorialize the terms of repayment of the indebtedness of Borrower to Lender which is secured by the Mortgage.

NOW THEREFORE, Borrower covenants, promises, warrants and agrees as follows:

FOR VALUE RECEIVED, the undersigned Borrower promises to pay to the order of Lender, at its principal place of business at 767 Fifth Avenue, 12th Floor, New York, NY 10153 or such other place as Lender may designate from time to time hereafter, the principal sum of Eight Million Three Hundred Thousand and No/100 Dollars ($8,300,000.00) with interest thereon at the rates hereinafter set forth. Capitalized terms used but not defined in this Note shall have the meanings given to them in that certain Loan Agreement.

Beginning on the date hereof and continuing on the FIRST (1^{ST}) day of each month until one (1) year from the date hereof (the "**Maturity Date**"), or if extended pursuant to the Extension Option, until two (2) years from the date hereof (the "**Extended Maturity Date**"), Borrower shall make monthly payments to Lender of Cash Interest in arrears at the Cash Interest Rate until the Maturity Date and, if the Extension Option is exercised, from the Maturity Date to the Extended Maturity Date at the Interest Rate, calculated on the basis of a 360 day year, based on actual days elapsed, in accordance with Section 2.4 of the Loan Agreement.

All payments made to Lender hereunder shall be applied first to the payment of all interest which has accrued from time to time on the Principal Balance and then to principal. The final payment of all then-outstanding principal and interest shall be due on the Maturity Date or the Extended Maturity Date, as applicable. Borrower's obligation under this Note shall be defined and referred to herein as "Borrower's Liabilities".

This Note was delivered pursuant to the Loan Agreement. The occurrence of an "Event of Default" thereunder shall constitute an Event of Default under this Note. Reference is also made to the Loan Agreement for a statement of Lender's remedies upon the occurrence of an Event of Default. The terms and conditions of the Loan Agreement and the other Loan Documents in connection with the Loan are incorporated herein by reference in their entirety.

Notwithstanding anything to the contrary set forth herein or in any of the other Loan Documents, Borrower acknowledges and agrees that upon the funding of the Loan, Lender shall only be obligated to fund the Loan Amount less $166,000.00 (*which amount represents the agreed upon origination fee equal to three percent (3%) of the original loan balance due to Lender for funding the Loan less the Deferred Origination Fee*), Accrual Interest through the Maturity Date, such that the outstanding principal balance of the Loan shall be equal to the entire Loan Amount (*inclusive of the Origination Fee and Accrual Interest*). Borrower further acknowledges and agrees that it shall be responsible for paying Interest on the entire Loan Amount (*inclusive of the Origination Fee*), which shall be the face amount of the Note, and that the entire Loan Amount (*inclusive of the Origination Fee*) shall be repaid to Lender as and when due, pursuant to the terms hereof and as set forth in the other Loan Documents.

Any prepayment of this Note shall be governed by the terms of Section 2.10 (Prepayments) of the Loan Agreement.

All payments under this Note shall be payable by Borrower to Lender at Lender's principal place of business, or at such other place as Lender may designate from time to time hereafter.

Borrower agrees to pay all "late charges" pursuant to the Loan Agreement. Upon the occurrence of an Event of Default, Borrower shall pay Interest at the Default Rate pursuant to the Loan Agreement.

Notwithstanding any other provision herein, the aggregate interest rate charged with respect to any of the Borrower's Liabilities, including all charges or fees in connection therewith deemed in the nature of interest under Applicable Law shall not exceed the maximum interest rate limitations under applicable law (the "**Maximum Rate**"). It is the intention of the Lender and the Borrower that this Note shall comply with Applicable Law. If the Lender ever contracts for, charges, receives, or collects, anything of value which is deemed to be interest under applicable law, and if the occurrence of any circumstance or contingency, whether acceleration of maturity of this Note, delay in advancing proceeds of this Note; or other event, should cause such interest to exceed interest at the Maximum Rate, any such excess amount shall be applied to the reduction of the unpaid principal balance of this Note or any other indebtedness owed to the Lender by the Borrower. In determining whether or not the interest hereon exceeds interest at the Maximum Rate, the total amount of interest shall be spread throughout the entire term of this

Note until its payment in full in a manner which will cause the interest rate on this Note not to exceed the Maximum Rate.

If any payment becomes due and payable on a Saturday, Sunday or legal holiday under the laws of the State of New York, the due date of such payment shall be extended to the next business day. If the date for payment of principal is thereby extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

Borrower warrants and represents to Lender that Borrower shall use the proceeds represented by this Note solely for proper business purposes, consistently with all applicable laws and statutes and as set forth in Section 6.22 (Use of Proceeds) of the Loan Agreement.

To secure the prompt payment to Lender of Borrower's Liabilities and the prompt, full and faithful performance by Borrower of all of the provisions to be kept, observed or performed by Borrower under this Note, the Security Agreement, or the Mortgage and/or any other note, agreement, instrument or document heretofore, now and/or from time to time hereafter delivered by or on behalf of Borrower to Lender, and in addition to any other security interest granted in accordance with the Loan Agreement, Borrower grants to Lender a security interest in and to the following property or acknowledges that a security interest in such property has been granted to Lender: (a) all of Borrower's now existing and/or owned and hereafter arising or acquired monies, reserves, deposits, deposit accounts and interest or dividends thereon, securities, cash, cash equivalents and other property now or at any time or times hereafter in the possession or under the control of Lender or its bailee for any purpose; (b) all property identified as collateral in the Deed of Trust; and (c) all substitutions, renewals, improvements, accessions or additions thereto, replacements, products and proceeds thereof, including without limitation proceeds of insurance policies insuring the foregoing collateral (all of the foregoing property is referred to herein individually and collectively as "**Collateral**").

Borrower will advise Lender promptly, in reasonable detail (i) of any material change in the composition of the Collateral or of any event which would have a material adverse effect on the Collateral and (ii) of the occurrence of any event which, after any notice and passage of any cure period, may become an Event of Default.

Upon an Event of Default, Borrower, immediately upon demand by Lender, shall assemble the Collateral and make it available to Lender at a place or places to be designated by Lender which is reasonably convenient to Lender and Borrower.

All of Lender's rights and remedies under this Note are cumulative and non-exclusive. The acceptance by Lender of any partial payment made hereunder after the time when any of Borrower's Liabilities become due and payable will not establish a custom, or waive any rights of Lender to enforce prompt payment thereof. Lender's failure to require strict performance by Borrower of any provision of this Note shall not waive, affect or diminish any right of Lender thereafter to demand strict compliance and performance therewith. Any waiver of an Event of Default hereunder shall not suspend, waive or affect any other Event of Default hereunder. Borrower and every endorser waive presentment, demand and protest and notice of presentment, protest, default, non-payment, maturity, release, compromise, settlement, extension or renewal of this Note, and hereby ratify and confirm whatever Lender may do in this regard. Borrower

further waives any and all notice or demand to which Borrower might be entitled with respect to this Note by virtue of any applicable statute or law (*to the extent permitted by law*).

Borrower agrees to pay, upon Lender's demand therefor, any and all costs, fees and expenses (*including attorneys' fees, costs and expenses*) incurred in enforcing any of Lender's rights hereunder, and to the extent not paid the same shall become part of Borrower's Liabilities hereunder.

Borrower hereby authorizes, irrevocably, any attorney of any court of record in any state or territory of the United States where the same is allowed by law, in term time or vacation, at any time after occurrence of an Event of Default hereunder, to waive the issuance and service of process, and confess a judgment against the undersigned for the amount of Borrower's Liabilities due hereunder, including all costs, fees and expenses as provided herein, further authorizing said attorney to release all errors and waive all right of appeal and consent to immediate execution upon such judgment, hereby agreeing that no writ of error or appeal will be prosecuted from such judgment, nor any bill in equity filed to restrain the operation of said judgment, or any execution thereon, and hereby ratifying and confirming all that said attorney may do by virtue hereof. If this provision or any other provision of this Note or the application thereof to any party or circumstance is held invalid or unenforceable, the remainder of this Note and the application thereof to other parties or circumstances will not be affected thereby, the provisions of this Note being severable in any such instance.

This Note is submitted by Borrower to Lender at Lender's principal place of business and shall be deemed to have been made thereat. This Note shall be governed and controlled by the laws of the State of New York as to interpretation, enforcement, validity, construction, effect, choice of law and in all other respects.

No modification, waiver, estoppel, amendment, discharge or change of this Note or any related instrument shall be valid unless the same is in writing and signed by the party against which the enforcement of such modification, waiver, estoppel, amendment, discharge or change is sought.

THIS NOTE WAS NEGOTIATED IN NEW YORK, AND ACCEPTED BY BORROWER AND LENDER IN THE STATE OF NEW YORK, WHICH STATE THE PARTIES AGREE HAS A SUBSTANTIAL RELATIONSHIP TO THE PARTIES AND TO THE UNDERLYING TRANSACTION EMBODIED HEREBY, AND IN ALL RESPECTS, INCLUDING, WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THIS NOTE AND THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACT MADE AND PERFORMED IN SUCH STATE AND ANY APPLICABLE LAW OF THE UNITED STATES OF AMERICA. TO THE FULLEST EXTENT PERMITTED BY LAW, BORROWER HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY CLAIM TO ASSERT THAT THE LAW OF ANY OTHER JURISDICTION GOVERNS THIS NOTE, AND THE NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK PURSUANT TO § 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW.

(A) TO INDUCE LENDER TO ACCEPT THIS NOTE, BORROWER IRREVOCABLY AGREES THAT ALL ACTIONS OR PROCEEDINGS INITIATED BY BORROWER AND ARISING DIRECTLY OR INDIRECTLY OF THIS NOTE OR THE OTHER LOAN DOCUMENTS SHALL, AT LENDER'S SOLE ELECTION BE EITHER (I) LITIGATED IN THE APPROPRIATE STATE OR FEDERAL COURT IN NEW YORK, PURSUANT TO § 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW, OR (II) BE HEARD IN THE COMMERCIAL DIVISION, NEW YORK STATE SUPREME COURT, AS DESCRIBED IN (B) BELOW, OR IF LENDER INITIATES SUCH ACTION, ANY COURT IN WHICH LENDER SHALL INITIATE SUCH ACTION AND WHICH HAS JURISDICTION, OR IN THE COMMERCIAL DIVISION, NEW YORK STATE SUPREME COURT, AS DESCRIBED IN (B) BELOW. BORROWER HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR PROCEEDING COMMENCED BY LENDER IN ANY OF SUCH COURTS. BORROWER IRREVOCABLY WAIVES ANY CLAIM THAT NEW YORK COUNTY, NEW YORK, OR THE FEDERAL DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, IS AN INCONVENIENT FORUM OR AN IMPROPER FORUM BASED ON LACK OF VENUE SHOULD LENDER INITIATE LITIGATION IN SUCH FORUM. BORROWER DOES HEREBY DESIGNATE AND APPOINT **Steven Slavitt, 1850 Sawtelle Boulevard, Suite 300, Los Angeles, CA 90025**, AS ITS AUTHORIZED AGENT TO ACCEPT AND ACKNOWLEDGE ON ITS BEHALF SERVICE OF ANY AND ALL PROCESS WHICH MAY BE SERVED IN ANY SUCH SUIT, ACTION OR PROCEEDING IN ANY FEDERAL OR STATE COURT IN NEW YORK, NEW YORK, AND AGREES THAT SERVICE OF PROCESS UPON SAID AGENT AT SAID ADDRESS (OR AT SUCH OTHER OFFICE IN NEW YORK, NEW YORK AS MAY BE DESIGNATED BY BORROWER FROM TIME TO TIME IN ACCORDANCE WITH THE TERMS HEREOF) WITH A COPY TO : **Ethan Margalith, 1850 Sawtelle Boulevard, Suite 300, Los Angeles, CA 90025**, AND WRITTEN NOTICE OF SAID SERVICE OF BORROWER MAILED OR DELIVERED TO BORROWER IN THE MANNER PROVIDED HEREIN SHALL BE DEEMED IN EVERY RESPECT EFFECTIVE SERVICE OF PROCESS UPON BORROWER, IN ANY SUCH SUIT, ACTION OR PROCEEDING IN THE STATE OF NEW YORK. SHOULD BORROWER, AFTER BEING SO SERVED, FAIL TO APPEAR OR ANSWER TO ANY SUMMONS, COMPLAINT, PROCESS OR PAPERS SO SERVED WITHIN THE NUMBER OF DAYS PRESCRIBED BY LAW AFTER THE DELIVERY THEREOF, BORROWER SHALL BE DEEMED IN DEFAULT AND AN ORDER AND/OR JUDGMENT MAY BE ENTERED BY THE COURT AGAINST BORROWER AS DEMANDED OR PRAYED FOR IN SUCH SUMMONS, COMPLAINT, PROCESS OR PAPERS. THE EXCLUSIVE CHOICE OF FORUM FOR BORROWER SET FORTH IN THIS SECTION SHALL NOT BE DEEMED TO PRECLUDE THE ENFORCEMENT, BY LENDER, OF ANY ACTION TO ENFORCE THE SAME IN ANY OTHER APPROPRIATE JURISDICTION, AND BORROWER HEREBY WAIVES THE RIGHT, IF ANY, TO COLLATERALLY ATTACK ANY SUCH JUDGMENT OR ACTION.

(B) SHOULD LENDER SO ELECT, AND SUBJECT TO THE REQUIREMENTS FOR A CASE TO BE HEARD IN THE COMMERCIAL DIVISION, BORROWER HEREBY AGREES TO SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE COMMERCIAL DIVISION, NEW YORK STATE SUPREME COURT, AND TO THE APPLICATION OF THE COURT'S ACCELERATED PROCEDURES, IN CONNECTION WITH ANY DISPUTE,

CLAIM OR CONTROVERSY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE BREACH, TERMINATION, ENFORCEMENT OR VALIDITY THEREOF. FOR REFERENCE ONLY, SEE RULE 9 OF THE RULES FOR PRACTICE FOR THE COMMERCIAL DIVISION (22 NYCRR §202.70).

BORROWER AND LENDER IRREVOCABLY WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING (I) TO ENFORCE OR DEFEND ANY RIGHTS UNDER OR IN CONNECTION WITH THIS NOTE OR ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR (II) ARISING FROM ANY DISPUTE OR CONTROVERSY IN CONNECTION WITH OR RELATED TO THIS NOTE OR ANY SUCH AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT, AND AGREE THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, Borrower has executed this Note as of the date first above written.

BORROWER:

SAWTELLE PARTNERS, LLC

By: _____
Name: Ethan Margalith
Title: Managing Member

STARVING STUDENTS INC.

By: _____
Name: Ethan Margalith
Title: Secretary

California Notarial Seal
on attached
Acknowledgment
A.G.

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT **CIVIL CODE § 1189**

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Los Angeles)

On November 17th, 2015 before me, Adam S. Goldman, Notary Public,
Date *Here Insert Name and Title of the Officer*

personally appeared Ethan Margalith,
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(~~ies~~), and that by his/~~her/their~~ signature(~~s~~) on the instrument the person(~~s~~), or the entity upon behalf of which the person(~~s~~) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

ADAM S. GOLDMAN
Commission # 1966551
Notary Public - California
Los Angeles County
My Comm. Expires Jan 13, 2016

Signature _____
Adam S. Goldman, Notary Public
Commission # 1966551 Expires: 01-13-2016

Place Notary Seal Above

OPTIONAL

Though this section is optional, completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document
Title or Type of Document: Note Re 1950 Sawtelle Blvd Document Date: 11-17-2015
Number of Pages: _____ Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: Ethan Margalith	Signer's Name: Ethan Margalith
☒ Corporate Officer — Title(s): Manager	☒ Corporate Officer — Title(s): Secretary
☐ Partner — ☐ Limited ☐ General	☐ Partner — ☐ Limited ☐ General
☐ Individual ☐ Attorney in Fact	☐ Individual ☐ Attorney in Fact
☐ Trustee ☐ Guardian or Conservator	☐ Trustee ☐ Guardian or Conservator
☐ Other:	☐ Other:
Signer Is Representing: Sawtelle Partners LLC	Signer Is Representing: Starving Students Inc

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NOTE

$200,000.00 Date: November 18, 2015

THIS NOTE (this "**Note**") is made as of November 18, 2015, by **ETHAN MARGALITH** (the "**Maker**"), with an address of 12675 Mountain Crest Lane, Los Angeles, California 90049, to and in favor of **SF IV BRIDGE II, LP**, a Delaware limited partnership at its principal place of business at 767 Fifth Avenue, 12th Floor, New York, NY 10153 ("**Lender**").

WHEREAS, Maker, Sawtelle Partners, LLC and Starving Students, Inc. (collectively, the "**Borrower**") and Lender are parties to that certain Loan Agreement dated the date hereof (the "**Loan Agreement**") pursuant to which Lender has agreed to make the Loan and extend certain other credit accommodations to Borrowers

WHEREAS, Maker, Lisa Margalith, his spouse, and Lender have simultaneously entered into a Mortgage Assignment of Leases and Rents, Security Agreement and Fixture Filing securing this Note in the principal sum of $200,000.00 (the "**Deed of Trust**"); and

WHEREAS, Sawtelle and Lender have simultaneously entered into a Deed of Trust Assignment of Leases and Rents, Security Agreement and Fixture Filing securing the Sawtelle Note (as defined in the Loan Agreement) in the principal sum of $8,100,000 (the "**Sawtelle Deed of Trust**"); and

WHEREAS, Maker desires to set forth and memorialize the terms of repayment of the indebtedness of Maker to Lender which is secured by the Mortgage.

NOW THEREFORE, Maker covenants, promises, warrants and agrees as follows:

FOR VALUE RECEIVED, the undersigned Maker promises to pay to the order of Lender, at its principal place of business at 767 Fifth Avenue, 12th Floor, New York, NY 10153 or such other place as Lender may designate from time to time hereafter, the principal sum of Two Hundred Thousand and No/100 Dollars ($200,000.00) with interest thereon at the rates hereinafter set forth. Capitalized terms used but not defined in this Note shall have the meanings given to them in that certain Loan Agreement.

Beginning on the date hereof and continuing on the FIRST (1^{ST}) day of each month until one (1) year from the date hereof (the "**Maturity Date**"), or if extended pursuant to the Extension Option, until two (2) years from the date hereof (the "**Extended Maturity Date**"), Maker shall make monthly payments to Lender of Cash Interest in arrears at the Cash Interest Rate until the Maturity Date and, if the Extension Option is exercised, from the Maturity Date to the Extended Maturity Date at the Interest Rate, calculated on the basis of a 360 day year, based on actual days elapsed, in accordance with Section 2.4 of the Loan Agreement.

All payments made to Lender hereunder shall be applied first to the payment of all interest which has accrued from time to time on the Principal Balance and then to principal. The

final payment of all then-outstanding principal and interest shall be due on the Maturity Date or the Extended Maturity Date, as applicable. Maker's obligation under this Note shall be defined and referred to herein as "Maker's Liabilities".

This Note was delivered pursuant to the Loan Agreement. The occurrence of an "Event of Default" thereunder shall constitute an Event of Default under this Note. Reference is also made to the Loan Agreement for a statement of Lender's remedies upon the occurrence of an Event of Default. The terms and conditions of the Loan Agreement and the other Loan Documents in connection with the Loan are incorporated herein by reference in their entirety.

Notwithstanding anything to the contrary set forth herein or in any of the other Loan Documents, Maker acknowledges and agrees that upon the funding of the Loan, Lender shall only be obligated to fund the Loan Amount less $166,000.00 (*which amount represents the agreed upon origination fee equal to three percent (3%) of the original loan balance due to Lender for funding the Loan less the Deferred Origination Fee*), Accrual Interest through the Maturity Date, such that the outstanding principal balance of the Loan shall be equal to the entire Loan Amount (*inclusive of the Origination Fee and Accrual Interest*). Borrower further acknowledges and agrees that it shall be responsible for paying Interest on the entire Loan Amount (*inclusive of the Origination Fee*), which shall be the face amount of the Note, and that the entire Loan Amount (*inclusive of the Origination Fee*) shall be repaid to Lender as and when due, pursuant to the terms hereof and as set forth in the other Loan Documents. The Loan shall be disbursed to Sawtelle Partners, LLC ("*Sawtelle*") pursuant to the terms of the Loan Agreement.

Any prepayment of this Note shall be governed by the terms of Section 2.10 (Prepayments) of the Loan Agreement.

All payments under this Note shall be payable by Maker to Lender at Lender's principal place of business, or at such other place as Lender may designate from time to time hereafter.

Maker agrees to pay all "late charges" pursuant to the Loan Agreement. Upon the occurrence of an Event of Default, Maker shall pay Interest at the Default Rate pursuant to the Loan Agreement.

Notwithstanding any other provision herein, the aggregate interest rate charged with respect to any of the Maker's Liabilities, including all charges or fees in connection therewith deemed in the nature of interest under Applicable Law shall not exceed the maximum interest rate limitations under applicable law (the "**Maximum Rate**"). It is the intention of the Lender and the Maker that this Note shall comply with Applicable Law. If the Lender ever contracts for, charges, receives, or collects, anything of value which is deemed to be interest under applicable law, and if the occurrence of any circumstance or contingency, whether acceleration of maturity of this Note, delay in advancing proceeds of this Note; or other event, should cause such interest to exceed interest at the Maximum Rate, any such excess amount shall be applied to the reduction of the unpaid principal balance of this Note or any other indebtedness owed to the Lender by the Borrower. In determining whether or not the interest hereon exceeds interest at the Maximum Rate, the total amount of interest shall be spread throughout the entire term of this

Note until its payment in full in a manner which will cause the interest rate on this Note not to exceed the Maximum Rate.

If any payment becomes due and payable on a Saturday, Sunday or legal holiday under the laws of the State of New York, the due date of such payment shall be extended to the next business day. If the date for payment of principal is thereby extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

Maker warrants and represents to Lender that Borrower shall use the proceeds represented by this Note solely for proper business purposes, consistently with all applicable laws and statutes and as set forth in Section 6.22 (Use of Proceeds) of the Loan Agreement.

To secure the prompt payment to Lender of Maker's Liabilities and the prompt, full and faithful performance by Borrower of all of the provisions to be kept, observed or performed by Borrower under this Note, the Loan Agreement, the Security Agreement, or the Mortgage and/or any other note, agreement, instrument or document heretofore, now and/or from time to time hereafter delivered by or on behalf of Borrower to Lender, and in addition to any other security interest granted in accordance with the Loan Agreement, Maker grants to Lender a security interest in and to the following property or acknowledges that a security interest in such property has been granted to Lender: (a) all of Borrower's now existing and/or owned and hereafter arising or acquired monies, reserves, deposits, deposit accounts and interest or dividends thereon, securities, cash, cash equivalents and other property now or at any time or times hereafter in the possession or under the control of Lender or its bailee for any purpose; (b) all property identified as collateral in the Deed of Trust; and (c) all substitutions, renewals, improvements, accessions or additions thereto, replacements, products and proceeds thereof, including without limitation proceeds of insurance policies insuring the foregoing collateral (all of the foregoing property is referred to herein individually and collectively as "**Collateral**").

Maker will advise Lender promptly, in reasonable detail (i) of any material change in the composition of the Collateral or of any event which would have a material adverse effect on the Collateral and (ii) of the occurrence of any event which, after any notice and passage of any cure period, may become an Event of Default.

Upon an Event of Default, Maker, immediately upon demand by Lender, shall assemble the Collateral and make it available to Lender at a place or places to be designated by Lender which is reasonably convenient to Lender and Maker.

All of Lender's rights and remedies under this Note are cumulative and non-exclusive. The acceptance by Lender of any partial payment made hereunder after the time when any of the liabilities of Borrower under the Loan Agreement and the other Loan Documents and Maker's Liabilities become due and payable will not establish a custom, or waive any rights of Lender to enforce prompt payment thereof. Lender's failure to require strict performance by Maker of any provision of this Note shall not waive, affect or diminish any right of Lender thereafter to demand strict compliance and performance therewith. Any waiver of an Event of Default hereunder shall not suspend, waive or affect any other Event of Default hereunder. Maker and every endorser waive presentment, demand and protest and notice of presentment, protest, default, non-payment, maturity, release, compromise, settlement, extension or renewal of this

Note, and hereby ratify and confirm whatever Lender may do in this regard. Maker further waives any and all notice or demand to which Borrower might be entitled with respect to this Note by virtue of any applicable statute or law (*to the extent permitted by law*).

Maker agrees to pay, upon Lender's demand therefor, any and all costs, fees and expenses (*including attorneys' fees, costs and expenses*) incurred in enforcing any of Maker's rights hereunder, and to the extent not paid the same shall become part of Maker's Liabilities hereunder.

Maker hereby authorizes, irrevocably, any attorney of any court of record in any state or territory of the United States where the same is allowed by law, in term time or vacation, at any time after occurrence of an Event of Default hereunder, to waive the issuance and service of process, and confess a judgment against the undersigned for the amount of Maker's Liabilities due hereunder, including all costs, fees and expenses as provided herein, further authorizing said attorney to release all errors and waive all right of appeal and consent to immediate execution upon such judgment, hereby agreeing that no writ of error or appeal will be prosecuted from such judgment, nor any bill in equity filed to restrain the operation of said judgment, or any execution thereon, and hereby ratifying and confirming all that said attorney may do by virtue hereof. If this provision or any other provision of this Note or the application thereof to any party or circumstance is held invalid or unenforceable, the remainder of this Note and the application thereof to other parties or circumstances will not be affected thereby, the provisions of this Note being severable in any such instance.

This Note is submitted by Maker to Lender at Lender's principal place of business and shall be deemed to have been made thereat. This Note shall be governed and controlled by the laws of the State of New York as to interpretation, enforcement, validity, construction, effect, choice of law and in all other respects.

No modification, waiver, estoppel, amendment, discharge or change of this Note or any related instrument shall be valid unless the same is in writing and signed by the party against which the enforcement of such modification, waiver, estoppel, amendment, discharge or change is sought.

THIS NOTE WAS NEGOTIATED IN NEW YORK, AND ACCEPTED BY MAKER AND LENDER IN THE STATE OF NEW YORK, WHICH STATE THE PARTIES AGREE HAS A SUBSTANTIAL RELATIONSHIP TO THE PARTIES AND TO THE UNDERLYING TRANSACTION EMBODIED HEREBY, AND IN ALL RESPECTS, INCLUDING, WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THIS NOTE AND THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACT MADE AND PERFORMED IN SUCH STATE AND ANY APPLICABLE LAW OF THE UNITED STATES OF AMERICA. TO THE FULLEST EXTENT PERMITTED BY LAW, BORROWER HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY CLAIM TO ASSERT THAT THE LAW OF ANY OTHER JURISDICTION GOVERNS THIS NOTE, AND THE NOTE SHALL BE GOVERNED BY AND CONSTRUED IN

ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK PURSUANT TO § 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW.

(A) TO INDUCE LENDER TO ACCEPT THIS NOTE, MAKER IRREVOCABLY AGREES THAT ALL ACTIONS OR PROCEEDINGS INITIATED BY MAKER AND ARISING DIRECTLY OR INDIRECTLY OF THIS NOTE OR THE OTHER LOAN DOCUMENTS SHALL, AT LENDER'S SOLE ELECTION BE EITHER (I) LITIGATED IN THE APPROPRIATE STATE OR FEDERAL COURT IN NEW YORK, PURSUANT TO § 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW, OR (II) BE HEARD IN THE COMMERCIAL DIVISION, NEW YORK STATE SUPREME COURT, AS DESCRIBED IN (B) BELOW, OR IF LENDER INITIATES SUCH ACTION, ANY COURT IN WHICH LENDER SHALL INITIATE SUCH ACTION AND WHICH HAS JURISDICTION, OR IN THE COMMERCIAL DIVISION, NEW YORK STATE SUPREME COURT, AS DESCRIBED IN (B) BELOW. MAKER HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR PROCEEDING COMMENCED BY LENDER IN ANY OF SUCH COURTS. MAKER IRREVOCABLY WAIVES ANY CLAIM THAT NEW YORK COUNTY, NEW YORK, OR THE FEDERAL DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, IS AN INCONVENIENT FORUM OR AN IMPROPER FORUM BASED ON LACK OF VENUE SHOULD LENDER INITIATE LITIGATION IN SUCH FORUM. MAKER DOES HEREBY DESIGNATE AND APPOINT **Steven Slavitt, 1850 Sawtelle Boulevard, Suite 300, Los Angeles, CA 90025**, AS ITS AUTHORIZED AGENT TO ACCEPT AND ACKNOWLEDGE ON ITS BEHALF SERVICE OF ANY AND ALL PROCESS WHICH MAY BE SERVED IN ANY SUCH SUIT, ACTION OR PROCEEDING IN ANY FEDERAL OR STATE COURT IN NEW YORK, NEW YORK, AND AGREES THAT SERVICE OF PROCESS UPON SAID AGENT AT SAID ADDRESS (OR AT SUCH OTHER OFFICE IN NEW YORK, NEW YORK AS MAY BE DESIGNATED BY MAKER FROM TIME TO TIME IN ACCORDANCE WITH THE TERMS HEREOF) WITH A COPY TO : **Ethan Margalith, 1850 Sawtelle Boulevard, Suite 300, Los Angeles, CA 90025**, AND WRITTEN NOTICE OF SAID SERVICE OF MAKER MAILED OR DELIVERED TO MAKER IN THE MANNER PROVIDED HEREIN SHALL BE DEEMED IN EVERY RESPECT EFFECTIVE SERVICE OF PROCESS UPON MAKER, IN ANY SUCH SUIT, ACTION OR PROCEEDING IN THE STATE OF NEW YORK. SHOULD MAKER, AFTER BEING SO SERVED, FAIL TO APPEAR OR ANSWER TO ANY SUMMONS, COMPLAINT, PROCESS OR PAPERS SO SERVED WITHIN THE NUMBER OF DAYS PRESCRIBED BY LAW AFTER THE DELIVERY THEREOF, MAKER SHALL BE DEEMED IN DEFAULT AND AN ORDER AND/OR JUDGMENT MAY BE ENTERED BY THE COURT AGAINST MAKER AS DEMANDED OR PRAYED FOR IN SUCH SUMMONS, COMPLAINT, PROCESS OR PAPERS. THE EXCLUSIVE CHOICE OF FORUM FOR MAKER SET FORTH IN THIS SECTION SHALL NOT BE DEEMED TO PRECLUDE THE ENFORCEMENT, BY LENDER, OF ANY ACTION TO ENFORCE THE SAME IN ANY OTHER APPROPRIATE JURISDICTION, AND MAKER HEREBY WAIVES THE RIGHT, IF ANY, TO COLLATERALLY ATTACK ANY SUCH JUDGMENT OR ACTION.

(B) SHOULD LENDER SO ELECT, AND SUBJECT TO THE REQUIREMENTS FOR A CASE TO BE HEARD IN THE COMMERCIAL DIVISION, MAKER HEREBY AGREES TO SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE COMMERCIAL DIVISION,

NEW YORK STATE SUPREME COURT, AND TO THE APPLICATION OF THE COURT'S ACCELERATED PROCEDURES, IN CONNECTION WITH ANY DISPUTE, CLAIM OR CONTROVERSY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE BREACH, TERMINATION, ENFORCEMENT OR VALIDITY THEREOF. FOR REFERENCE ONLY, SEE RULE 9 OF THE RULES FOR PRACTICE FOR THE COMMERCIAL DIVISION (22 NYCRR §202.70).

MAKER AND LENDER IRREVOCABLY WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING (I) TO ENFORCE OR DEFEND ANY RIGHTS UNDER OR IN CONNECTION WITH THIS NOTE OR ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR (II) ARISING FROM ANY DISPUTE OR CONTROVERSY IN CONNECTION WITH OR RELATED TO THIS NOTE OR ANY SUCH AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT, AND AGREE THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, Maker has executed this Note as of the date first above written.

MAKER:

Ethan Margalith

California Notarial Seal
on attached
Acknowledgment
A. G.

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT **CIVIL CODE § 1189**

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Los Angeles)

On November 17th, 2015 before me, Adam S. Goldman, Notary Public,
Date *Here Insert Name and Title of the Officer*

personally appeared Ethan Margolith,
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(ies), and that by his/~~her/their~~ signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

ADAM S. GOLDMAN
Commission # 1966551
Notary Public - California
Los Angeles County
My Comm. Expires Jan 13, 2016

Signature _____
Adam S. Goldman, Notary Public
Commission # 1966551 Expires: 01-13-2016

Place Notary Seal Above

OPTIONAL

Though this section is optional, completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document
Title or Type of Document: Re 1850 Sawtelle Blvd Note Document Date: 11-17-2015
Number of Pages: _____ Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: Ethan Margolith	Signer's Name:
~~☒~~ Corporate Officer — Title(s): ~~Manager~~ A.G	☐ Corporate Officer — Title(s):
☐ Partner — ☐ Limited ☐ General	☐ Partner — ☐ Limited ☐ General
~~☒~~ Individual ☐ Attorney in Fact	☐ Individual ☐ Attorney in Fact
☐ Trustee ☐ Guardian or Conservator	☐ Trustee ☐ Guardian or Conservator
☒ Other: Maker	☐ Other:
Signer Is Representing: Sawtelle Partners LLC A.G.	Signer Is Representing:

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ALLONGE

Pay to the order of EMACIATION CAPITAL, LLC, a California limited liability company, without recourse or without representation or warranty of any kind, express or implied by law or in fact, except as otherwise set forth in that Sale and Assignment Agreement dated as of October 5, 2016, that certain Note in the original principal amount of $8,100,000 dated November 18, 2015 executed by Sawtelle Partners, LLC and Starving Students, Inc.

SF IV BRIDGE II, LP

By: Stabilis GP IV, LLC
Its: General Partner

By: _____
Name: Joseph J. Tuso
Its: Authorized Signatory

Date: October 7, 2016

ALLONGE

Pay to the order of EMACIATION CAPITAL, LLC, a California limited liability company, without recourse or without representation or warranty of any kind, express or implied by law or in fact, except as otherwise set forth in that Sale and Assignment Agreement dated as of October 5, 2016, that certain Note in the original principal amount of $200,000 dated November 18, 2015 executed by Ethan Margalith

SF IV BRIDGE II, LP

By: Stabilis GP IV, LLC
Its: General Partner

By: _____
Name: Joseph J. Tuso
Its: Authorized Signatory

Date: October 7, 2016

EXHIBIT 2

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") dated as of July 28, 2017, is entered into by and between Peter Mastan, solely in his capacity as Chapter 11 Trustee of the bankruptcy estate of Sawtelle Partners, LLC ("Trustee"), on the one hand, and Emaciation Capital, LLC ("Emaciation") on the other hand. The Trustee and Emaciation are referred to collectively as the "Parties" and each a "Party."

RECITALS

A. The Debtor, Sawtelle Partners, LLC ("Debtor") is a California limited liability company. The Debtor's sole shareholder is Ethan Margalith ("Margalith"). Margalith is also the sole shareholder of Starving Students, Inc., a California corporation ("Starving Students").

B. The Debtor's primary asset is a commercial office building located at 1850 Sawtelle Boulevard, Los Angeles, California 90025 (the "Sawtelle Property).

C. On or about August 20, 2007, a Deed of Trust dated August 20, 2007 and executed by the Debtor was recorded as Instrument No. 07-2028180 in the official records of Los Angeles County, California ("Satellite Lien"). The Deed of Trust purports to grant a security interest in the Sawtelle Property to Hanmi Bank ("Hanmi") to secure a revolving line of credit made by Hanmi to Starving Students in the maximum amount of $3,500,000 ("Line of Credit").

D. On or about November 18, 2015, the Debtor, Starving Starving Students, Margalith, and SF IV Bridge II, LP ("Bridge II") entered into a Loan Agreement ("Loan Agreement") by which Bridge II agreed to lend $8,100,000 to the Debtor and Starving Students and $200,000 to Margalith "for the purposes of (1) Principal prepayment in the amount of $500,000 of that certain second priority loan made by Sawtelle in favor of Hamni Bank, (2) Provide working capital for Starving Students, (3) Payment of Borrowers' legal fees, costs and expenses through the Closing, (4) Payment of all of Lender's fees, costs and expenses incurred in connection with the Loan" (collectively, the "Bridge Loan").

E. As part of that transaction, Debtor and Starving Students executed a promissory note in the amount of $8,100,000 ("SS Note") and Margalith executed a promissory note in the amount of $200,000 ("Margalith Note"), both in favor of Bridge II. To secure both the Margalith Note and the SS Note, Debtor granted a security interest in the Sawtelle Property to Bridge II by means of a Deed of Trust dated November 18, 2015 and recorded on November 23, 2015 as Instrument No. 15-1463812 in the official records of Los Angeles County, California ("Emaciation Lien").

F. On November 30, 2015, a document was recorded as Instrument Number 15-1492229 which purports to subordinate the Satellite Lien to the Emaciation Lien.

G. The interest in the Satellite Lien was assigned to Satellite Capital, LLC ("Satellite") by assignment recorded September 1, 2016 as Instrument Number 16-1051498.

H. The interest in the Emaciation Lien was assigned to Emaciation by assignment recorded on October 11, 2016 as Instrument Number 16-1238101.

I. In February 2016, just three months after the Bridge Loan was made, Starving Students filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Nevada as Case No. 16-10936.

J. On August 23, 2016, the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Central District of California, Los Angeles Division, as Case No. 2:16-bk-21234-BR ("Bankruptcy Case")

K. On November 4, 2016, the Court entered an order directing the appointment of a Chapter 11 trustee. By order entered November 10, 2016, the Court approved the Trustee's appointment.

L. On November 6, 2016, Emaciation filed a secured proof of claim in the amount of $9,357,693.78 as Claim Number 7 ("Emaciation Claim").

M. On or about June 26, 2017, Trustee's counsel advised Emaciation's counsel that the Trustee intended to object to the Emaciation Claim. The Trustee's Objection to Claim No. 7 ("Objection to Claim") was filed on July 7, 2017 and set for hearing on August 8, 2017. The Objection was made on the grounds that a) the Claim did not include adequate documentation, b) certain amounts should be disallowed pursuant to Section 502(b), and c) the Claim should be disallowed pursuant to Section 502(d) because Emaciation received a transfer avoidable under Section 548 and has not turned over the value of such transfer as required under Section 550. On July 10, 2017, Satellite filed a joinder to the Objection to Claim.

N. On June 30, 2017, Emaciation filed a motion seeking relief from the automatic stay to foreclose its Deed of Trust on the Sawtelle Property ("Stay Relief Motion") pursuant to Section 362(d)(1), (2), and (3), and set the hearing for July 25, 2017. The Trustee opposed the Stay Relief Motion.

O. The hearings on the Stay Relief Motion and Objection to Claim have been continued and are scheduled for August 15, 2017.

P. The secured claims asserted as to the Sawtelle Property total approximately $14,493,381.95 ("Total Asserted Claims"). Emaciation, as the senior lienholder, asserts a claim in the amount of $11,993,381.95, and Satellite, as the junior lienholder, asserts a claim of approximately $2,500,000.00. While the Trustee currently has several offers to purchase the Sawtelle Property, he does not believe he will be able to sell the Sawtelle Property for an amount in excess of the Total Asserted Claims.

Q. The Parties desire to fully, finally and forever settle their disputes regarding the Sawtelle Property, including the Emaciation Lien and Objection to Claim, and release any and all claims that they may have, now or in the future, against each other relating in any way to the Bankruptcy Case, Emaciation Lien, Fraudulent Transfer Claim, and allegations contained in, or that could have been alleged in the Stay Relief Motion or Objection to Claim, except as specifically set forth in this Agreement.

R. Accordingly, and for good and adequate consideration, the receipt and sufficiency of which is hereby acknowledged by the Parties, the Parties covenant and agree as follows:

AGREEMENT

1. Bankruptcy Court Approval. If the Trustee has not already obtained authority from the Bankruptcy Court to implement this Settlement Agreement, within seven (7) business days of the execution of this Settlement Agreement, the Trustee shall file a motion pursuant to Federal Rule of Bankruptcy Procedure 9019 and/or another appropriate proceeding with the Bankruptcy Court, whereby the Trustee shall request the Bankruptcy Court to approve and authorize the terms and conditions of this Settlement Agreement, including, as appears necessary or appropriate, allowing the Trustee to immediately transfer title of the Sawtelle Property to Emaciation, as set forth herein, subject to any and all liens and encumbrances, including, but not limited to the Satellite Lien. Except as otherwise set forth below, the Parties agree that the rights and obligations of the Parties arising under this Settlement Agreement are specifically conditioned upon entry of a Bankruptcy Court order approving and authorizing the terms and conditions of this Settlement Agreement and the sale of the Sawtelle Property (the "Settlement Order"). The Effective Date shall be the date on which the Settlement Order becomes a final order.

2. Settlement of Claims. In settlement of (1) any and all claims the estate may have against Emaciation pursuant to 11 U.S.C. Section 548, California Civil Code Section 3439, et seq., or other similar statutes ("Fraudulent Transfer Claim"), and (2) any and all claims Emaciation may have against the Sawtelle Property and/or the bankruptcy estate, the Parties agree as follows:

   2.1. In settlement of the Fraudulent Transfer Claim, Emaciation shall pay $108,000 ("Settlement Payment") to Trustee, on the terms and conditions set forth in this Agreement, with said payment to be paid in full within two (2) business days of the execution of this Agreement. The Settlement Payment shall be made by wire and in accordance with instructions provided by the Trustee. In the event the Agreement is not approved by the Bankruptcy Court, the Trustee shall return the Settlement Payment to Emaciation as soon as practicable and without interest.

   2.2. Trustee agrees to assign to Emaciation, or its assignee, any and all of the estate's right, title and interest in and to the Sawtelle Property on an as-is, where-is basis by means of a quitclaim deed, without any representations or warranties, express or implied, including, but not limited to, habitability or marketability, and subject to any and all rights, liens, interests or claims. The identify of any assignee must be disclosed to the Trustee no later than fourteen (14) days prior to the hearing on the motion to approve this Agreement, and the Trustee will disclose any assignee to the Court prior to approval of this Agreement;

   2.3. The Parties agree to stipulate to continue any pending hearings, including on the Stay Relief Motion and Objection to Claim, pending the execution and Bankruptcy Court approval of this Agreement to the closest available date after the hearing date for

approval of this Agreement, but leaving enough time for the pending opposition that is due by Emaciation to the to the Objection to Claim. There will be no further briefing on the Stay Relief Motion.

2.4. On the Effective Date, the Emaciation Claim shall be deemed disallowed, and to the extent necessary, Emaciation shall withdraw, with prejudice, or otherwise execute a stipulated order disallowing the Emaciation Claim. Emaciation agrees that it shall not be entitled to any disbursement from the Debtor's bankruptcy estate; however, this stipulation shall not be considered to be on the merits nor can it be used in any other case forum, and is solely for a compromise in this case for this Settlement Agreement;

2.5. Within five (5) business days after the Effective Date, the Trustee shall withdraw his opposition to the Stay Relief Motion, with prejudice;

2.6. This Agreement shall not prejudice or otherwise have any effect on the rights of junior lienholders, including but not limited to Satellite Capital, LLC, and any stipulations in this Agreement may not be used by non-parties to this Agreement in other forums for any reasons. This Agreement is the result of a compromise and is not to be consider collateral estoppel for the benefit of non-parties.

3. Release of the Emaciation Parties. The following release shall become effective only upon the full and timely payment to Trustee of all sums payable under the terms of this Agreement and upon full compliance by Emaciation of all of the terms and conditions of this Agreement:

Trustee hereby releases and discharges Emaciation and its agents, representatives, officers, directors, partners, members, managers, employees, attorneys, joint venturers, shareholders, affiliates, parent companies, subsidiaries, successors, heirs, and assigns (collectively, the "Emaciation Released Parties") from all claims, debts, liabilities, demands, obligations, promises, acts, agreements, costs and expenses, damages, actions, and causes of action, whether in law or in equity, arising out of or relating to the Sawtelle Property, Bankruptcy Case, Emaciation Claim, Fraudulent Transfer Claim, Objection to Claim and Stay Relief Motion.

Trustee intends for this Agreement to be effective (as set forth above) as an immediate general release by Trustee relating to the Sawtelle Property, Bankruptcy Case, Emaciation Claim, Fraudulent Transfer Claim, Objection to Claim or Stay Relief Motion. In furtherance of this intention, Trustee acknowledges that he has been advised by counsel or knows of his right to do so, and has read and understands Section 1542 of the Civil Code of the State of California, which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS/HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM/HER MUST HAVE MATERIALLY AFFECTED HIS/HER SETTLEMENT WITH THE DEBTOR."

Trustee hereby knowingly and voluntarily waives and relinquishes any and all rights and benefits he has or may have had under Section 1542 to the fullest extent that he may lawfully do so. Trustee acknowledges that the waiver and relinquishment of the estate's rights and benefits under Section 1542 (and any similar laws in other jurisdictions), is an essential and material term of the release, without which this Agreement would not have been executed.

Trustee acknowledges that he may hereinafter discover facts different from or in addition to those which he now knows or believes to be true with respect to the matters which are the subject of this Agreement, and agrees that this Agreement shall remain in effect in all respects, notwithstanding the discovery of such different or additional facts. It is the intent of the Parties to fully and finally forever release the claims set forth in this Agreement, and in furtherance of this intention, this Agreement, shall be and remain in effect as a full and complete release of such claims, notwithstanding the discovery or existence of different or additional facts relevant to those claims.

4. Release of Trustee. The following releases shall become effective as of the date of the entry of the Settlement Order:

Emaciation, on behalf of itself and its agents, representatives, officers, directors, partners, members, managers, employees, attorneys, joint venturers, shareholders, affiliates, parent companies, subsidiaries, assignor, successors, heirs, and assigns ("Releasing Parties"), fully and forever releases, and discharges the Trustee, Debtor and the estate, and their agents, representatives, officers, directors, partners, members, managers, employees, attorneys, joint venturers, shareholders, affiliates, parent companies, subsidiaries, successors, heirs, and assigns ("Released Parties"), from all claims, debts, liabilities, demands, obligations, promises, acts, agreements, costs and expenses (including but not limited to attorneys' fees), damages, actions, cross-actions, and causes of action which relate to the Sawtelle Property, Bankruptcy Case, Emaciation Claim, Fraudulent Transfer Claim, Objection to Claim and Stay Relief Motion, or which could have been made or raised in those proceedings.

The Parties intend for this Agreement to be effective (as set forth above) as an immediate general release by the Releasing Parties relating to the Sawtelle Property, Bankruptcy Case, Emaciation Claim, Fraudulent Transfer Claim, Objection to Claim or Stay Relief Motion. In furtherance of this intention, Releasing Parties acknowledge that they have been advised by counsel or know of their right to do so, and have read and understand Section 1542 of the Civil Code of the State of California, which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS/HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM/HER MUST HAVE MATERIALLY AFFECTED HIS/HER SETTLEMENT WITH THE DEBTOR."

Releasing Parties hereby knowingly and voluntarily waive and relinquish any and all rights and benefits they have or may have had under Section 1542 (and any similar laws in other jurisdictions) to the fullest extent that they may lawfully do so. Releasing Parties acknowledge that the waiver and relinquishment of the rights and benefits under Section

1542 is an essential and material term of the release, without which this Agreement would not have been executed.

Releasing Parties acknowledge that they may hereinafter discover facts different from or in addition to those which they now know or believe to be true with respect to the matters which are the subject of this Agreement, and agree that this Agreement shall remain in effect in all respects, notwithstanding the discovery of such different or additional facts. It is the intent of the Parties to fully and finally forever release the claims set forth in this Agreement, and in furtherance of this intention, this Agreement, shall be and remain in effect as a full and complete release of such claims, notwithstanding the discovery or existence of different or additional facts relevant to those claims.

5. Notices. Any notices or demands of any kind that any Party is required or desires to give or make upon others in connection with this Agreement shall be in writing and shall be deemed to be delivered as of the date sent if sent via facsimile and/or email; provided that it is also deposited in the United States mail, postage prepaid, with all such notices being addressed to the other Parties as follows:

To Trustee:
Peter Mastan
Chapter 11 Trustee for Sawtelle Partners, LLC
Gumport Mastan
550 South Hope Street, Suite 1765
Los Angeles, CA 90071

With a copy to: Lobel Weiland Golden Friedman LLP
Attn: Jeffrey Golden
650 Town Center Dr., Suite 950
Costa Mesa, CA 92626
jgolden@lwgfllp.com
714-966-1000

To Emaciation:
Emaciation Capital, LLC
PO Box 11480
Beverly Hills, CA 90213

With a copy to:
Ronald Richards
PO Box 11480
Beverly Hills, CA 90213
ron@ronaldrichards.com
310-556-1001

6. Miscellaneous.

6.1. Successors or Assigns. Whenever any party hereto is named or referred to in this Agreement, the heirs, executors, legal representatives, successors, successors-in-title and permitted assigns of such party shall be included.

6.2. Construction of Agreement. Each party hereto acknowledges that it has participated in the negotiation of this Agreement. No provision of this Agreement shall be construed against or interpreted to the disadvantage of any party by any court or other governmental or judicial authority by reason of such party having or being deemed to have structured, dictated or drafted such provision. No representations or warranties have been made by any of the Parties, or relied upon by the Parties, pertaining to the subject matter of this Agreement, other than those expressly set forth in this Agreement. All prior statements, representations and warranties, if any, are entirely superseded and merged into this Agreement, which represents the final and sole Agreement of the Parties with respect to the subject matters of this Agreement. All of the terms of this Agreement were negotiated at arm's length, and this Agreement was prepared and executed without fraud, duress, undue influence or coercion of any kind exerted by any of the Parties upon the others. The execution and delivery of this Agreement is the free and voluntary act of the Parties.

6.3. Headings. The headings of the articles, sections and subsections of this Agreement are for the convenience of reference only, are not to be considered a part of this Agreement and shall not be used to construe, limit or otherwise affect this Agreement.

6.4. Time of Essence. Time is of the essence of this Agreement and the Loan Documents.

6.5. Invalid Provision to Affect No Others. If, from any circumstances whatsoever, fulfillment of any provision of this Agreement, at the time performance of such provision shall be due, shall involve transcending the limit of validity presently prescribed by any applicable usury statute or any other applicable law, with regard to obligations of like character and amount, then ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity. If any clause or provision operates or would prospectively operate to invalidate this Agreement, in whole or in part, then such clause or provision only shall be deemed deleted, as though not contained, and the remainder of this Agreement, shall remain operative and in full force and effect.

6.6. Attorneys' Fees and Costs & Conflict Resolution. Subject to the terms of this Agreement, each party shall bear its own attorneys' fees and costs incurred in connection with the Bankruptcy Case, Emaciation Claim, Objection to Claim, Stay Relief Motion, Fraudulent Transfer Claim, and/or this Agreement. However, in the event it is necessary for any party to initiate legal action to enforce any term or condition of this Agreement, the prevailing party(ies) shall be entitled to recover all actual attorneys' fees and costs incurred. In the event that there is any dispute concerning the terms of this Agreement, the Parties agree that such dispute shall be submitted first to free bankruptcy mediation within fifteen (15) days of the dispute. However, failure to timely submit the dispute to

mediation does not waive any rights the Parties may have to resolve the dispute or otherwise enforce this Agreement.

6.7. Continuing Jurisdiction. The Parties agree, and jointly request, that the Bankruptcy Court retain jurisdiction over this Agreement, the Bankruptcy Case, Emaciation Claim, Sawtelle Property, Objection to Claim, and Fraudulent Transfer Claim, and over the Parties personally until final performance of this Agreement. This includes appropriate proceedings to enforce this Agreement. The Parties further agree that they shall cooperate to file any appropriate notices and stipulations in the Bankruptcy Case, including without limitation, any motions for approval of this Agreement, notices of withdrawal, or stipulations to continue pre-existing deadlines pending the approval of this Agreement.

6.8. Amendments. This Agreement may not be amended, modified, waived, discharged or terminated other than pursuant to a written instrument specifically referring to this Agreement, and which is executed and delivered by all of the Parties.

6.9. Claims Not Assigned. The Parties represent and warrant that they have not sold, assigned, transferred, conveyed or otherwise disposed of any right, claim, demand or cause of action being released herein or otherwise relating to any matter covered by this Agreement.

6.10. Authority To Execute. The individual persons executing this Agreement represent and warrant that they have full unconditional authorization and power to execute this Agreement on behalf of each respective Party on whose behalf they are executing this Agreement, except that the Trustee's authority is subject to Bankruptcy Court approval.

6.11. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California and the Unites States of America, to the extent that each such set of laws is applicable. Nothing in this provision is intended to modify the choice of law provision set forth in Emaciations loan documents.

6.12. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all such counterparts together shall constitute one and the same instrument.

6.13. Drafting. The terms of this Agreement are contractual and are the result of negotiation between the Parties; in interpreting this Agreement, no rule of construction shall be applied whereby an ambiguity is construed against the Party who drafted the Agreement. For purposes of any such rule of construction, the Parties agree that both Parties have jointly and equally drafted this Agreement. The Parties acknowledge that they have carefully read this Agreement and that the contents of this Agreement are known and understood by each Party. This Agreement is signed freely by each Party executing it.

[Signatures follow on next pages.]

Emaciation Capital, LLC, a California limited liability company

Dated: July ___, 2017

By: _____
Name: Ronald Richards
Title: Manager

Peter Mastan, Chapter 11 Trustee of the bankruptcy estate of Sawtelle Partners, LLC, a California limited liability company

Dated: July 27, 2017

By: _____
Name: Peter Mastan, Chapter 11 Trustee

Emaciation Capital, LLC, a California limited liability company

Dated: July 28, 2017

By: _____
Name: Ronald Richards
Title: Manager

Peter Mastan, Chapter 11 Trustee of the bankruptcy estate of Sawtelle Partners, LLC, a California limited liability company

Dated: July ___, 2017

By: _____
Name: Peter Mastan, Chapter 11 Trustee

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:
650 Town Center Drive, Suite 950
Costa Mesa, California 92626

A true and correct copy of the foregoing document entitled (*specify*): Motion for Orders (1) Approving Compromise between Chapter 11 Trustee and Emaciation Capital LLC; (2) With Opportunity to Overbid, and (3) Use of Cash Collateral, Memorandum of Points and Authorities, Declarations of Peter J. Mastan in Support Thereof
will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

1. **TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF)**: Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) August 1, 2017, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

☒ Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:
On (*date*) August 1, 2017, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

☐ Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) August 1, 2017, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

Served by Personal Delivery

The Honorable Barry Russell
Edward R. Roybal Federal Building and Courthouse
255 E. Temple Street, Suite 1660 / Courtroom 1668
Los Angeles, CA 90012

☐ Service information continued on attached page

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

8/1/2017 Victoria Rosales	/s/ Victoria Rosales
Date *Printed Name*	*Signature*

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

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:

650 Town Center Drive, Suite 950
Costa Mesa, CA 92626

A true and correct copy of the foregoing document entitled: **NOTICE OF SALE OF ESTATE PROPERTY** will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

1. **TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF)**: Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) 08/01/2017, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

☒ Service information continued on attached page

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

☐ Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) 08/01/2017, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

The Honorable Barry Russell
Edward R. Roybal Federal Building and Courthouse
255 E. Temple Street, Suite 1660 / Courtroom 1668
Los Angeles, CA 90012

☐ Service information continued on attached page

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

08/01/2017	Victoria Rosales	/s/ Victoria Rosales
Date	*Printed Name*	*Signature*

TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):
Reem J Bello rbello@lwgfllp.com, kadele@wgllp.com;lfisk@wgllp.com
Richard A Brownstein rbrownstein@greenbass.com, mmonet@greenbass.com;ecfnotification@greenbass.com
William D Coffee bcoffee@sr-firm.com, jnishida@sr-firm.com
Todd S Garan ch11ecf@aldridgepite.com, TSG@ecf.inforuptcy.com;tgaran@aldridgepite.com
Beth Gaschen bgaschen@wgllp.com, kadele@wgllp.com;lfisk@wgllp.com;lgauthier@lwgfllp.com;nlockwood@lwgfllp.com
Jeffrey I Golden jgolden@wgllp.com, kadele@wgllp.com;lfisk@wgllp.com
David B Golubchik dbg@lnbyb.com, dbg@ecf.inforuptcy.com
Thomas P Griffin tgriffin@hsmlaw.com
Jeffrey C Krause jkrause@gibsondunn.com, dtrujillo@gibsondunn.com;jstern@gibsondunn.com
Howard N Madris hmadris@madrislaw.com
Ron Maroko ron.maroko@usdoj.gov
Peter J Mastan (TR) pmas4tan@gumportlaw.com, pmastan@ecf.epiqsystems.com
Edmond Nassirzadeh ed@nasslawfirm.com, ecfbestcase@gmail.com;r53025@notify.bestcase.com
Farhad Novian farhad@novianlaw.com, amanda@novianlaw.com
Farid Novian farid@novianlaw.com, amanda@novianlaw.com
Juliet Y Oh jyo@lnbrb.com, jyo@lnbrb.com
Faye C Rasch frasch@wgllp.com, kadele@wgllp.com;tziemann@wgllp.com
Ronald N Richards ron@ronaldrichards.com, nick@ronaldrichards.com
David B Shemano dshemano@robinskaplan.com
United States Trustee (LA) ustpregion16.la.ecf@usdoj.gov

TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):
Reem J Bello rbello@lwgfllp.com, kadele@wgllp.com;lfisk@wgllp.com
Richard A Brownstein rbrownstein@greenbass.com, mmonet@greenbass.com;ecfnotification@greenbass.com
William D Coffee bcoffee@sr-firm.com, jnishida@sr-firm.com
Todd S Garan ch11ecf@aldridgepite.com, TSG@ecf.inforuptcy.com;tgaran@aldridgepite.com
Beth Gaschen bgaschen@wgllp.com,
kadele@wgllp.com;lfisk@wgllp.com;lgauthier@lwgfllp.com;nlockwood@lwgfllp.com
Jeffrey I Golden jgolden@wgllp.com, kadele@wgllp.com;lfisk@wgllp.com
David B Golubchik dbg@lnbyb.com, dbg@ecf.inforuptcy.com
Thomas P Griffin tgriffin@hsmlaw.com
Jeffrey C Krause jkrause@gibsondunn.com, dtrujillo@gibsondunn.com;jstern@gibsondunn.com
Howard N Madris hmadris@madrislaw.com
Ron Maroko ron.maroko@usdoj.gov
Peter J Mastan (TR) pmas4tan@gumportlaw.com, pmastan@ecf.epiqsystems.com
Edmond Nassirzadeh ed@nasslawfirm.com, ecfbestcase@gmail.com;r53025@notify.bestcase.com
Farhad Novian farhad@novianlaw.com, amanda@novianlaw.com
Farid Novian farid@novianlaw.com, amanda@novianlaw.com
Juliet Y Oh jyo@lnbrb.com, jyo@lnbrb.com
Faye C Rasch frasch@wgllp.com, kadele@wgllp.com;tziemann@wgllp.com
Ronald N Richards ron@ronaldrichards.com, nick@ronaldrichards.com
David B Shemano dshemano@robinskaplan.com
United States Trustee (LA) ustpregion16.la.ecf@usdoj.gov