

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

FOR COURT USE ONLY

☐ Individual appearing without attorney
☒ Attorney for: Debtor and Debtor in Possession

In re:

CASE NO.: 8:16-bk-13734-CB

CHAPTER: 11

Debtor(s).

NOTICE OF SALE OF ESTATE PROPERTY

Sale Date: December 14, 2016

Time: 10:00 am

Location: United States Bankruptcy Court, 411 W. Fourth Street, Ctrm. 5D, Santa Ana, CA 92701

Last date to file objections: 11/30/2016

Terms and conditions of sale: Free and clear of liens pursuant to Bankruptcy Code §§ 363(b)(1) and (f)

See attached Motion for further information.

Proposed sale price: \$ 4,160,000.00

Overbid procedure (if any): n/a

If property is to be sold free and clear of liens or other interests, list date, time and location of hearing:

December 14, 2016 at 10:00 a.m.

Courtroom 5D

U.S. Bankruptcy Court

411 W. Fourth Street

Santa Ana, CA 92701

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

n/a

Date: 11/23/2016

Attachments:

- (1) Statement of Information**
- (2) Notice of Motion (includes copy of the Sale Motion)**
- (3) Proof of Service**

Attachment to Notice of Hearing
[with details per LBR 6004-1(c)(3)]

LBR 6004-1(c)(3) Required Information	Response
(A) The date, time, and place of the hearing on the proposed sale:	December 14, 2016 at 10:00 a.m. U.S. Bankruptcy Court Courtroom 5D 411 W. Fourth Street Santa Ana, CA 92701
(B) The name and address of the proposed buyer:	Gouvis Engineering Attn: Attn: Saeed Bekam 4400 Campus Drive Newport Beach, CA 92660
(C) A description of the property to be sold:	Professional building located at: 15 Studebaker/1 Bendix Irvine, CA APN: 591-023-01
(D) The terms and conditions of the proposed sale, including the price and all contingencies:	\$4,160,000.00, subject to Bankruptcy Court approval
(E) Whether the proposed sale is free and clear of liens, claims or interests, or subject to them, and a description of all such liens, claims or liens:	Proposed sale is free and clear of the disputed liens as identified in the Motion, with payment to BofA of the amount due and owing under its first priority lien (not including any disputed amounts) and to County of Orange for outstanding and delinquent property taxes.
(F) Whether the proposed sale is subject to higher and better bids:	No
(G) The consideration to be received by the estate, including estimated commissions, fees and other costs of sale:	The sale is expected to generate <u>net</u> proceeds of approximately \$1,940,498.38, after estimated commissions of 6% and other costs of sale and payment of the above liens.
(H) If authorization is sought to pay a commission, the identity of the auctioneer, broker, or sales agent and the amount or percentage of the proposed commission to be paid:	Buyer is represented by Gary McArdell (CABRE #01343033) of Lee & Associates ("L&A") and the Seller is represented by Joseph Woodka (CABRE #01404224) of Newmark Grubb Knight Frank ("NGKF"). Subject to Court approval, Seller shall pay commission as follows through escrow: six percent of the total sale price: 3% to L&A and 3% to NGKF.
(I) A description of the estimated or possible tax consequences to the estate, if known, and how any tax liability generated by the sale of the property will be paid:	N/A
(J) Date which objection may be filed and served:	Objections may be served 14 days prior to the hearing or November 30, 2016.

<p>Attorney or Party Name, Address, Telephone & FAX Nos., State Bar No. & Email Address</p> <p>James C. Bastian, Jr. – Bar No. 175415 SHULMAN HODGES & BASTIAN LLP 100 Spectrum Center Drive, Suite 600 Irvine, California 92618 Telephone: (949) 340-3400 Facsimile: (949) 340-3000 Email: jbastian@shblp.com</p> <p><input type="checkbox"/> Individual appearing without attorney <input checked="" type="checkbox"/> Attorney for: Debtor and Debtor in Possession</p>	<p>FOR COURT USE ONLY</p>
<p style="text-align: center;">UNITED STATES BANKRUPTCY COURT CENTRAL DISTRICT OF CALIFORNIA - SANTA ANA DIVISION</p>	
<p>In re:</p> <p>LKN PROPERTIES, INC., a California corporation,</p> <p style="text-align: right;">Debtor(s).</p>	<p>CASE NO.: 8:16-bk-13734-CB</p> <p>CHAPTER: 11</p>
	<p>NOTICE OF MOTION FOR: ORDER: (1) APPROVING THE SALE OF THE REAL PROPERTY FREE AND CLEAR OF LIENS; (2) APPROVING AND AUTHORIZING THE DEBTOR TO ENTER INTO AND SIGN SUCH AGREEMENTS NECESSARY TO DOCUMENT THE SALE; (3) APPROVING PAYMENT OF REAL ESTATE COMMISSION AND OTHER COSTS OF SALE; AND (4) GRANTING OTHER RELATED RELIEF</p> <p>[Real Property located 15 Studebaker and 1 Bendix, Irvine, CA]</p> <p>(Specify name of Motion)</p>
	<p>DATE: 12/14/2016 TIME: 10:00 am COURTROOM: 5D PLACE: United States Bankruptcy Court 411 W. Fourth Street Santa Ana, CA 92701</p>

1. TO (*specify name*): United States Trustee, Creditors, Interested Parties and Counsel
2. NOTICE IS HEREBY GIVEN that on the following date and time and in the indicated courtroom, Movant in the above-captioned matter will move this court for an Order granting the relief sought as set forth in the Motion and accompanying supporting documents served and filed herewith. Said Motion is based upon the grounds set forth in the attached Motion and accompanying documents.
3. **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.)

4. **Deadline for Opposition Papers:** This Motion is being heard on regular notice pursuant to LBR 9013-1. If you wish to oppose this 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 fourteen (14) days prior to the above hearing date. If you fail to file a written response to this 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.
5. **Hearing Date Obtained Pursuant to Judge's Self-Calendaring Procedure:** The undersigned hereby verifies that the above hearing date and time were available for this type of Motion according to the judge's self-calendaring procedures.

Date: 11/23/2016

SHULMAN HODGES & BASTIAN LLP
Printed name of law firm

/s/ James C. Bastian, Jr.
Signature

James C. Bastian, Jr.
Printed name of attorney

Attachments:

- (1) Statement of Information**
- (2) Sale Motion**
- (3) Proof of Service**

Attachment to Notice of Hearing
[with details per LBR 6004-1(c)(3)]

LBR 6004-1(c)(3) Required Information	Response
(A) The date, time, and place of the hearing on the proposed sale:	December 14, 2016 at 10:00 a.m. U.S. Bankruptcy Court Courtroom 5D 411 W. Fourth Street Santa Ana, CA 92701
(B) The name and address of the proposed buyer:	Gouvis Engineering Attn: Attn: Saeed Bekam 4400 Campus Drive Newport Beach, CA 92660
(C) A description of the property to be sold:	Professional building located at: 15 Studebaker/1 Bendix Irvine, CA APN: 591-023-01
(D) The terms and conditions of the proposed sale, including the price and all contingencies:	\$4,160,000.00, subject to Bankruptcy Court approval
(E) Whether the proposed sale is free and clear of liens, claims or interests, or subject to them, and a description of all such liens, claims or liens:	Proposed sale is free and clear of the disputed liens as identified in the Motion, with payment to BofA of the amount due and owing under its first priority lien (not including any disputed amounts) and to County of Orange for outstanding and delinquent property taxes.
(F) Whether the proposed sale is subject to higher and better bids:	No
(G) The consideration to be received by the estate, including estimated commissions, fees and other costs of sale:	The sale is expected to generate <u>net</u> proceeds of approximately \$1,940,498.38, after estimated commissions of 6% and other costs of sale and payment of the above liens.
(H) If authorization is sought to pay a commission, the identity of the auctioneer, broker, or sales agent and the amount or percentage of the proposed commission to be paid:	Buyer is represented by Gary McArdell (CABRE #01343033) of Lee & Associates ("L&A") and the Seller is represented by Joseph Woodka (CABRE #01404224) of Newmark Grubb Knight Frank ("NGKF"). Subject to Court approval, Seller shall pay commission as follows through escrow: six percent of the total sale price: 3% to L&A and 3% to NGKF.
(I) A description of the estimated or possible tax consequences to the estate, if known, and how any tax liability generated by the sale of the property will be paid:	N/A
(J) Date which objection may be filed and served:	Objections may be served 14 days prior to the hearing or November 30, 2016.

James C. Bastian, Jr. - Bar No. 175415
SHULMAN HODGES & BASTIAN LLP
100 Spectrum Center Drive, Suite 600
Irvine, California 92618
Telephone: (949) 340-3400
Facsimile: (949) 340-3000
Email: jbastian@shbllp.com

Proposed Attorneys for LKN Properties, Inc.,
Debtor and Debtor in Possession

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA, SANTA ANA DIVISION

In re

**LKN PROPERTIES, INC., a
California corporation,**

Debtor.

Case No. 8:16-bk-13734-CB

Chapter 11

**DEBTOR IN POSSESSION'S MOTION FOR
ORDER:**

- (1) APPROVING THE SALE OF THE REAL
PROPERTY FREE AND CLEAR OF
LIENS;**
- (2) APPROVING AND AUTHORIZING THE
DEBTOR TO ENTER INTO AND SIGN
SUCH AGREEMENTS NECESSARY TO
DOCUMENT THE SALE;**
- (3) APPROVING PAYMENT OF REAL
ESTATE COMMISSION AND OTHER
COSTS OF SALE; AND**
- (4) GRANTING OTHER RELATED RELIEF**

**MEMORANDUM OF POINTS AND
AUTHORITIES; DECLARATION OF LIEN
NGUYEN IN SUPPORT THEREOF**

[15 Studebaker and 1 Bendix, Irvine, CA]

Date: December 14, 2016
Time: 10:00 a.m.
Place: Courtroom 5D
411 W. Fourth Street
Santa Ana, California

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

TABLE OF CONTENTS

	Page
I. INTRODUCTION	4
II. STATEMENT OF FACTS	5
A. Case Commencement and Background of the Debtor	5
B. Events Leading to the Bankruptcy Filing	6
C. Employment of the Debtor's Real Estate Broker	7
D. The Liens Impacting the Property and Treatment Through the Sale	8
E. The Proposed Sale of the Property	10
F. Approval of Payment to the Real Estate Professional is Proper	11
G. Approval of the Motion Serves the Best Interests of the Estate and Creditors	12
III. ARGUMENT	12
A. The Court May Approve a Sale of When There is a Good Faith Purchaser	12
1. Sound Business Purpose	13
2. The Sale Serves the Best Interests of the Estate and Creditors	14
3. Accurate and Reasonable Notice	14
4. The Sale is Made In Good Faith	15
B. Sale of the Property Free and Clear of Disputed Liens and Encumbrances Should be Permitted	15
1. Section 363(f)(2) – Consent	16
2. Section 363(f)(4) – Bona Fide Dispute	16
C. Request for Payment of Real Estate Commission	19
D. The Court has Authority to Waive the Fourteen-Day Stay of Sale	19
IV. CONCLUSION	20
DECLARATION OF LIEN NGUYEN	22

TABLE OF AUTHORITIES

Page

CASES

<i>In re Beker Indus. Corp.</i> , 63 B.R. 474, 477 (Bankr. S.D.N.Y. 1986).....	18
<i>In re Continental Air Lines, Inc.</i> , 780 F.2d 1223 (5th Cir. 1986).....	13
<i>In re Crowthers McCall Pattner, Inc.</i> , 114 B.R. 877, 885 (Bankr. S.D.N.Y. 1990).....	13
<i>In re Lionel Corp.</i> , 722 F.2d 1063 (2d Cir. 1983).....	13, 14
<i>In re Terrace Gardens Park Partnership</i> , 96 B.R. 707 (Bankr. W.D. Tex. 1989).....	18
<i>In re Walter</i> , 83 B.R. 14 (Bankr. 9th Cir. 1988).....	13
<i>In re Wilde Horse Enterprises, Inc.</i> , 136 B.R. 830, 841 (Bankr. C.D. Cal. 1991).....	13, 15
<i>Thrifty Oil Co. v. Bank of Am. Nat. Trust & Sav. Ass’n.</i> , 322 F.3d 1039 (9th Cir. 2003)	17

STATUTES

Bankruptcy Code Section 363(b).....	12, 13
Bankruptcy Code Section 363(f)	15, 16, 18
Bankruptcy Code Section 363(f)(2).....	16
Bankruptcy Code Section 363(m).....	15
Federal Rule of Bankruptcy Procedure 6004(h)	19

1 **TO THE HONORABLE CATHERINE BAUER, UNITED STATES BANKRUPTCY**
2 **JUDGE, THE OFFICE OF THE UNITED STATES TRUSTEE, AND CREDITORS AND**
3 **PARTIES-IN-INTEREST:**

4 **I. INTRODUCTION**

5 LKN Properties, Inc., a California corporation (“Debtor”), the debtor and debtor in
6 possession herein brings this Motion for Order: (1) Approving the Sale of Real Property Free
7 and Clear of Liens; (2) Approving and Authorizing the Debtor to Enter Into and Sign Such
8 Agreement Necessary to Document the Sale; (3) Approving Payment of Real Estate Commission
9 and Other Costs of Sale; and (4) Granting Other Related Relief (“Motion”).

10 The Debtor seeks Court approval for the sale of the real property located at the corner of
11 15 Studebaker/1 Bendix, Irvine, California (“Property”). Under the proposed sale, Gouvis
12 Engineering (“Buyer”) will purchase the Property for a purchase price of \$4,160,000.00, all cash.
13 A true and correct copy of the *Standard Offer, Agreement and Escrow Instructions for Purchase*
14 *of Real Estate and Addendums* thereto for the transaction between the Debtor and the Buyer
15 (“Purchase Agreement”) is attached as **Exhibit “2”** to the Declaration of Lien Nguyen (“Nguyen
16 Declaration”). As the Property is the Debtor’s only asset, upon closing of the sale, the Debtor
17 will seek to dismiss its bankruptcy case after paying creditors in full. As such, the Debtor
18 believes that the interests of creditors and the interest of its bankruptcy estate (“Estate”) would
19 best be served if this Court approves the Motion.

20 The sale of the Property shall be free and clear of the Disputed Liens (defined below),
21 with the Disputed Liens to attach to the proceeds of the sale in the same validity and priority,
22 pending resolution of the disputes by the Debtor and further order of the Court.

23 In summary, based on good business reasons, including the current real estate market and
24 the economics of the Debtor’s situation, it is in the best interest of the creditors of this Estate that
25 this Motion be approved and therefore good cause exists to grant the Motion so that the Debtor
26 does not lose the favorable business opportunity.

27 In support of the Motion, the Debtor respectfully represents as follows:

II. STATEMENT OF FACTS

A. Case Commencement and Background of the Debtor

The Debtor filed a voluntary petition for relief under Chapter 11 of the United States Code Bankruptcy Code on September 6, 2016 and is continuing in the operation and management of its business as a debtor in possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code. This case qualifies as a single asset real estate case as that term is defined under 11 U.S.C. §101(51B).

The Debtor was formed in November 1998 as a California corporation. Lien Nguyen is the Debtor's 100% shareholder and President.

The Debtor owns and operates the Property. The Property is a free standing professional building consisting of two office spaces totaling 16,000 square feet and is located in the "Irvine Spectrum 2" area of Irvine. In its Bankruptcy Schedules, the Debtor estimated the fair market value of the Property at \$3,840,000.00.

The largest office on the Property (consisting of 5,000 square feet on the first floor) is currently leased to LDB + Associates, Inc. ("LDB") pursuant to an office lease dated October 1, 2007 for a period of ten years. The lease will expire on October 31, 2017. The monthly lease payment is \$10,000.00. LDB is an engineering consulting firm and is affiliated with the Debtor through common ownership.

Prior to the Petition Date, approximately 6,000 square feet of the Property was leased to Creed Tobacco, Inc. ("Creed") under the terms of an office lease dated November 1, 2015 for a period of five years at a monthly lease payment of \$5,865.00. However, in April, 2016, Creed defaulted under the terms of the lease and vacated the Property. Creed owes the Debtor in excess of \$50,000.00. There is a 5,000 square foot office on the second floor that is currently vacant.

The Property is encumbered by a first priority lien in favor of Bank of America, N.A. ("BofA") in the approximate principal amount of \$1,700,392.06. In April 2010, the Debtor entered into an Interest Rate Swap Transaction ("IRST") with BofA in connection with the original loan agreement.

The legal description of the Property is set forth in the Preliminary Title Report, a true and correct copy of which is attached as **Exhibit “1”** to the Nguyen Declaration. The legal description for the Property is believed to be accurate but may be corrected or updated by the title company in the transfer documents as necessary to complete the proposed sale transaction.

B. Events Leading to the Bankruptcy Filing

The default caused by Creed greatly impacted the Debtor’s cash flow which caused the Debtor to default in its monthly payment obligations to BofA. This default allegedly also triggered a termination of the IRST, which was asserted by BofA to cause an acceleration of the loan and a termination fee of \$427,741.65.

A Notice of Default and Election to Sell Under Deed of Trust (“Default Notice”) was recorded by First American Title Insurance Company (“Foreclosure Trustee”) on May 4, 2016. The Notice of Default indicated that \$29,448.70 was required, as of April 27, 2016, to cure the default under the Deed of Trust recorded on September 13, 2007. Subsequently, on August 5, 2016, a Notice of Trustee Sale was recorded by the Foreclosure Trustee (“Sale Notice”). The Sale Notice failed to include the total amount of unpaid principal and reasonably estimated costs necessary to reinstate the loan with BofA. Instead, the Sale Notice demanded payment of the full payoff of the loan in the amount of \$2,173,966.49. Pursuant to the Sale Notice, the Foreclosure Trustee was to sell the Property at public auction on September 6, 2016 at 1:30 p.m., for the benefit of BofA.

On August 31, 2016, the Debtor requested an accounting of the amount necessary to reinstate the loan with BofA. Unfortunately, BofA failed to respond to the accounting request. In turn, the Debtor tendered the full amount of all principal and interest payments due and owing pursuant to the Commercial Loan Invoice prepared by BofA for September 1, 2016, which totaled \$75,123.23. The Debtor delivered the funds via wire transfer to ensure that the funds were received by BofA on August 31, 2016. Despite curing the default, on September 1, 2016, BofA advised the Debtor that: (1) it could no longer reinstate the loan with BofA, (2) the Debtor

1 was required to pay the accelerated indebtedness to BofA in full, and (3) that BofA had rejected
2 the wire transfer of \$75,123.23.

3 After learning of BofA's refusal to allow cure of default, on September 1, 2016, the
4 Debtor offered BofA an additional \$74,876.77 payment, for a total payment of \$150,000.00, to
5 reinstate the loan with BofA and to cancel the pending foreclosure sale. Still, on September 2,
6 2016, BofA responded that it would not accept any reinstatement offers and that the foreclosure
7 sale would proceed as scheduled absent the Debtor's payment of \$2,173,966.49, plus interest, to
8 BofA.

9 As the Property has substantial equity and certainly value sufficient to pay BofA in full,
10 the filing was necessary in order to stay the foreclosure sale set for September 6, 2016 and to
11 maximize the value of the Property for all creditors and equity holders.

12 **C. Employment of the Debtor's Real Estate Broker**

13 On September 16, 2016, the Debtor filed its *Motion for Order Authorizing Employment*
14 *of Newmark of Southern California, Inc., a California Corporation dba Newmark Grubb Knight*
15 *Frank as Real Estate Broker* ("Broker Employment Motion") (docket number 15). The last day
16 to oppose the Broker Employment Motion was October 3, 2016.

17 No opposition was filed to the Broker Employment Motion and on October 5, 2016,
18 counsel for the Debtor filed a declaration regarding no opposition to the Broker Employment
19 Motion and uploaded an appropriate order through the Court's LOU System.

20 However, at the November 9, 2016 Status Conference hearing for this case, the Court
21 advised the Debtor's counsel that the Broker Employment Motion would not be approved unless
22 Newmark Grubb Knight Frank (the "NGKF Firm") completely and unconditionally waived its
23 pre-petition claim of \$10,000.00.

24 On November 16, 2016, the Debtor filed its Supplement to the Broker Employment
25 Motion (docket number 38), wherein the NGKF Firm agreed to waive its pre-petition claim as a
26 condition to its employment as the Debtor's real estate broker. On November 21, 2016, counsel
27 for the Debtor uploaded an amended order through the Court's LOU System. By the time of

hearing on this Motion, it is anticipated that a Court order will have been entered authorizing the employment of the NGKF Firm as the Debtor's real estate broker.

D. The Liens Impacting the Property and Treatment Through the Sale

The following chart reflects the liens and encumbrances against the Property and their proposed treatment through their sale:

Secured Creditor	Description of Claim	Asserted Amount Owed	Treatment Through the Sale
BofA	First priority deed of trust recorded with the Orange County Recorder on September 13, 2007 as instrument number 2007-000562343 asserting a principal amount owing of \$2,200,000.00. On November 7, 2016, BofA filed a secured Proof of Claim in the amount of \$2,181,640.18 which includes the amount allegedly owing on the deed of trust and the SWAP termination fee.	Deed of trust: \$1,753,898.53 IRST termination fee: \$427,741.65	The principal amount due and owing under the first priority deed of trust, including any interest and other fees that are not disputed by the Debtor, will be paid through escrow on the sale transaction. The Debtor disputes the IRST termination fee in the amount of \$427,741.65. The Debtor proposes to retain this amount in escrow or in the trust account of its counsel, Shulman Hodges & Bastian LLP until such time as the disputes related to the IRST termination fee have been resolved.
County of Orange	Real property taxes for the fiscal year 2016-2017 1st installment \$18,897.04 Defaulted prior year taxes (2014-2015) of \$94,550.00 On September 30, 2016, County of Orange filed a secured Proof of Claim in the amount of \$132,803.09 (Claim No. 1).	\$132,803.09	All outstanding real property taxes will be paid through escrow on the sale transaction.

Secured Creditor	Description of Claim	Asserted Amount Owed	Treatment Through the Sale
Orange Woodworks, Inc.	Mechanics' lien recorded with the Orange County Recorder on November 19, 2008 as instrument number 2008-000541507 asserting an amount owing of \$6,834.50.	\$6,834.50	<p>This lien is disputed in that there is no amount owing to Orange Woodworks, Inc. as the claim was satisfied more than eight years ago. The Debtor will request that this lien be released, discharged and terminated, that the sale proceed free and clear of this lien and that the lien <u>not</u> attach to the sale proceeds.</p> <p>Alternatively, if this lien is not removed prior to close of escrow, as it is subject to a bona fide dispute, the Debtor seeks to sell the Property free and clear of this lien, with such disputed lien to attach to the proceeds of the sale in the same validity and priority as prior to the sale pending agreement with the creditor or further Court order.</p>

Other than the lien in favor of BofA and the outstanding secured taxes owed to the County of Orange, each of which will be resolved through the sale, the Property is not subject to any liens, encumbrances, claims and/or interests (collectively, the "Liens and Encumbrances"). The Debtor seeks to sell the Property free and clear of all Liens and Encumbrances with all Liens and Encumbrances impacting the Property to be unconditionally released, discharged and terminated. Any Liens and Encumbrances not satisfied through the sale will attach only to the proceeds of the transaction with the same priority, validity, force and effect as they existed with respect to the Property before the closing of the sale pending further Court order or agreement with the parties.

The Debtor does not believe it is prudent or necessary to resolve the disputes with holders of disputed Liens and Encumbrances liens by Court order or judgment prior to the sale. The unresolved disputed Liens and Encumbrances, if any, would be subject to a bona fide dispute and the Bankruptcy Code provides for a means to sell free and clear of such interests. If the Estate is forced to wait for resolution of the disputes, if any, the Debtor may lose the opportunity to capitalize on the current interest from the Buyer and the Estate will have to expend further funds

to administer and market the Property for sale, which may dilute the amount of funds available for the Estate.

Resolution of the issues with regard to the claims of the holders of the disputed Liens and Encumbrances may likely take substantial time, effort and expense by the parties. That process should not hinder, delay or in any way inhibit the Debtor's efforts to maximize the value of the sale of Property. Thus, the Debtor believes that approval for the sale free and clear of Liens and Encumbrances pursuant to Bankruptcy Code Section 363(f)(4) in the manner provided herein is appropriate.

E. The Proposed Sale of the Property

A true and correct copy of the Purchase Agreement for the transaction between the Debtor and the Buyer is attached as **Exhibit "2"** to the Nguyen Declaration. In brief, the principal terms of the sale of Property to the Buyer will include the following provisions:

Buyer:	Gouvis Engineering						
Purchase Price:	Purchase price of \$4,160,000.00, all cash. The Buyer has deposited the sum of \$416,000.00, plus an additional \$50,000.00 that was made at the time of execution of the Purchase Agreement. Within two business days after the contingencies have been approved or waived, the Buyer shall deposit an additional sum of \$25,000.00. The balance of the purchase price to be paid on closing. Subject to Bankruptcy Court approval and issuance of a title insurance policy, the offer is non-contingent and will be paid in all cash.						
Close of Escrow	The Close of Escrow shall occur within on or before January 8, 2017.						
Buyer's Credit	Buyer shall receive a credit of \$20,000.00 to be used towards parking surface upgrades, or any other improvements the Buyer wishes to perform. The Debtor's broker and the Buyer's broker shall credit \$10,000.00 from their brokerage fee towards the Buyer's credit.						
Closing Costs, Credits and Prorations	All costs associated with the escrow will be allocated between the Buyer and Seller in accordance with local customary practice. Real property taxes and any other matters to be prorated will be prorated as of the close of escrow.						
Brokerage Fee	<p>The Debtor seek authorization to pay a listing real estate broker commission to its agent, the NGKF Firm, and a selling commission to the Buyer's real estate agent, Gary McArdeLL of Lee & Associates, in the total amount not to exceed six percent of the purchase price with such commission to be split 50/50 as follows:</p> <table> <tr> <td>Joe Woodka of the NGKF Firm</td><td>\$124,800.00</td></tr> <tr> <td>Gary McArdeLL of Lee & Associates</td><td>\$124,800.00</td></tr> <tr> <td>Total Commission</td><td>\$249,600.00</td></tr> </table>	Joe Woodka of the NGKF Firm	\$124,800.00	Gary McArdeLL of Lee & Associates	\$124,800.00	Total Commission	\$249,600.00
Joe Woodka of the NGKF Firm	\$124,800.00						
Gary McArdeLL of Lee & Associates	\$124,800.00						
Total Commission	\$249,600.00						

Purchase Without Warranties	Buyer acknowledges that it is purchasing the Property "AS IS" without warranties of any kind, expressed or implied, being given by the Debtor, concerning the condition of the Property or the quality of title thereto, or any other matters relating to the Property. Buyer represents and warrants that it is purchasing the Property as a result of its own investigations and is not buying the Property pursuant to any representation made by any broker, agent, accountant, attorney or employee acting at the direction, or on the behalf of the Debtor. Notwithstanding the foregoing the sale is contingent on receipt of title insurance.
Free and Clear of Liens and Encumbrances	The Property shall be delivered to the Buyer free and clear of all Liens and Encumbrances.
Jurisdiction of the Bankruptcy Court	Any and all disputes which involve in any manner the Estate or the Debtor arising from the sale transaction or relating in any manner to the Property, shall be resolved only in the United States Bankruptcy Court, Central District of California, Santa Ana Division.
Court Approval	The sale is expressly conditioned on approval of the United States Bankruptcy Court for the Central District of California, Santa Ana Division and entry of final order approving this Motion.
Good Faith Finding	The proposed sale has been brought in good faith and has been negotiated on an "arms length" basis. The negotiations with the Buyer have resulted in an offer to sell the Estate's interest in the Property that will have substantial benefit. Accordingly, the sale is in good faith and should be approved. The Debtor shall request such a finding pursuant to Bankruptcy Code Section 363(m) at the hearing on this Sale Motion.

F. Approval of Payment to the Real Estate Professional is Proper

As is customary in connection with the sale of real property in this area, the Debtor has utilized the services of the NGKF Firm to assist in connection with the sale of the Property. The real estate commission of six percent will be divided equally between the Buyer's and the Debtor's agent and the six percent rate is reasonable and standard in the industry. Neither the Buyer's agent nor the agent for the Debtor is a creditor of the Estate and neither is an insider of the Debtor. The real estate professionals have provided valuable services by bringing this sale opportunity to the Debtor and the Debtor requests payment of the commission as part of this Motion.

The NGKF Firm and the Buyer's broker have agreed to each credit the Buyer \$10,000.00 from their brokerage fee to be used towards parking surface upgrades, or any other improvements the Buyer wishes to perform.

///

///

G. Approval of the Motion Serves the Best Interests of the Estate and Creditors

The Debtor believes that the proposed sale of the Property is the best means for maximizing the value of the Property for the Estate and creditors. Specifically, the proposed sale transaction will allow the Debtor to fully satisfy the claim of BofA and the County of Orange in full. As the Property is the Debtor's only asset, upon closing of the sale, the Debtor will seek to dismiss its bankruptcy case after paying creditors in full.

As set forth in the Nguyen Declaration, given the present state of the real estate market in Southern California, it is believed that the proposed sale of the Property for a purchase price of \$4,160,000.00 is fair and reasonable. Furthermore, as a result of the Debtor's financial condition, the only option available is an orderly sale of the Property. The benefits of the sale are tremendous. The sale is estimated to generate approximately \$1,940,398.38 as follows:

Purchase Price	\$4,160,000.00
<i>Less</i> payment to BofA of amounts due and owing under first priority deed of trust	(\$1,753,898.53)
<i>Less</i> payment of outstanding secured taxes owed to the County of Orange (per Claim No. 1)	(\$132,803.09)
<i>Less</i> : Cost of Sale (8%) (including real estate commissions)	(\$332,800.00)
Estimated Net Sale Proceeds	\$1,940,498.38

In essence, based on good business reasons, including the current real estate market and the economics of the Debtor's situation, it is in the best interest of the creditors of this Estate that the Motion be approved. Thus, good cause exists to grant the Motion so that the Debtor does not lose the favorable business opportunity.

III. ARGUMENT

A. The Court May Approve a Sale of When There is a Good Faith Purchaser

The Debtor, after notice and opportunity for hearing, may sell property of the Estate. Bankruptcy Code Section 363(b). The standards to establish are that there is a sound business purpose for the sale, that the sale is in the best interests of the estate, i.e., the sale is for a fair and reasonable price, that there is accurate and reasonable notice to creditors and that the sale is

made in good faith. *In re Wilde Horse Enterprises, Inc.*, 136 B.R. 830, 841 (Bankr. C.D. Cal. 1991); *In re Lionel Corp.*, 722 F.2d 1063, 1069 (2d Cir. 1983). Business justification would include the need to close a sale to one of very few serious bidders where an asset has been extensively shopped and a delay could jeopardize the transaction. *See, e.g., In re Crowthers McCall Pattner, Inc.*, 114 B.R. 877, 885 (Bankr. S.D.N.Y. 1990) (extreme difficulty finding a buyer justified merger when buyer found). The Debtor's proposed sale of the Property meets the foregoing criteria.

1. Sound Business Purpose

The Ninth Circuit in *In re Walter*, 83 B.R. 14 (Bankr. 9th Cir. 1988) has adopted a flexible, case by case test to determine whether the business purpose for a proposed sale justifies disposition of property of the estate under Section 363(b). In *Walter*, the Ninth Circuit, adopting the reasoning of the Fifth Circuit in *In re Continental Air Lines, Inc.*, 780 F.2d 1223 (5th Cir. 1986), and the Second Circuit in *In re Lionel Corp.*, 722 F.2d 1063 (2d Cir. 1983), set forth the following standard to be applied under Bankruptcy Code Section 363(b).

Whether the proffered business justification is sufficient depends on the case. As the Second Circuit held in *Lionel*, the bankruptcy judge should consider all salient factors pertaining to the proceeding and, accordingly, act to further the diverse interests of the debtor, creditors and equity holders, alike. He might, for example, look to such relevant factors as the proportionate value of the assets to the estate as a whole, the amount of lapsed time since the filing, the likelihood that a plan of reorganization will be proposed and confirmed in the near future, the effect of the proposed disposition on future plans of reorganization, the proceeds to be obtained from the disposition vis-a-vis any appraisals of the property, which of the alternatives of use, sale or lease the proposal envisions and, most importantly perhaps, whether the asset is increasingly or decreasing in value. This list is not intended to be exclusive, but merely to provide guidance to the bankruptcy judge.

Walter, supra, at 19-20 [quoting *In re Continental Air Lines, Inc.*, 780 F.2d 1223, 1226 (5th Cir. 1986)].

Here, the facts surrounding the sale of the Property support the Debtor's business decision that the proposed sale is in the best interest of the Estate and its creditors. The sale will

1 assist the Debtor in reducing claims against the Estate and generating unencumbered cash. If the
2 Court does not approve the sale transaction, the Debtor may lose the opportunity to sell the
3 Property and cause the Estate to incur additional expenses associated with administering the
4 Property and trying to find a new buyer if one could be found in the present real estate market.

5 Therefore, the Debtor respectfully submits that if this Court applies the good business
6 reason standard suggested by the Second Circuit in *Lionel*, the sale should be approved.

7 **2. The Sale Serves the Best Interests of the Estate and Creditors**

8 The Debtor believes that the proposed sale is the best available alternative for
9 maximizing the value of the Property for the Estate and creditors. The proposed sale will allow
10 the Debtor to fully satisfy the claims of BofA and the County of Orange. Moreover, as the
11 Property is the Debtor's only asset, upon closing of the sale, the Debtor will seek to dismiss its
12 bankruptcy case after paying creditors in full. As such, the Debtor believes that the interests of
13 creditors and the interest of its Estate would best be served if this Court approves the Motion. If
14 the sale is not approved, the Debtor will incur costs associated with administering the Property
15 and with trying to find a new buyer for the Property.

16 In summary, based on good business reasons, including the current real estate market and
17 the economics of the Debtor's situation, it is in the best interest of the creditors of this Estate that
18 this Motion be approved. Thus, good cause exists to grant the Motion so that the Debtor does
19 not lose the favorable business opportunity.

20 **3. Accurate and Reasonable Notice**

21 It is expected that notice of this Motion will satisfy the requirements for accurate and
22 reasonable notice and will be appropriate under the circumstances. The Debtor shall provide
23 notice of the proposed sale to all creditors. Notice of this Motion will be served on all creditors
24 and will include a summary of the terms and conditions of the proposed sale, the time fixed for
25 filing objections, and a general description of the property. The Debtor submits that the notice
26 requirements will have been satisfied, thereby allowing creditors and parties in interest an
27 opportunity to object to the sale. Hence, no further notice should be necessary.

4. The Sale is Made In Good Faith

The proposed sales have been brought in good faith and have been negotiated on an “arms length” basis.

The court, in *Wilde Horse Enterprises*, set forth the factors in considering whether a transaction is in good faith. The court stated:

‘Good faith’ encompasses fair value, and further speaks to the integrity of the transaction. Typical ‘bad faith’ or misconduct, would include collusion between the seller and buyer, or any attempt to take unfair advantage of other potential purchasers. . . . And, with respect to making such determinations, the court and creditors must be provided with sufficient information to allow them to take a position on the proposed sale. (citations omitted)

Id. at 842.

The Buyer is unrelated to the Debtor. The negotiation of the proposed sale was an arms-length transaction. The negotiations with the Buyer have resulted in an offer to sell that will have substantial benefit. As set forth in the Notice of the Sale Motion, the creditors will have been provided with sufficient notice of the sale. Accordingly, the sale is in good faith and should be approved. The Debtor requests such a finding pursuant to Bankruptcy Code Section 363(m).

B. Sale of the Property Free and Clear of Disputed Liens and Encumbrances Should be Permitted

Bankruptcy Code Section 363(f) allows a Chapter 11 debtor to sell property of the bankruptcy estate “free and clear of any interest in such property of an entity,” if any one of the following five conditions is met:

- (1) applicable non-bankruptcy law permits a sale of such property free and clear of such interest;
- (2) such entity consents;
- (3) such interest is a lien and the price at which such property is to be sold is greater than the aggregate value of all liens on such property;
- (4) such interest is in bona fide dispute; or

///

(5) such entity could be compelled, in a legal or equitable proceeding, to accept money satisfaction of such interest.

Bankruptcy Code Section 363(f).

Section 363(f) is written in the disjunctive and thus only one of the enumerated conditions needs to be satisfied for Court approval to be appropriate.

1. Section 363(f)(2) – Consent

The sale of Property is proper pursuant to Section 363(f)(2). The Debtor believes that secured creditors BofA and County of Orange will have no objection to the sale under the terms set forth herein as their liens will be satisfied.¹

2. Section 363(f)(4) – Bona Fide Dispute

In order to facilitate the sale of the Property, the Debtor desires to sell the Property free and clear of the disputed Liens and Encumbrances. Upon consummation of the sale, the disputed Liens and Encumbrances will be transferred with the same validity and priority to the net sale proceeds, pending resolution of the disputes by the Debtor, agreement of the Debtor and the lienholder, or through a confirmed plan of reorganization. Because the sale is justified by sound business reasons, and because any secured liens will transfer automatically to the net sale proceeds, the holders of the disputed Liens and Encumbrances ought to consent to the sale and thus allow the sale to go forward free and clear of the liens under 11 U.S.C. § 363(f)(2).

a. The Lien of Orange County Woodworks, Inc. is the Subject of a Bona Fide Dispute

As set forth in the Lien Declaration, the mechanic's lien recorded by Orange Woodworks, Inc. was satisfied more than eight years ago. The Debtor is in the process of requesting that this lien be released, discharged and terminated and submits that the proposed sale of the Property must be allowed to proceed free and clear of this lien.

///

¹ While the Debtor disputes the IRST termination fee assessed by BofA in the amount of \$427,741.65, the Debtor submits that there will be sufficient funds available from the net sale proceeds to pay any additional amount that may be due and owing to BofA under the IRST. *See, also*, discussion below.

b. The IRST and the Related Termination Fee Asserted by BofA is the
Subject of a Bona Fide Dispute

As set forth in the Lien Declaration, the Debtor believes that BofA attempted to take advantage of the Debtor, a business owned and operated by Vietnamese immigrants, by effectively taking the Property through foreclosure even though the Property had approximately \$1.9 million in equity. The Debtor believes that it may be able to challenge the enforceability of the IRST and the related termination fee. In addition, the Debtor's available causes of action against BofA may include, but are not limited to, (1) breach of contract, (2) predatory lending practices, (3) breach of the covenant of good faith and fair dealing, (4) unfair business practices, (5) negligence, and (7) fraud.

In order for a Chapter 11 debtor to successfully avoid termination damages under a swap agreement, the debtor generally must establish that the swap agreement itself is not enforceable under non-bankruptcy law. *Thrifty Oil Co. v. Bank of Am. Nat. Trust & Sav. Ass'n*, 322 F.3d 1039 (9th Cir. 2003). In *Thrifty Oil*, the Ninth Circuit delineates several examples of invalid swap agreements: a lender that does not maintain a swap portfolio; an unsophisticated borrower; non-standard swap documentations; artificially inflated swap pricing; or general evidence pointing toward a disguised transaction or subterfuge.

Here, the Debtor was an unsophisticated borrower managed by Vietnamese immigrants for whom English is a second language. The Debtor did not understand the provisions of the IRST at the time they executed it and while there was an earlier default declared by BofA in 2010 and a settlement entered into, the Debtor believed it had no choice but to execute additional agreements which purportedly ratified the IRST.

Based on the forgoing reasons, the Debtor believes that BofA's claim related to the IRST termination fee is subject to a bona fide dispute and submits that the proposed sale of the Property must be allowed to proceed free and clear of the portion of BofA's lien that includes the IRST termination fee.

///

c. The Sale of the Property Free and Clear of the Disputed Liens and
Encumbrances Should be Permitted Pursuant to Section 363(f)

Out of an abundance of caution, the Debtor seeks to sell the Property free and clear of all disputed Liens and Encumbrances with all disputed Liens and Encumbrances impacting the Property, if any, to be unconditionally released, discharged and terminated, and with any disputed Liens and Encumbrances not satisfied or resolved through the sale to attach only to the proceeds of the transaction with the same priority, validity, force and effect as they existed with respect to the Property before the closing of the sale pending further Court order or agreement with the parties.

Courts have approved sales under Bankruptcy Code Section 363(f) even where the sale price did not exceed the value of the liens asserted on the property so long as the sale is for fair market value. *In re Terrace Gardens Park Partnership*, 96 B.R. 707 (Bankr. W.D. Tex. 1989); *In re Beker Indus. Corp.*, 63 B.R. 474, 477 (Bankr. S.D.N.Y. 1986).

The Debtor does not believe it is prudent or necessary to resolve the disputes with holders of any disputed Liens and Encumbrances liens by Court order or judgment prior to the sale. The unresolved disputed Liens and Encumbrances, if any, would be subject to a bona fide dispute and the Bankruptcy Code provides for a means to sell free and clear of such interests. If the Estate is forced to wait for resolution of the disputes, if any, the Debtor may lose the opportunity to capitalize on the current interest from the Buyer and the Estate will have to expend further funds to administer the Property for sale, which will dilute the amount of funds available for the Estate.

As such, the sale should proceed now, with any claims or interests of disputed Liens and Encumbrances, if any, to attach to the proceeds. In this case, more than any other, where the asset is real estate that is subject to fluctuations in the current real estate market, interest rates and other factors that may significantly impact its value, it is absolutely essential for the Debtor to be able to quickly liquidate the Estate's interest in the Property for its maximum possible value. Resolution of the issues with regard to the claims of the holders of the disputed Liens and Encumbrances may likely take substantial time, effort and expense by the parties. That process

1 should not hinder, delay or in any way inhibit the Debtor's efforts to maximize the value of the
2 sale of Property.

3 Thus, the Debtor believes that approval for the sale free and clear of Liens and
4 Encumbrances pursuant to Bankruptcy Code Section 363(f)(4) in the manner provided herein is
5 appropriate.

6 **C. Request for Payment of Real Estate Commission**

7 Bankruptcy Code Section 328 allows employment of a professional person under Section
8 327 "on any reasonable terms and conditions of employment, including on a retainer, on an
9 hourly basis, on a fixed or percentage fee basis, or on a contingent fee basis." 11 U.S.C. §
10 328(a). Through this Motion, as provided in the Purchase Agreement, the Debtor seeks
11 authorization to pay a real estate broker commission (as they have agreed amongst themselves in
12 the Purchase Agreement) in the amount of six percent of the purchase price (or \$249,600.00).

13 It should be noted that the NGKF Firm and the Buyer's broker have agreed to each credit the
14 Buyer \$10,000.00 from their brokerage fee to be used towards parking surface upgrades, or any
15 other improvements the Buyer wishes to perform.

16 **D. The Court has Authority to Waive the Fourteen-Day Stay of Sale**

17 Federal Rule of Bankruptcy Procedure 6004(h) provides that "[a]n order authorizing the
18 use, sale or lease of property other than cash collateral is stayed until the expiration of fourteen
19 days after entry of the order, unless the Court orders otherwise."

20 The Debtor desires to close the sale on the Property as soon as practicable after entry of
21 an order approving the sale. In addition, the Buyer has requested that escrow on the sale close
22 within thirty days of the execution of the purchase and sale agreement. Accordingly, the Debtor
23 requests that the Court in the discretion provided it under Federal Rule of Bankruptcy Procedure
24 6004(h), waive the fourteen-day stay of the order granting this Motion and approving the sale.

25 ///

26 ///

27 ///

1 **IV. CONCLUSION**

2 Based upon the foregoing, the Debtor respectfully submits that good cause exists for
3 granting the Motion and the Debtor respectfully request that the Court enter an order as follows:

4 1. Authorizing the Debtor to sell the Property to the Buyer pursuant to the terms and
5 conditions set forth in the Purchase Agreement.

6 2. Authorizing the Debtor to sign any and all documents convenient and necessary in
7 pursuit of the sale of the Property pursuant to the Purchase Agreement, including but not limited
8 to any and all conveyances contemplated by the sale and such purchase and sale documents as
9 will be finalized and filed with the Court prior to the hearing on the Motion.

10 3. Approving the sale of the Property free and clear of the disputed Liens and
11 Encumbrances, including the disputed mechanic's lien in favor of Orange Woodworks, Inc. and
12 the disputed amount asserted by BofA related to the IRST termination fee, with all disputed
13 Liens and Encumbrances impacting the Property, to be unconditionally released, discharged and
14 terminated, and with any disputed Liens and Encumbrances not resolved through the sale to
15 attach only to the proceeds of the transaction with the same priority, validity, force and effect as
16 they existed with respect to the Property before the closing of the sale pending further Court
17 order or agreement with the parties.

18 4. Approving payment to BofA, less the disputed amount of the IRST termination
19 fee, and the County of Orange from the proceeds of the sale.

20 5. Authorizing the Debtor to pay from the proceeds of the sale of the Property all
21 reasonable and customary escrow fees, recording fees, title insurance premiums and closing costs
22 necessary and proper to close escrow.

23 6. Approving the payment of the real estate commission in the total amount not to
24 exceed six percent of the purchase price.

25 7. A determination by the Court that the Buyer is in good faith with respect to the
26 sale pursuant to Bankruptcy Code Section 363(m).

1 8. Waiving the fourteen-day stay of the order approving the sale of the Property
2 under Federal Rules of Bankruptcy Procedure 6004(h).

3 9. For such other and further relief as the Court deems just and proper under the
4 circumstances of this case.

5 Dated: November 23, 2016

Respectfully submitted,

6 **SHULMAN HODGES & BASTIAN LLP**

7 /s/ James C. Bastian, Jr.

8 James C. Bastian, Jr.

9 Proposed Attorneys for LKN Properties, Inc., Debtor and
Debtor in Possession

DECLARATION OF LIEN NGUYEN

I, Lien Nguyen, declare:

1. I am the President and 100% shareholder of LKN Properties, Inc. (“LKN” and/or the “Debtor”), and am the person responsible for the administration of the Debtor. Except for as otherwise noted below, I have personal knowledge of the facts set forth herein and could, if called as a witness, competently testify thereto. I am also personally familiar with, and am custodian of, the records of the Debtor as they pertain to the financial records set forth herein.

2. I make this Declaration in support of the Debtor’s Motion for Order: (1) Approving the Sale of the Real Property Free and Clear of Liens; (2) Approving and Authorizing the Debtor to Enter Into and Sign Such Agreement Necessary to Document the Sale; (3) Approving Payment of Real Estate Commission and Other Costs of Sale; and (4) Granting Other Related Relief (“Motion”). Unless other noted, capitalized terms herein have the meaning as set forth in the Motion.

3. The Debtor filed a petition under Chapter 11 of the Bankruptcy Code on September 6, 2016 and is continuing in the operation and management of its business as a debtor in possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code. This case qualifies as a single asset real estate case as that term is defined under 11 U.S.C. §101(51B).

4. The Debtor owns and operates the Property. The Property is a free standing professional building consisting of two office spaces totaling 16,000 square feet and is located in the “Irvine Spectrum 2” area of Irvine. In its Bankruptcy Schedules, the Debtor estimated the fair market value of the Property at \$3,840,000.00.

5. Attached hereto as **Exhibit “1”** is a Preliminary Title Report for the Property that sets forth all liens and encumbrances against the Property.

6. The Debtor received an offer from Gouvis Engineering to purchase the Property. Attached hereto as **Exhibit “2”** is a true and correct copy of the *Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate and Addendums* thereto for the transaction between the Debtor and the Buyer (“Purchase Agreement”).

7. The Preliminary Title Report reflects a Mechanics' lien recorded by Orange Woodworks, Inc. with the Orange County Recorder on November 19, 2008 as instrument number 2008-000541507 asserting an amount owing of \$6,834.50. I believe that this lien was satisfied by the Debtor more than eight years ago. The Debtor's real estate broker is working on requesting that this lien be released, discharged and terminated. However, out of an abundance of caution, the Debtor seeks to sell the Property free and clear of this lien, with such disputed lien to attach to the proceeds of the sale in the same validity and priority as prior to the sale pending agreement with the creditor or further Court order.

8. The Debtor disputes any portion of the lien asserted by BofA that includes the IRST termination fee. As the principal of the Debtor, and a Vietnamese immigrant, I believe that BofA attempted to take advantage of the Debtor, by effectively taking the Property through foreclosure even though the Property had approximately \$1.9 million in equity. The Debtor believes that it may be able to challenge the enforceability of the IRST and the related termination fee. In addition, the Debtor's available causes of action against BofA may include, but are not limited to, (1) breach of contract, (2) predatory lending practices, (3) breach of the covenant of good faith and fair dealing, (4) unfair business practices, (5) negligence, and (7) fraud.

9. At the time the Debtor purchased the Property and entered into the loan transaction with BofA, I did not understand or appreciate that there would be a substantial termination fee if the loan was paid early. Further, I did not understand the elaborate formula which apparently was used to calculate what the termination fee might be and how the interest rate was calculated. Having done prior loan transactions related to the purchase of real property, I believed that the interest rate was based on a simple calculation of the prime rate of interest plus an additional percentage.

10. As the principal of the Debtor, I did not understand the provisions of the IRST at the time it was executed and while there was an earlier default declared by BofA in 2010 and a settlement entered into, the Debtor believed it had no choice but to execute additional

1 agreements which purportedly ratified the IRST. Based on the forgoing reasons, the Debtor
2 believes that BofA's claim related to the IRST termination fee is subject to a bona fide dispute
3 and submits that the proposed sale of the Property must be allowed to proceed free and clear of
4 the portion of BofA's lien that includes the IRST termination fee.

5 11. Based on good business reasons, including the current real estate market and the
6 economics of the Debtor's situation, it is in the best interest of the creditors of this Estate that the
7 Motion be approved. Thus, good cause exists to grant the Motion so that we do not lose the
8 favorable business opportunity.

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

11 Executed on November 23, 2016, at Irvine, California.

12
13 
14 _____
15 Lien Nguyen
16
17
18
19
20
21
22
23
24
25
26
27
28

EXHIBIT “1”

Preliminary Title Report



First American Title Company
National Commercial Services
18500 Von Karman Ave, Suite 600
Irvine, CA 92612

November 10, 2016

Joe Woodka
Newmark Grubb Knight Frank
4675 Macarthur Ct Ste 1600
Newport Beach , CA 92660
Phone: (949)608-2000
Fax: (949)608-2003

Title Officer:	Edward Luque	Title Assistant:	Candyce Vega
Phone:	(949)885-2407	Phone:	(949)885-2443
Email:	eluque@firstam.com	Email:	CVega@firstam.com

Order Number: NCS-822240-SA1

Escrow Officer:	Nathan Thompson
Phone:	(949)885-2473
Email:	nathompson@firstam.com

Property: 15 Studebaker and 1 Bendix, Irvine, CA

Attached please find the following item(s):

Commitment

Thank You for your confidence and support. We at First American Title Insurance Company maintain the fundamental principle:

Customer First!

First American Title Insurance Company
INFORMATION

The Title Insurance Commitment is a legal contract between you and the company. It is issued to show the basis on which we will issue a Title Insurance Policy to you. The Policy will insure you against certain risks to the land title, subject to the limitations shown in the policy.

The Company will give you a sample of the Policy form, if you ask.

The Commitment is based on the land title as of the Commitment Date. Any changes in the land title or the transaction may affect the Commitment and the Policy.

The Commitment is subject to its Requirements, Exceptions and Conditions.

This information is not part of the title insurance commitment.

TABLE OF CONTENTS

	Page
Agreement to Issue Policy	3
Schedule A	
1. Commitment Date	4
2. Policies to be Issued, Amounts and Proposed Insured	4
3. Interest in the Land and Owner	4
4. Description of the Land	4
Schedule B-1 - Requirements	
Schedule B-2 - Exceptions	
Conditions	

YOU SHOULD READ THE COMMITMENT VERY CAREFULLY.
If you have any questions about the Commitment,
please contact the issuing office.

EXHIBIT "1"

COMMITMENT FOR TITLE INSURANCE

Issued by

First American Title Insurance Company

Agreement to Issue Policy

We agree to issue a policy to you according to the terms of this Commitment.

When we show the policy amount and your name as the proposed insured in Schedule A, this Commitment becomes effective as of the Commitment Date shown in Schedule A.

If the Requirements shown in this Commitment have not been met within six months after the Commitment Date, our obligation under this Commitment will end. Also, our obligation under this Commitment will end when the Policy is issued and then our obligation to you will be under the Policy.

Our obligation under this Commitment is limited by the following:

The Provisions in Schedule A.

The Requirements in Schedule B-1.

The Exceptions in Schedule B-2.

The Conditions.

This Commitment is not valid without Schedule A and Sections 1 and 2 of Schedule B.

EXHIBIT "1"

SCHEDULE A

1. Commitment Date: November 02, 2016 at 7:30 A.M.
2. Policy or Policies to be issued: Amount

(A) ALTA Owner's Policy \$4,160,000.00
ALTA Extended Owner Policy

Proposed Insured:

15 Studebaker, LLC, a California limited liability company

(B) ALTA Loan Policy \$To Be Determined
ALTA Extended Loan Policy

Proposed Insured:

To Be Determined
3. (A) The estate or interest in the land described in this Commitment is:

FEE

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

LKN PROPERTIES, A CALIFORNIA CORPORATION, subject to proceedings pending in the Bankruptcy Court of the Central District of the U. S. District Court, Orange (Santa Ana) entitled in re: LKN PROPERTIES, INC., A CALIFORNIA CORPORATION, debtor, Case No. 8:16-bk-13734-CB, and as evidenced by document recorded September 12, 2016 as Instrument No. [2016000437620](#), wherein a petition for relief was filed on September 06, 2016.
4. The land referred to in this Commitment is situated in the City of Irvine, County of Orange, State of California, and is described as follows:

PARCEL 32, AS SHOWN ON A MAP FILED IN [BOOK 134, PAGES 27 THROUGH 36](#) INCLUSIVE OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF ORANGE COUNTY, CALIFORNIA.

EXCEPTING ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE PARCEL OF LAND HEREINABOVE DESCRIBED, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFOR AND STORING IN AND REMOVING THE SAME FROM SAID LAND OR ANY OTHER LAND, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM LANDS OTHER THAN THOSE HEREINABOVE DESCRIBED, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE LAND HEREINABOVE DESCRIBED, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ON SUCH WELLS OR MINES WITHOUT, HOWEVER, THE RIGHT

EXHIBIT "1"

TO DRILL, MINE, STORE, EXPLORE OR OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE LAND HEREINABOVE DESCRIBED, AS RESERVED BY THE IRVINE COMPANY IN DEED RECORDED JULY 10, 1984 AS INSTRUMENT NO. [84-282510](#) OF OFFICIAL RECORDS.

ALSO EXCEPTING THEREFROM ANY AND ALL WATER, RIGHTS OR INTERESTS THEREIN, NO MATTER HOW ACQUIRED BY GRANTOR, AND OWNED OR USED BY GRANTOR IN CONNECTION WITH OR WITH RESPECT TO THE LAND, TOGETHER WITH THE RIGHT AND POWER TO EXPLORE, DRILL, REDRILL, REMOVE AND STORE THE SAME FROM THE LAND OR TO DIVERT OR OTHERWISE UTILIZE SUCH WATER, RIGHTS OR INTEREST ON ANY OTHER PROPERTY OWNED OR LEASED BY GRANTOR, WHETHER SUCH WATER RIGHTS SHALL BE RIPARIAN, OVERLYING, APPROPRIATIVE, LITTORAL, PERCOLATING, PRESCRIPTIVE, ADJUDICATED, STATUTORY OR CONTRACTUAL, BUT WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF THE LAND IN THE EXERCISE OF SUCH RIGHTS, AS RESERVED BY THE IRVINE COMPANY IN DEED RECORDED JULY 10, 1984 AS INSTRUMENT NO. [84-282510](#) OF OFFICIAL RECORDS.

APN: 591-023-01

EXHIBIT "1"

SCHEDULE B

SECTION ONE REQUIREMENTS

The following requirements must be met:

- (A) Pay the agreed amounts for the interest in the land and/or the mortgage to be insured.
- (B) Pay us the premiums, fees and charges for the policy.
- (C) Documents satisfactory to us creating the interest in the land and/or the mortgage to be insured must be signed, delivered and recorded.
- (D) You must tell us in writing the name of anyone not referred to in this Commitment who will get an interest in the land or who will make a loan on the land. We may then make additional requirements or exceptions.
- (E) Releases(s) or Reconveyance(s) of Item(s): 10 and 11
- (F) Other: None
- (G) You must give us the following information:
 - 1. Any off record leases, surveys, etc.
 - 2. Statement(s) of Identity, all parties.
 - 3. Other: None

The following additional requirements, as indicated by "X", must be met:

- ☒ (H) Provide information regarding any off-record matters, which may include, but are not limited to: leases, recent works of improvement, or commitment statements in effect under the Environmental Responsibility Acceptance Act, Civil Code Section 850, et seq.

The Company's Owner's Affidavit form (as provided by company) must be completed and submitted prior to close in order to satisfy this requirement. This Commitment will then be subject to such further exceptions and/or requirements as may be deemed necessary.

- ☒ (I) An ALTA/NSPS survey of recent date, which complies with the current minimum standard detail requirements for ALTA/NSPS land title surveys, must be submitted to the Company for review. This Commitment will then be subject to such further exceptions and/or requirements as may be deemed necessary.
- ☐ (J) The following LLC documentation is required:
 - (i) a copy of the Articles of Organization
 - (ii) a copy of the Operating Agreement, if applicable
 - (iii) a Certificate of Good Standing and/or other evidence of current Authority to Conduct Business within the State
 - (iv) express Company Consent to the current transaction

EXHIBIT "1"

- ☐ (K) The following partnership documentation is required :
- (i) a copy of the partnership agreement, including all applicable amendments thereto
 - (ii) a Certificate of Good Standing and/or other evidence of current Authority to Conduct Business within the State
 - (iii) express Partnership Consent to the current transaction
- ☒ (L) The following corporation documentation is required:
- (i) a copy of the Articles of Incorporation
 - (ii) a copy of the Bylaws, including all applicable Amendments thereto
 - (iii) a Certificate of Good Standing and/or other evidence of current Authority to Conduct Business within the State
 - (iv) express Corporate Resolution consenting to the current transaction
- ☒ (M) Based upon the Company's review of that certain partnership/operating agreement dated **Not disclosed** for the proposed insured herein, the following requirements must be met:
- Any further amendments to said agreement must be submitted to the Company, together with an affidavit from one of the general partners or members stating that it is a true copy, that said partnership or limited liability company is in full force and effect, and that there have been no further amendments to the agreement. This Commitment will then be subject to such further requirements as may be deemed necessary.
- ☐ (N) A copy of the complete lease, as referenced in Schedule A, #3 herein, together with any amendments and/or assignments thereto, must be submitted to the Company for review, along with an affidavit executed by the present lessee stating that it is a true copy, that the lease is in full force and effect, and that there have been no further amendments to the lease. This Commitment will then be subject to such further requirements as may be deemed necessary.
- ☒ (O) Approval from the Company's Underwriting Department must be obtained for issuance of the policy contemplated herein and any endorsements requested thereunder. This Commitment will then be subject to such further requirements as may be required to obtain such approval.
- ☒ (P) Potential additional requirements, if ALTA Extended coverage is contemplated hereunder, and work on the land has commenced prior to close, some or all of the following requirements, and any other requirements which may be deemed necessary, may need to be met:
- ☒ (Q) The Company's "Indemnity Agreement I" must be executed by the appropriate parties.
- ☒ (R) Financial statements from the appropriate parties must be submitted to the Company for review.
- ☒ (S) A copy of the construction contract must be submitted to the Company for review.
- ☒ (T) An inspection of the land must be performed by the Company for verification of the phase of construction.
- ☒ (U) The Company's "Mechanic's Lien Risk Addendum" form must be completed by a Company employee, based upon information furnished by the appropriate parties involved.

EXHIBIT "1"

SCHEDULE B

SECTION TWO

EXCEPTIONS

Any policy we issue will have the following exceptions unless they are taken care of to our satisfaction. The printed exceptions and exclusions from the coverage of the policy or policies are set forth in Exhibit A attached. Copies of the policy forms should be read. They are available from the office which issued this Commitment.

1. General and special taxes and assessments for the fiscal year 2016-2017.

First Installment:	\$18,897.04, OPEN
Penalty:	\$0.00
Second Installment:	\$18,897.04, OPEN
Penalty:	\$0.00
Tax Rate Area:	26-059
A. P. No.:	591-023-01
2. The lien of defaulted taxes for the fiscal year 2014-2015, and any subsequent delinquencies.

Tax Rate Area:	26-059
A. P. No.:	591-023-01
Amount to redeem:	\$93,441.87
Valid through:	NOVEMBER 2016
Amount to redeem:	\$94,550.00
Valid through:	DECEMBER 2016

Please contact the tax office to verify the payoff amount.
3. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.
4. An easement shown or dedicated on the map of Parcel Map recorded June 14, 1979 and on file in [Book 134, Page 27-36](#), of Parcel Maps.
For: Slope and incidental purposes.
5. The terms and provisions contained in the document entitled "Application to and Agreement with the Irvine Ranch Water District for Water Service for Sanitary Sewer Service and for Reclaimed Water Service" recorded July 23, 1980 as [Book 13673, Page 1685](#) of Official Records.
6. An easement for underground telephone, telegraph and communication structures and incidental purposes, recorded August 07, 1981 as [Book 14173, Page 490](#) of Official Records.

In Favor of:	Pacific Telephone and Telegraph Company, a Corporation
Affects:	as described therein

EXHIBIT "1"

7. Covenants, conditions, restrictions, easements, assessments, liens, charges, terms and provisions in the document recorded January 11, 1984 as Instrument No. [84-14634](#) of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, national origin, sexual orientation, marital status, ancestry, source of income or disability, to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

Document(s) declaring modifications thereof recorded September 12, 2003 as Instrument No. [2003001123419](#) and re-recorded September 26, 2003 as Instrument No. [2003001182426](#) of Official Records.

8. An easement for installation, emplacement, operation and maintenance of electric, gas, telephone, cable television, water, sanitary sewer lines, drainage facilities and incidental purposes, recorded July 10, 1984 as Instrument No. [84-282510](#) of Official Records.

In Favor of: Irvine Company
Affects: as described therein

9. A declaration of special land use restrictions, abatement lien, mortgage lien and option to repurchase dated May 23, 1984 by and between The Irvine Company, a Michigan corporation and Oak Street Property, a California general partnership, recorded July 10, 1984 as Instrument No. [84-282509](#) of Official Records

A document recorded September 13, 2007 as INSTRUMENT NO. [2007000562344](#) of Official Records provides that the above document was subordinated to the document recorded September 13, 2007 as INSTRUMENT NO. [2007000562343](#) of Official Records.

10. A deed of trust to secure an original indebtedness of \$2,200,000.00 recorded September 13, 2007 as INSTRUMENT NO. [2007000562343](#) of Official Records.

Dated: September 07, 2007
Trustor: LKN PROPERTIES, INC.
Trustee: PRLAP, INC.
Beneficiary: BANK OF AMERICA, N.A., A NATIONAL BANKING ASSOCIATION

A document recorded June 08, 2010 as INSTRUMENT NO. [2010000267293](#) of Official Records provides that the deed of trust or the obligation secured thereby has been modified.

A document recorded May 04, 2016 as INSTRUMENT NO. [2016000197741](#) of Official Records provides that FIRST AMERICAN TITLE INSURANCE COMPANY was substituted as trustee under the deed of trust.

A notice of default recorded May 04, 2016 as INSTRUMENT NO. [2016000197742](#) of Official Records.

A notice of trustee's sale recorded August 05, 2016 as INSTRUMENT NO. [2016000361997](#) of Official Records.

EXHIBIT "1"

11. A claim of lien recorded November 19, 2008 as INSTRUMENT NO. [2008000541507](#) of Official Records.
Lien claimant: ORANGE WOODWORKS, INC
Amount: \$6,834.50

Notice of pendency of action recorded March 04, 2009 as Instrument No. [2009000101198](#) of Official Records.

Court: SUPERIOR COURT OF THE STATE OF CALIFORNIA FOR THE COUNTY OF ORANGE, HARBOR JUSTICE CENTER NEWPORT BEACH FACILITY
Case No.: 30-2009-00244644
Plaintiff: ORANGE WOODWORKS, INC., A CALIFORNIA CORPORATION
Defendant: LKN PROPERTIES, INC., A CALIFORNIA CORPORATION; LDB + ASSOCIATES, INC., A CALIFORNIA CORPORATION DBA LDB & ASSOCIATES, INC.; LDB INCORPORATED, AN UNKNOWN BUSINESS ENTITY; AND DOES 1 THROUGH 25 INCLUSIVE
Purpose: Foreclosure of a mechanics' lien.

12. Any statutory lien for labor or materials arising by reason of a work of improvement, as disclosed by a document recorded November 19, 2008 as INSTRUMENT NO. [2008000541507](#) of Official Records.
13. Proceedings pending in the Bankruptcy Court of the Central District of the U.S. District Court, Orange (Santa Ana) , entitled in re: LKN PROPERTIES, INC., A CALIFORNIA CORPORATION, debtor, Case No. 8:16-bk-13734-CB, and as evidenced by document recorded September 12, 2016 as Instrument No. [2016000437620](#), wherein a petition for relief was filed on September 06, 2016.
14. Water rights, claims or title to water, whether or not shown by the public records.
15. Any facts, rights, interests or claims which would be disclosed by a correct ALTA/NSPS survey.
16. Rights of parties in possession.

EXHIBIT "1"

INFORMATIONAL NOTES

1. According to the latest available equalized assessment roll in the office of the county tax assessor, there is located on the land a(n) Commercial Structure known as 15 STUDEBAKER, IRVINE, CA.
2. According to the public records, there has been no conveyance of the land within a period of twenty-four months prior to the date of this report, except as follows:

None
3. This preliminary report/commitment was prepared based upon an application for a policy of title insurance that identified land by street address or assessor's parcel number only. It is the responsibility of the applicant to determine whether the land referred to herein is in fact the land that is to be described in the policy or policies to be issued.

The map attached, if any, may or may not be a survey of the land depicted hereon. First American Title Insurance Company expressly disclaims any liability for loss or damage which may result from reliance on this map except to the extent coverage for such loss or damage is expressly provided by the terms and provisions of the title insurance policy, if any, to which this map is attached.

******To obtain wire instructions for deposit of funds to your escrow file please contact your Escrow Officer.******

EXHIBIT "1"

CONDITIONS

1. DEFINITIONS

(a)"Mortgage" means mortgage, deed of trust or other security instrument.

(b)"Public Records" means title records that give constructive notice of matters affecting the title according to the state law where the land is located.

2. LATER DEFECTS

The Exceptions in Schedule B - Section Two may be amended to show any defects, liens or encumbrances that appear for the first time in the public records or are created or attached between the Commitment Date and the date on which all of the Requirements (a) and (c) of Schedule B - Section One are met. We shall have no liability to you because of this amendment.

3. EXISTING DEFECTS

If any defects, liens or encumbrances existing at Commitment Date are not shown in Schedule B, we may amend Schedule B to show them. If we do amend Schedule B to show these defects, liens or encumbrances, we shall be liable to you according to Paragraph 4 below unless you knew of this information and did not tell us about it in writing.

4. LIMITATION OF OUR LIABILITY

Our only obligation is to issue to you the Policy referred to in this Commitment, when you have met its Requirements. If we have any liability to you for any loss you incur because of an error in this Commitment, our liability will be limited to your actual loss caused by your relying on this Commitment when you acted in good faith to:

comply with the Requirements shown in Schedule B - Section One

or

eliminate with our written consent any Exceptions shown in Schedule B - Section Two.

We shall not be liable for more than the Policy Amount shown in Schedule A of this Commitment and our liability is subject to the terms of the Policy form to be issued to you.

5. CLAIMS MUST BE BASED ON THIS COMMITMENT

Any claim, whether or not based on negligence, which you may have against us concerning the title to the land must be based on this commitment and is subject to its terms.

EXHIBIT "1"



First American Title

Privacy Information

We Are Committed to Safeguarding Customer Information

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

Applicability

This Privacy Policy governs our use of the information that you provide to us. It does not govern the manner in which we may use information we have obtained from any other source, such as information obtained from a public record or from another person or entity. First American has also adopted broader guidelines that govern our use of personal information regardless of its source. First American calls these guidelines its Fair Information Values.

Types of Information

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

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

Use of Information

We request information from you for our own legitimate business purposes and not for the benefit of any nonaffiliated party. Therefore, we will not release your information to nonaffiliated parties except: (1) as necessary for us to provide the product or service you have requested of us; or (2) as permitted by law. We may, however, store such information indefinitely, including the period after which any customer relationship has ceased. Such information may be used for any internal purpose, such as quality control efforts or customer analysis. We may also provide all of the types of nonpublic personal information listed above to one or more of our affiliated companies. Such affiliated companies include financial service providers, such as title insurers, property and casualty insurers, and trust and investment advisory companies, or companies involved in real estate services, such as appraisal companies, home warranty companies and escrow companies. Furthermore, we may also provide all the information we collect, as described above, to companies that perform marketing services on our behalf, on behalf of our affiliated companies or to other financial institutions with whom we or our affiliated companies have joint marketing agreements.

Former Customers

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

Confidentiality and Security

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

Information Obtained Through Our Web Site

First American Financial Corporation is sensitive to privacy issues on the Internet. We believe it is important you know how we treat the information about you we receive on the Internet.

In general, you can visit First American or its affiliates' Web sites on the World Wide Web without telling us who you are or revealing any information about yourself. Our Web servers collect the domain names, not the e-mail addresses, of visitors. This information is aggregated to measure the number of visits, average time spent on the site, pages viewed and similar information. First American uses this information to measure the use of our site and to develop ideas to improve the content of our site.

There are times, however, when we may need information from you, such as your name and email address. When information is needed, we will use our best efforts to let you know at the time of collection how we will use the personal information. Usually, the personal information we collect is used only by us to respond to your inquiry, process an order or allow you to access specific account/profile information. If you choose to share any personal information with us, we will only use it in accordance with the policies outlined above.

Business Relationships

First American Financial Corporation's site and its affiliates' sites may contain links to other Web sites. While we try to link only to sites that share our high standards and respect for privacy, we are not responsible for the content or the privacy practices employed by other sites.

Cookies

Some of First American's Web sites may make use of "cookie" technology to measure site activity and to customize information to your personal tastes. A cookie is an element of data that a Web site can send to your browser, which may then store the cookie on your hard drive.

FirstAm.com uses stored cookies. The goal of this technology is to better serve you when visiting our site, save you time when you are here and to provide you with a more meaningful and productive Web site experience.

Fair Information Values

Fairness We consider consumer expectations about their privacy in all our businesses. We only offer products and services that assure a favorable balance between consumer benefits and consumer privacy.

Public Record We believe that an open public record creates significant value for society, enhances consumer choice and creates consumer opportunity. We actively support an open public record and emphasize its importance and contribution to our economy.

Use We believe we should behave responsibly when we use information about a consumer in our business. We will obey the laws governing the collection, use and dissemination of data.

Accuracy We will take reasonable steps to help assure the accuracy of the data we collect, use and disseminate. Where possible, we will take reasonable steps to correct inaccurate information. When, as with the public record, we cannot correct inaccurate information, we will take all reasonable steps to assist consumers in identifying the source of the erroneous data so that the consumer can secure the required corrections.

Education We endeavor to educate the users of our products and services, our employees and others in our industry about the importance of consumer privacy. We will instruct our employees on our fair information values and on the responsible collection and use of data. We will encourage others in our industry to collect and use information in a responsible manner.

Security We will maintain appropriate facilities and systems to protect against unauthorized access to and corruption of the data we maintain.

EXHIBIT A
LIST OF PRINTED EXCEPTIONS AND EXCLUSIONS (BY POLICY TYPE)

1. CALIFORNIA LAND TITLE ASSOCIATION STANDARD COVERAGE POLICY - 1990
SCHEDULE B

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records. Proceedings by a public agency which may result in taxes or assessments, or notice of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the public records.

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
(a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
(b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
(c) resulting in no loss or damage to the insured claimant;
(d) attaching or created subsequent to Date of Policy; or
(e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage or for the estate or interest insured by this policy.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with applicable "doing business" laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by their policy or the transaction creating the interest of the insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors' rights laws.

2. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY FORM B - 1970
SCHEDULE OF EXCLUSIONS FROM COVERAGE

1. Any law, ordinance or governmental regulation (including but not limited to building and zoning ordinances) restricting or regulating or prohibiting the occupancy, use or enjoyment of the land, or regulating the character, dimensions or location of any improvement now or hereafter erected on the land, or prohibiting a separation in ownership or a reduction in the dimensions of area of the land, or the effect of any violation of any such law, ordinance or governmental regulation.
2. Rights of eminent domain or governmental rights of police power unless notice of the exercise of such rights appears in the public records at Date of Policy.
3. Defects, liens, encumbrances, adverse claims, or other matters (a) created, suffered, assumed or agreed to by the insured claimant; (b) not known to the Company and not shown by the public records but known to the insured claimant either at Date of Policy or at the date such claimant acquired an estate or interest insured by this policy and not disclosed in writing by the insured claimant to the Company prior to the date such insured claimant became an insured hereunder; (c) resulting in no loss or damage to the insured claimant; (d) attaching or created subsequent to Date of Policy; or (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.

3. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY FORM B - 1970
WITH REGIONAL EXCEPTIONS

When the American Land Title Association policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 2 above are used and the following exceptions to coverage appear in the policy.

EXHIBIT "1"

This policy does not insure against loss or damage by reason of the matters shown in parts one and two following:

Part One

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.
3. Easements, claims of easement or encumbrances which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by public records.
5. Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water.
6. Any lien, or right to a lien, for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the public records.

**4. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 1970
WITH A.L.T.A. ENDORSEMENT FORM 1 COVERAGE
SCHEDULE OF EXCLUSIONS FROM COVERAGE**

1. Any law, ordinance or governmental regulation (including but not limited to building and zoning ordinances) restricting or regulating or prohibiting the occupancy, use or enjoyment of the land, or regulating the character, dimensions or location of any improvement now or hereafter erected on the land, or prohibiting a separation in ownership or a reduction in the dimensions or area of the land, or the effect of any violation of any such law ordinance or governmental regulation.
2. Rights of eminent domain or governmental rights of police power unless notice of the exercise of such rights appears in the public records at Date of Policy.
3. Defects, liens, encumbrances, adverse claims, or other matters (a) created, suffered, assumed or agreed to by the insured claimant, (b) not known to the Company and not shown by the public records but known to the insured claimant either at Date of Policy or at the date such claimant acquired an estate or interest insured by this policy or acquired the insured mortgage and not disclosed in writing by the insured claimant to the Company prior to the date such insured claimant became an insured hereunder, (c) resulting in no loss or damage to the insured claimant; (d) attaching or created subsequent to Date of Policy (except to the extent insurance is afforded herein as to any statutory lien for labor or material or to the extent insurance is afforded herein as to assessments for street improvements under construction or completed at Date of Policy).
4. Unenforceability of the lien of the insured mortgage because of failure of the insured at Date of Policy or of any subsequent owner of the indebtedness to comply with applicable "doing business" laws of the state in which the land is situated.

**5. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 1970
WITH REGIONAL EXCEPTIONS**

When the American Land Title Association Lenders Policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy, the exclusions set forth in paragraph 4 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

This policy does not insure against loss or damage by reason of the matters shown in parts one and two following:

Part One

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.
3. Easements, claims of easement or encumbrances which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by public records.
5. Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water.
6. Any lien, or right to a lien, for services, labor or material theretofore or hereafter furnished, imposed by law and not shown by the public records.

**6. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 1992
WITH A.L.T.A. ENDORSEMENT FORM 1 COVERAGE
EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy;
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.

EXHIBIT "1"

2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims, or other matters:
 - (a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy (except to the extent that this policy insures the priority of the lien of the insured mortgage over any statutory lien for services, labor or material or the extent insurance is afforded herein as to assessments for street improvements under construction or completed at date of policy); or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with the applicable "doing business" laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any statutory lien for services, labor or materials (or the claim of priority of any statutory lien for services, labor or materials over the lien of the insured mortgage) arising from an improvement or work related to the land which is contracted for and commenced subsequent to Date of Policy and is not financed in whole or in part by proceeds of the indebtedness secured by the insured mortgage which at Date of Policy the insured has advanced or is obligated to advance.
7. Any claim, which arises out of the transaction creating the interest of the mortgagee insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
 - (i) the transaction creating the interest of the insured mortgagee being deemed a fraudulent conveyance or fraudulent transfer; or
 - (ii) the subordination of the interest of the insured mortgagee as a result of the application of the doctrine of equitable subordination; or
 - (iii) the transaction creating the interest of the insured mortgagee being deemed a preferential transfer except where the preferential transfer results from the failure:
 - (a) to timely record the instrument of transfer; or
 - (b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

7. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 1992 WITH REGIONAL EXCEPTIONS

When the American Land Title Association policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 6 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.
3. Easements, claims of easement or encumbrances which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by public records.
5. Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water.
6. Any lien, or right to a lien, for services, labor or material theretofore or hereafter furnished, imposed by law and not shown by the public records.

8. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY - 1992 EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1.
 - (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
 - (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims, or other matters:
 - (a) created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy; or

EXHIBIT "1"

- (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.
4. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
- (i) the transaction creating the estate or interest insured by this policy being deemed a fraudulent conveyance or fraudulent transfer; or
 - (ii) the transaction creating the estate or interest insured by this policy being deemed a preferential transfer except where the preferential transfer results from the failure:
 - (a) to timely record the instrument of transfer; or
 - (b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

**9. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY - 1992
WITH REGIONAL EXCEPTIONS**

When the American Land Title Association policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 8 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:
Part One:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.
3. Easements, claims of easement or encumbrances which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by public records.
5. Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water.
6. Any lien, or right to a lien, for services, labor or material theretofore or hereafter furnished, imposed by law and not shown by the public records.

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

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

1. Governmental police power, and the existence or violation of any law or government regulation. This includes building and zoning ordinances and also laws and regulations concerning:
 - (a) and use
 - (b) improvements on the land
 - (c) and division
 - (d) environmental protection

This exclusion does not apply to violations or the enforcement of these matters which appear in the public records at Policy Date.

This exclusion does not limit the zoning coverage described in Items 12 and 13 of Covered Title Risks.

2. The right to take the land by condemning it, unless:
 - (a) a notice of exercising the right appears in the public records on the Policy Date
 - (b) the taking happened prior to the Policy Date and is binding on you if you bought the land without knowing of the taking
3. Title Risks:
 - (a) that are created, allowed, or agreed to by you
 - (b) that are known to you, but not to us, on the Policy Date -- unless they appeared in the public records
 - (c) that result in no loss to you
 - (d) that first affect your title after the Policy Date -- this does not limit the labor and material lien coverage in Item 8 of Covered Title Risks
4. Failure to pay value for your title.
5. Lack of a right:
 - (a) to any land outside the area specifically described and referred to in Item 3 of Schedule A OR
 - (b) in streets, alleys, or waterways that touch your land

This exclusion does not limit the access coverage in Item 5 of Covered Title Risks.

11. EAGLE PROTECTION OWNER'S POLICY

**CLTA HOMEOWNER'S POLICY OF TITLE INSURANCE - 1998
ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE - 1998**

Covered Risks 14 (Subdivision Law Violation). 15 (Building Permit). 16 (Zoning) and 18 (Encroachment of boundary walls or fences) are subject to Deductible Amounts and Maximum Dollar Limits of Liability

EXHIBIT "I"

EXCLUSIONS

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

1. Governmental police power, and the existence or violation of any law or government regulation. This includes ordinances, laws and regulations concerning:
 - a. building
 - b. zoning
 - c. land use
 - d. improvements on the land
 - e. land division
 - f. environmental protectionThis exclusion does not apply to violations or the enforcement of these matters if notice of the violation or enforcement appears in the Public Records at the Policy Date.
This exclusion does not limit the coverage described in Covered Risk 14, 15, 16, 17 or 24.
2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not apply to violations of building codes if notice of the violation appears in the Public Records at the Policy Date.
3. The right to take the Land by condemning it, unless:
 - a. a notice of exercising the right appears in the Public Records at the Policy Date; or
 - b. the taking happened before the Policy Date and is binding on You if You bought the Land without Knowing of the taking.
4. Risks:
 - a. that are created, allowed, or agreed to by You, whether or not they appear in the Public Records;
 - b. that are Known to You at the Policy Date, but not to Us, unless they appear in the Public Records at the Policy Date;
 - c. that result in no loss to You; or
 - d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.d, 22, 23, 24 or 25.
5. Failure to pay value for Your Title.
6. Lack of a right:
 - a. to any Land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
 - b. in streets, alleys, or waterways that touch the Land.This exclusion does not limit the coverage described in Covered Risk 11 or 18.

12. THIRD GENERATION EAGLE LOAN POLICY AMERICAN LAND TITLE ASSOCIATION EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (1/01/08)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to (i) the occupancy, use, or enjoyment of the Land; (ii) the character, dimensions, or location of any improvement erected on the Land; (iii) the subdivision of land; or (iv) environmental protection; or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
(b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 16, 17, 18, 19, 20, 21, 22, 23, 24, 27 or 28); or
 - (e) resulting in loss or damage which would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury, or any consumer credit protection or truth-in-lending law. This Exclusion does not modify or limit the coverage provided in Covered Risk 26.
6. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to Advances or modifications made after the Insured has Knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching subsequent to Date of Policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11(b) or 25.
8. The failure of the residential structure, or any portion of it, to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This Exclusion does not modify or limit the coverage provided in Covered Risk 5 or 6.

13. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 2006 EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or

EXHIBIT "1"

expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

14. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 2006 WITH REGIONAL EXCEPTIONS

When the American Land Title Association policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 13 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.

15. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY - 2006 EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection; or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.

EXHIBIT "1"

- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risks 9 and 10); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.
4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors rights laws, that the transaction vesting the Title as shown in Schedule A, is
 - (a) a fraudulent conveyance or fraudulent transfer; or
 - (b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

**16. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY - 2006
WITH REGIONAL EXCEPTIONS**

When the American Land Title Association policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 15 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.

EXHIBIT "1"

EXHIBIT “2”

Purchase Agreement



**STANDARD OFFER, AGREEMENT AND ESCROW
INSTRUCTIONS FOR PURCHASE OF REAL ESTATE**
(Non-Residential)

AIR Commercial Real Estate Association

November 1, 2016

(Date for Reference Purposes)

1. Buyer.

1.1 15 Studebaker, LLC, or assignee ("Buyer") hereby offers to purchase the real property, hereinafter described, from the owner thereof ("Seller") (collectively, the "Parties" or individually, a "Party"), through an escrow ("Escrow") to close ~~30 or no later than 60~~ days after Date of Agreement, defined below the ~~waker or expiration of the Buyer's Contingencies~~, ("Expected Closing Date") to be held by First American Title Insurance Company (Nathan Thompson, Escrow Officer) ("Escrow Holder") whose address is 18500 Von Karman, Suite 600, Irvine, California 92612

, Phone No. 949 885-2473, Facsimile No. (714) 481-2215 upon the terms and conditions set forth in this agreement ("Agreement"). Buyer shall have the right to assign Buyer's rights hereunder, but any such assignment shall not relieve Buyer of Buyer's obligations herein unless Seller expressly releases Buyer.

1.2 The term "Date of Agreement" as used herein shall be the date when by execution and delivery (as defined in paragraph 20.2) of this document or a subsequent counteroffer thereto, Buyer and Seller have reached agreement in writing whereby Seller agrees to sell, and Buyer agrees to purchase, the Property upon terms accepted by both Parties.

2. Property.

2.1 The real property ("Property") that is the subject of this offer consists of (insert a brief physical description) An approximate 16,000 square foot, freestanding building situated on approximately 0.85 acres.

is located in the City of Irvine, County of Orange, State of California, is commonly known by the street address of 15 Studebaker and 1 Bendix, Irvine, CA 92618

and is legally described as: Legal description to be provided by Escrow.

(APN: 591-023-01).

2.2 If the legal description of the Property is not complete or is inaccurate, this Agreement shall not be invalid and the legal description shall be completed or corrected to meet the requirements of First American Title Insurance Company (Ed Luque, Title Officer) ("Title Company"), which shall issue the title policy hereinafter described.

2.3 The Property includes, at no additional cost to Buyer, the permanent improvements thereon, including those items which pursuant to applicable law are a part of the property, as well as the following items, if any, owned by Seller and at present located on the Property: electrical distribution systems (power panel, bus ducting, conduits, disconnects, lighting fixtures); telephone distribution systems (lines, jacks and connections only); space heaters; heating, ventilating, air conditioning equipment ("HVAC"); air lines; fire sprinkler systems; security and fire detection systems; carpets; window coverings; wall coverings; and This sale is "As-Is", "Where-Is".

(collectively, the "Improvements").

2.4 The fire sprinkler monitor: ☐ is owned by Seller and included in the Purchase Price; ☐ is leased by Seller, and Buyer will need to negotiate a new lease with the fire monitoring company; ☒ existence or ownership will be determined during Escrow, or ☐ there is no fire sprinkler monitor.

2.5 ~~Except as provided in Paragraph 2.3, the Purchase Price does not include Seller's personal property, furniture and furnishings, and~~

~~all of~~

~~which shall be removed by Seller prior to Closing.~~

3. Purchase Price.

3.1 The purchase price ("Purchase Price") to be paid by Buyer to Seller for the Property shall be \$4,160,000.00, payable as follows:

(a) Cash down payment, including the Deposit as defined in paragraph 4.3 (or if an all cash

transaction, the Purchase Price):

\$416,000.00

(Strike if not applicable)

(b) Amount of "New Loan" as defined in paragraph 5.1, if any:

\$3,744,000.00

(c) Buyer shall take title to the Property subject to and/or assume the following existing deed(s) of

trust ("Existing Deed(s) of Trust") securing the existing promissory note(s) ("Existing Note(s)");

(i) An Existing Note ("First Note") with an unpaid principal balance as of the

Closing of approximately:

\$

Said First Note is payable at \$

per month;

(Strike if not applicable)

including interest at the rate of % per annum until paid (and/or the

entire unpaid balance is due on

(ii) An Existing Note ("Second Note") with an unpaid principal balance as of the

Closing of approximately:

\$

Said Second Note is payable at \$

per month;

including interest at the rate of % per annum until paid (and/or the

entire unpaid balance is due on

(Strike if not applicable)

(d) Buyer shall give Seller a deed of trust ("Purchase Money Deed of Trust") on the

property, to secure the promissory note of Buyer to Seller described in paragraph 6

("Purchase Money Note") in the amount of:

\$

Total Purchase Price:

\$4,160,000.00

PAGE 1 OF 8

INITIALS

INITIALS

©2003 - AIR COMMERCIAL REAL ESTATE ASSOCIATION

FORM OFA-16-05/16E

EXHIBIT "2"

3.2 If Buyer is taking title to the Property subject to, or assuming, an Existing Deed of Trust and such deed of trust permits the beneficiary to demand payment of fees including, but not limited to, points, processing fees, and appraisal fees as a condition to the transfer of the Property, Buyer agrees to pay such fees up to a maximum of 4.6% of the unpaid principal balance of the applicable Existing Note.

4. Deposits.

4.1 ☐ Buyer has delivered to Broker a check in the sum of \$ _____, payable to Escrow Holder, to be delivered by Broker to Escrow Holder within 2 or _____ business days after both Parties have executed this Agreement and the executed Agreement has been delivered to Escrow Holder, ☒ within 2 or _____ business days after both Parties have executed this Agreement and the executed Agreement has been delivered to Escrow Holder. Buyer shall deliver to Escrow Holder a check in the sum of \$50,000.00. If said check is not received by Escrow Holder within said time period then Seller may elect to unilaterally terminate this transaction by giving written notice of such election to Escrow Holder whereupon neither Party shall have any further liability to the other under this Agreement. Should Buyer and Seller not enter into an agreement for purchase and sale, Buyer's check or funds shall, upon request by Buyer, be promptly returned to Buyer.

4.2 Additional deposits:

(a) Within _____ business days after the Date of Agreement, Buyer shall deposit with Escrow Holder the additional sum of \$ _____ to be applied to the Purchase Price at the Closing.

(b) Within 62 business days after the contingencies discussed in paragraph 9.1 (a) through (m) are approved or waived, Buyer shall deposit with Escrow Holder the additional sum of \$25,000.00 to be applied to the Purchase Price at the Closing.

(c) If an Additional Deposit is not received by Escrow Holder within the time period provided then Seller may notify Buyer, Escrow Holder, and Brokers, in writing that, unless the Additional Deposit is received by Escrow Holder within 2 business days following said notice, the Escrow shall be deemed terminated without further notice or instructions.

4.3 Escrow Holder shall deposit the funds deposited with it by Buyer pursuant to paragraphs 4.1 and 4.2 (collectively the "Deposit"), in a State or Federally chartered bank in an interest bearing account whose term is appropriate and consistent with the timing requirements of this transaction. The interest therefrom shall accrue to the benefit of Buyer, who hereby acknowledges that there may be penalties or interest forfeitures if the applicable instrument is redeemed prior to its specified maturity. Buyer's Federal Tax Identification Number is 81-4325322. NOTE: Such interest bearing account cannot be opened until Buyer's Federal Tax Identification Number is provided.

4.4 Notwithstanding the foregoing, within 5 days after Escrow Holder receives the monies described in paragraph 4.1 above, Escrow Holder shall release \$100 of said monies to Seller as and for independent consideration for Seller's execution of this Agreement and the granting of the contingency period to Buyer as herein provided. Such independent consideration is non-refundable to Buyer but shall be credited to the Purchase Price in the event that the purchase of the Property is completed.

4.5 Upon waiver of all of Buyer's contingencies the Deposit shall become non-refundable but applicable to the Purchase Price except in the event of a Seller breach, or in the event that the Escrow is terminated pursuant to the provisions of Paragraph 9.1(n) (Destruction, Damage or Loss) or 9.1(o) (Material Change).

5. Financing Contingency. (Strike if not applicable)

5.1 This offer is contingent upon Buyer obtaining from an insurance company, financial institution or other lender, a commitment to lend to Buyer a sum equal to at least _____ % of the Purchase Price, on terms reasonably acceptable to Buyer. Such loan ("New Loan") shall be secured by a first deed of trust or mortgage on the Property. If this Agreement provides for Seller to carry back junior financing, then Seller shall have the right to approve the terms of the New Loan. Seller shall have 7 days from receipt of the commitment setting forth the proposed terms of the New Loan to approve or disapprove of such proposed terms. If Seller fails to notify Escrow Holder, in writing, of the disapproval within said 7 days it shall be conclusively presumed that Seller has approved the terms of the New Loan.

5.2 Buyer hereby agrees to diligently pursue obtaining the New Loan. If Buyer shall fail to notify its Broker, Escrow Holder and Seller, in writing within 45 days following the Date of Agreement, that the New Loan has not been obtained, it shall be conclusively presumed that Buyer has either obtained said New Loan or has waived this New Loan contingency.

5.3 If, after due diligence, Buyer shall notify its Broker, Escrow Holder and Seller, in writing, within the time specified in paragraph 5.2 hereof, that Buyer has not obtained said New Loan, this Agreement shall be terminated, and Buyer shall be entitled to the prompt return of the Deposit, plus any interest earned thereon, less only Escrow Holder and Title Company cancellation fees and costs, which Buyer shall pay.

6. Seller Financing. (Purchase Money Note). (Strike if not applicable)

6.1 If Seller approves Buyer's financials (see paragraph 6.5) the Purchase Money Note shall provide for interest on unpaid principal at the rate of _____ % per annum, with principal and interest paid as follows:

The Purchase Money Note and Purchase Money Deed of Trust shall be on the current forms commonly used by Escrow Holder, and be junior and subordinate only to the Existing Note(s) and/or the New Loan expressly called for by this Agreement.

6.2 The Purchase Money Note and/or the Purchase Money Deed of Trust shall contain provisions regarding the following (see also paragraph 10.2(b)):

(a) Prepayment. Principal may be prepaid in whole or in part at any time without penalty, at the option of the Buyer.

(b) Late Charge. A late charge of 6% shall be payable with respect to any payment of principal, interest, or other charges, not made within 10 days after it is due.

(c) Due On Sale. In the event the Buyer sells or transfers title to the Property or any portion thereof, then the Seller may, at Seller's option, require the entire unpaid balance of said Note to be paid in full.

6.3 If the Purchase Money Deed of Trust is to be subordinate to other financing, Escrow Holder shall, at Buyer's expense, prepare and record on Seller's behalf a request for notice of default and/or sale with regard to each mortgage or deed of trust to which it will be subordinate.

6.4 WARNING: CALIFORNIA LAW DOES NOT ALLOW DEFICIENCY JUDGEMENTS ON SELLER FINANCING. IF BUYER ULTIMATELY DEFAULTS ON THE LOAN, SELLER'S SOLE REMEDY IS TO FORECLOSE ON THE PROPERTY.

6.5 Seller's obligation to provide financing is contingent upon Seller's reasonable approval of Buyer's financial condition. Buyer to provide a current financial statement and copies of its Federal tax returns for the last 3 years to Seller within 10 days following the Date of Agreement. Seller has 10 days following receipt of such documentation to satisfy itself with regard to Buyer's financial condition and to notify Escrow Holder as to whether or not Buyer's financial condition is acceptable. If Seller fails to notify Escrow Holder, in writing, of the disapproval of this contingency within said time period, it shall be conclusively presumed that Seller has approved Buyer's financial condition. If Seller is not satisfied with Buyer's financial condition or if Buyer fails to deliver the required documentation then Seller may notify Escrow Holder in writing that Seller Financing will not be available, and Buyer shall have the option, within 10 days of the receipt of such notice, to either terminate this transaction or to purchase the Property without Seller financing. If Buyer fails to notify Escrow Holder within said time period of its election to terminate this transaction then Buyer shall be conclusively presumed to have elected to purchase the Property without Seller financing. If Buyer elects to terminate, Buyer's Deposit shall be refunded less Title Company and Escrow Holder cancellation fees and costs, all of which shall be Buyer's obligation.

7. Real Estate Brokers.

7.1 The following real estate broker(s) ("Brokers") and brokerage relationships exist in this transaction and are consented to by the Parties (check the applicable boxes):

- ☒ Newmark Grubb Knight Frank ("NGKF"), Joe Woodka represents Seller exclusively ("Seller's Broker");
- ☒ Lee & Associates, Gary McArdell represents Buyer exclusively ("Buyer's Broker"); or
- ☐ _____ represents both Seller and Buyer ("Dual Agency").

The Parties acknowledge that other than the Brokers listed above, there are no other brokers representing the Parties or due any fees and/or commissions under this Agreement. See paragraph 24 regarding the nature of a real estate agency relationship. Buyer shall use the services of Buyer's Broker exclusively in connection with any and all negotiations and offers with respect to the Property for a period of 1 year from the date inserted for reference purposes at the top of page 1.

7.2 Buyer and Seller each represent and warrant to the other that he/she/it has had no dealings with any person, firm, broker or finder in connection with the negotiation of this Agreement and/or the consummation of the purchase and sale contemplated herein, other than the Brokers named in paragraph 7.1, and no broker or other person, firm or entity, other than said Brokers is/are entitled to any commission or finder's fee in connection with this transaction as the result of any dealings or acts of such Party. Buyer and Seller do each hereby agree to indemnify, defend, protect and hold the other harmless from and against any costs, expenses or liability for compensation, commission or charge which may be claimed by any

PAGE 2 OF 8

INITIALS

INITIALS

broker, finder or other similar party, other than said named Brokers by reason of any dealings or act of the indemnifying Party.

8. Escrow and Closing.

8.1 Upon acceptance hereof by Seller, this Agreement, including any counteroffers incorporated herein by the Parties, shall constitute not only the agreement of purchase and sale between Buyer and Seller, but also instructions to Escrow Holder for the consummation of the Agreement through the Escrow. Escrow Holder shall not prepare any further escrow instructions restating or amending the Agreement unless specifically so instructed by the Parties or a Broker herein. Subject to the reasonable approval of the Parties, Escrow Holder may, however, include its standard general escrow provisions. In the event that there is any conflict between the provisions of the Agreement and the provisions of any additional escrow instructions the provisions of the Agreement shall prevail as to the Parties and the Escrow Holder.

8.2 As soon as practical after the receipt of this Agreement and any relevant counteroffers, Escrow Holder shall ascertain the Date of Agreement as defined in paragraphs 1.2 and 20.2 and advise the Parties and Brokers, in writing, of the date ascertained.

8.3 Escrow Holder is hereby authorized and instructed to conduct the Escrow in accordance with this Agreement, applicable law and custom and practice of the community in which Escrow Holder is located; including any reporting requirements of the Internal Revenue Code. In the event of a conflict between the law of the state where the Property is located and the law of the state where the Escrow Holder is located, the law of the state where the Property is located shall prevail.

8.4 Subject to satisfaction of the contingencies herein described, Escrow Holder shall close this escrow (the "Closing") by recording a general warranty deed (a grant deed in California) and the other documents required to be recorded, and by disbursing the funds and documents in accordance with this Agreement.

8.5 Buyer and Seller shall each pay one-half of the Escrow Holder's charges and Seller shall pay the usual recording fees and any required documentary transfer taxes. Seller shall pay the premium for a standard coverage owner's or joint protection policy of title insurance. (See also paragraph 11 as to payment of other expenses).

8.6 Escrow Holder shall verify that all of Buyer's contingencies have been satisfied or waived prior to Closing. The matters contained in paragraphs 9.1 subparagraphs (b), (c), (d), (e), (g), (h), (i), (j), (k), (l), (m), and (n), and (o), 9.4, 12, 13, 14, 16, 18, 20, 21, 22, and 24 are, however, matters of agreement between the Parties only and are not instructions to Escrow Holder.

8.7 If this transaction is terminated for non-satisfaction and non-waiver of a Buyer's Contingency, as defined in paragraph 9.2, then neither of the Parties shall thereafter have any liability to the other under this Agreement, except to the extent of a breach of any affirmative covenant or warranty in this Agreement. In the event of such termination, Buyer shall, subject to the provisions of paragraph 8.10, be promptly refunded all funds deposited by Buyer with Escrow Holder, less only the \$100 provided for in paragraph 4.4 and the Title Company and Escrow Holder cancellation fees and costs, all of which shall be Buyer's obligation. If this transaction is terminated as a result of Seller's breach of this Agreement then Seller shall pay the Title Company and Escrow Holder cancellation fees and costs.

8.8 The Closing shall occur on the Expected Closing Date, or as soon thereafter as the Escrow is in condition for Closing; provided, however, that if the Closing does not occur by the Expected Closing Date and said Date is not extended by mutual instructions of the Parties, a Party not then in default under this Agreement may notify the other Party, Escrow Holder, and Brokers, in writing that, unless the Closing occurs within 6 business days following said notice, the Escrow shall be deemed terminated without further notice or instructions.

8.9 Except as otherwise provided herein, the termination of Escrow shall not relieve or release either Party from any obligation to pay Escrow Holder's fees and costs or constitute a waiver, release or discharge of any breach or default that has occurred in the performance of the obligations, agreements, covenants or warranties contained therein.

8.10 If this sale of the Property is not consummated for any reason other than Seller's breach or default, then at Seller's request, and as a condition in any obligation to return Buyer's deposit (see paragraph 21), Buyer shall within 5 days after written request deliver to Seller, at no charge, copies of all surveys, engineering studies, soil reports, maps, master plans, feasibility studies and other similar items prepared by or for Buyer that pertain to the Property. Provided, however, that Buyer shall not be required to deliver any such report if the written contract which Buyer entered into with the consultant who prepared such report specifically forbids the dissemination of the report to others.

9. Contingencies to Closing.

9.1 The Closing of this transaction is contingent upon the satisfaction or waiver of the following contingencies. IF BUYER FAILS TO NOTIFY ESCROW HOLDER, IN WRITING, OF THE DISAPPROVAL OF ANY OF SAID CONTINGENCIES WITHIN THE TIME SPECIFIED THEREIN, IT SHALL BE CONCLUSIVELY PRESUMED THAT BUYER HAS APPROVED SUCH ITEM, MATTER OR DOCUMENT. Buyer's conditional approval shall constitute disapproval, unless provision is made by the Seller within the time specified therefore by the Buyer in such conditional approval or by this Agreement, whichever is later, for the satisfaction of the condition imposed by the Buyer. Escrow Holder shall promptly provide all Parties with copies of any written disapproval or conditional approval which it receives. With regard to subparagraphs (a) through (m) the pre-printed time periods shall control unless a different number of days is inserted in the spaces provided.

(a) *Disclosure.* Seller shall make to Buyer, through Escrow, all of the applicable disclosures required by law (See AIR Commercial Real Estate Association ("AIR") standard form entitled "Seller's Mandatory Disclosure Statement") and provide Buyer with a completed Property Information Sheet ("Property Information Sheet") concerning the Property, duly executed by or on behalf of Seller in the current form or equivalent to that published by the AIR within 10 or _____ days following the Date of Agreement. Buyer has 40 30 days from the Date of Agreement receipt of said disclosure to approve or disapprove the matters disclosed.

(b) *Physical Inspection.* Buyer has 40 or 30 days following the receipt of the Property Information Sheet or the Date of Agreement, whichever is later, to satisfy itself with regard to the physical aspects and size of the Property.

(c) *Hazardous Substance Conditions Report.* Buyer has 30 or _____ days following the receipt of the Property Information Sheet or the Date of Agreement, whichever is later, to satisfy itself with regard to the environmental aspects of the Property. Seller recommends that Buyer obtain a Hazardous Substance Conditions Report concerning the Property and relevant adjoining properties. Any such report shall be paid for by Buyer. A "Hazardous Substance" for purposes of this Agreement is defined as any substance whose nature and/or quantity of existence, use, manufacture, disposal or effect, render it subject to Federal, state or local regulation, investigation, remediation or removal as potentially injurious to public health or welfare. A "Hazardous Substance Condition" for purposes of this Agreement is defined as the existence on, under or relevantly adjacent to the Property of a Hazardous Substance that would require remediation and/or removal under applicable Federal, state or local law.

(d) *Soil Inspection.* Buyer has 30 or _____ days following the receipt of the Property Information Sheet or the Date of Agreement, whichever is later, to satisfy itself with regard to the condition of the soils on the Property. Seller recommends that Buyer obtain a soil test report. Any such report shall be paid for by Buyer. Seller shall provide Buyer copies of any soils report that Seller may have within 10 days of the Date of Agreement.

(e) *Governmental Approvals.* Buyer has 30 or _____ days following the Date of Agreement to satisfy itself with regard to approvals and permits from governmental agencies or departments which have or may have jurisdiction over the Property and which Buyer deems necessary or desirable in connection with its intended use of the Property, including, but not limited to, permits and approvals required with respect to zoning, planning, building and safety, fire, police, handicapped and Americans with Disabilities Act requirements, transportation and environmental matters.

(f) *Conditions of Title.* Escrow Holder shall cause a current commitment for title insurance ("Title Commitment") concerning the Property issued by the Title Company, as well as legible copies of all documents referred to in the Title Commitment ("Underlying Documents"), and a scaled and dimensioned plot showing the location of any easements to be delivered to Buyer within 10 or _____ days following the Date of Agreement. Buyer has 40 30 days from the receipt of the Title Commitment, the Underlying Documents and the plot plan Date of Agreement to satisfy itself with regard to the condition of title. The disapproval by Buyer of any monetary encumbrance, which by the terms of this Agreement is not to remain against the Property after the Closing, shall not be considered a failure of this contingency, as Seller shall have the obligation, at Seller's expense, to satisfy and remove such disapproved monetary encumbrance at or before the Closing.

(g) *Survey.* Buyer has 30 or _____ days following the receipt of the Title Commitment and Underlying Documents Date of Agreement to satisfy itself with regard to any ALTA title supplement based upon a survey prepared to American Land Title Association ("ALTA") standards for an owner's policy by a licensed surveyor, showing the legal description and boundary lines of the Property, any easements of record, and any improvements, poles, structures and things located within 10 feet of either side of the Property boundary lines. Any such survey shall be prepared at Buyer's direction and expense. If Buyer has obtained a survey and approved the ALTA title supplement, Buyer may elect within the period allowed for Buyer's approval of a survey to have an ALTA extended coverage owner's form of title policy, in which event Buyer shall pay any additional premium attributable thereto.

(h) *Existing Leases and Tenancy Statements.* Seller shall within 10 or _____ days following the Date of Agreement provide both Buyer and Escrow Holder with legible copies of all leases, subleases or rental arrangements (collectively, "Existing Leases") affecting the Property, and with a tenancy statement ("Estoppel Certificate") in the latest form or equivalent to that published by the AIR, executed by Seller and for each tenant and subtenant of the Property. Seller shall use its best efforts to have each tenant complete and execute an Estoppel Certificate. If any tenant fails or refuses to provide an Estoppel Certificate then Seller shall complete and execute an Estoppel Certificate for that tenancy. Buyer has 10 days from the receipt of said Existing Leases and Estoppel Certificates to satisfy itself with regard to the Existing Leases and any other tenancy issues.

PAGE 3 OF 8

INITIALS

INITIALS

(f) ~~Owner's Association~~ Seller shall within 10 or _____ days following the Date of Agreement provide Buyer with a statement and transfer package from any owner's association serving the Property. Such transfer package shall at a minimum include: copies of the association's Bylaws, articles of incorporation, current budget and financial statement. Buyer has 10 days from the receipt of such documents to satisfy itself with regard to the association.

(g) ~~Other Agreements~~ Seller shall within 10 or _____ days following the Date of Agreement provide Buyer with legible copies of all other agreements ("Other Agreements") known to Seller that will affect the Property after Closing. Buyer has 10 or 30 days from the receipt of said Other Agreements Date of Agreement to satisfy itself with regard to such Agreements.

(x) ~~Financing~~ If paragraph 5 hereof dealing with a financing contingency has not been stricken, the satisfaction or waiver of such New Loan contingency.

(y) ~~Existing Notes~~ If paragraph 3.1(c) has not been stricken, Seller shall within 10 or _____ days following the Date of Agreement provide Buyer with legible copies of the Existing Notes, Existing Deeds of Trust and related agreements (collectively, "Loan Documents") to which the Property will remain subject after the Closing. Escrow Holder shall promptly request from the holders of the Existing Notes a beneficiary statement ("Beneficiary Statement") confirming: (1) the amount of the unpaid principal balance, the current interest rate, and the date to which interest is paid; and (2) the nature and amount of any impound held by the beneficiary in connection with such loan. Buyer has 10 or _____ days following the receipt of the Loan Documents and Beneficiary Statements to satisfy itself with regard to such financing. Buyer's obligation to close is conditioned upon Buyer being able to purchase the Property without association or change in the terms of any Existing Notes or charges to Buyer except as otherwise provided in this Agreement or approved by Buyer, provided, however, Buyer shall pay the transfer fee referred to in paragraph 3.2 hereof. Likewise, if Seller is to carry back a Purchase Money Note then Seller shall within 10 or _____ days following the Date of Agreement provide Buyer with a copy of the proposed Purchase Money Note and Purchase Money Deed of Trust. Buyer has 10 or _____ days from the receipt of such documents to satisfy itself with regard to the form and content thereof.

(m) ~~Personal Property~~ In the event that any personal property is included in the Purchase Price, Buyer has 10 or _____ days following the Date of Agreement to satisfy itself with regard to the title condition of such personal property. Seller recommends that Buyer obtain a UCC-1 report. Any such report shall be paid for by Buyer. Seller shall provide Buyer copies of any liens or encumbrances affecting such personal property that it is aware of within 10 or _____ days following the Date of Agreement.

(n) ~~Destruction, Damage or Loss~~ Subsequent to the Date of Agreement and prior to Closing there shall not have occurred a destruction, or damage or loss to, the Property or any portion thereof, from any cause whatsoever, which would cost more than \$10,000.00 to repair or cure. If the cost of repair or cure is \$10,000.00 or less, Seller shall repair or cure the loss prior to the Closing. Buyer shall have the option, within 10 days after receipt of written notice of a loss costing more than \$10,000.00 to repair or cure, to either terminate this Agreement or to purchase the Property notwithstanding such loss, but without deduction or offset against the Purchase Price. If the cost to repair or cure is more than \$10,000.00, and Buyer does not elect to terminate this Agreement, Buyer shall be entitled to any insurance proceeds applicable to such loss, unless otherwise notified in writing. Escrow Holder shall assume no such destruction, damage or loss has occurred prior to Closing.

(o) ~~Material Change~~ Buyer shall have 10 days following receipt of written notice of a Material Change within which to satisfy itself with regard to such change. "Material Change" shall mean a substantial adverse change in the use, occupancy, tenants, title, or condition of the Property that occurs after the date of this offer and prior to the Closing. Unless otherwise notified in writing, Escrow Holder shall assume that no Material Change has occurred prior to the Closing.

(p) ~~Seller Performance~~ The delivery of all documents and the due performance by Seller of each and every undertaking and agreement to be performed by Seller under this Agreement.

(q) ~~Brokerage Fee~~ Payment at the Closing of such brokerage fee as is specified in this Agreement or later written instructions to Escrow Holder executed by Seller and Brokers ("Brokerage Fee"). It is agreed by the Parties and Escrow Holder that Brokers are a third party beneficiary of this Agreement insofar as the Brokerage Fee is concerned, and that no change shall be made with respect to the payment of the Brokerage Fee specified in this Agreement, without the written consent of Brokers.

9.2 All of the contingencies specified in subparagraphs (a) through (m) of paragraph 9.1 are for the benefit of, and may be waived by, Buyer, and may be elsewhere herein referred to as "Buyer's Contingencies."

9.3 If any of Buyer's Contingencies or any other matter subject to Buyer's approval is disapproved as provided for herein in a timely manner ("Disapproved Item"), Seller shall have the right within 10 days following the receipt of notice of Buyer's disapproval to elect to cure such Disapproved Item prior to the Expected Closing Date ("Seller's Election"). Seller's failure to give to Buyer within such period, written notice of Seller's commitment to cure such Disapproved Item on or before the Expected Closing Date shall be conclusively presumed to be Seller's Election not to cure such Disapproved Item. If Seller elects, either by written notice or failure to give written notice, not to cure a Disapproved Item, Buyer shall have the right, within 10 days after Seller's Election to either accept title to the Property subject to such Disapproved Item, or to terminate this Agreement. Buyer's failure to notify Seller in writing of Buyer's election to accept title to the Property subject to the Disapproved Item without deduction or offset shall constitute Buyer's election to terminate this Agreement. The above time periods only apply once for each Disapproved Item. Unless expressly provided otherwise herein, Seller's right to cure shall not apply to the remediation of Hazardous Substance Conditions or to the Financing Contingency. Unless the Parties mutually instruct otherwise, if the time periods for the satisfaction of contingencies or for Seller's and Buyer's elections would expire on a date after the Expected Closing Date, the Expected Closing Date shall be deemed extended for 3 business days following the expiration of: (a) the applicable contingency period(s); (b) the period within which the Seller may elect to cure the Disapproved Item; or (c) if Seller elects not to cure, the period within which Buyer may elect to proceed with this transaction, whichever is later.

9.4 The Parties acknowledge that extensive local, state and Federal legislation establish broad liability upon owners and/or users of real property for the investigation and remediation of Hazardous Substances. The determination of the existence of a Hazardous Substance Condition and the evaluation of the impact of such a condition are highly technical and beyond the expertise of Brokers. The Parties acknowledge that they have been advised by Brokers to consult their own technical and legal experts with respect to the possible presence of Hazardous Substances on the Property or adjoining properties, and Buyer and Seller are not relying upon any investigation by or statement of Brokers with respect thereto. The Parties hereby assume all responsibility for the impact of such Hazardous Substances upon their respective interests herein.

10. Documents Required at or Before Closing:

10.1 Five days prior to the Closing date Escrow Holder shall obtain an updated Title Commitment concerning the Property from the Title Company and provide copies thereof to each of the Parties.

10.2 Seller shall deliver to Escrow Holder in time for delivery to Buyer at the Closing:

(a) Grant or general warranty deed, duly executed and in recordable form, conveying fee title to the Property to Buyer.

(b) If applicable, the Beneficiary Statements concerning Existing Note(s).

(c) If applicable, the Existing Leases and Other Agreements together with duly executed assignments thereof by Seller and Buyer. The assignment of Existing Leases shall be on the most recent Assignment and Assumption of Lessor's Interest in Lease form published by the AIR or its equivalent.

(d) If applicable, Estoppel Certificates executed by Seller and/or the tenant(s) of the Property.

(e) An affidavit executed by Seller to the effect that Seller is not a "foreign person" within the meaning of Internal Revenue Code Section 1445 or successor statutes. If Seller does not provide such affidavit in form reasonably satisfactory to Buyer at least 3 business days prior to the Closing, Escrow Holder shall at the Closing deduct from Seller's proceeds and remit to the Internal Revenue Service such sum as is required by applicable Federal law with respect to purchases from foreign sellers.

(f) If the Property is located in California, an affidavit executed by Seller to the effect that Seller is not a "nonresident" within the meaning of California Revenue and Tax Code Section 18662 or successor statutes. If Seller does not provide such affidavit in form reasonably satisfactory to Buyer at least 3 business days prior to the Closing, Escrow Holder shall at the Closing deduct from Seller's proceeds and remit to the Franchise Tax Board such sum as is required by such statute.

(g) If applicable, a bill of sale, duly executed, conveying title to any included personal property to Buyer.

(h) If the Seller is a corporation, a duly executed corporate resolution authorizing the execution of this Agreement and the sale of the Property.

10.3 Buyer shall deliver to Seller through Escrow:

(a) The cash portion of the Purchase Price and such additional sums as are required of Buyer under this Agreement shall be deposited by Buyer with Escrow Holder, by federal funds wire transfer, or any other method acceptable to Escrow Holder in immediately collectible funds, no later than 2:00 P.M. on the business day prior to the Expected Closing Date provided, however, that Buyer shall not be required to deposit such monies into Escrow if at the time set for the deposit of such monies Seller is in default or has indicated that it will not perform any of its obligations hereunder. Instead, in such circumstances in order to reserve its rights to proceed Buyer need only provide Escrow with evidence establishing that the required monies were available.

(b) If a Purchase Money Note and Purchase Money Deed of Trust are called for by this Agreement, the duly executed originals of those documents, the Purchase Money Deed of Trust being in recordable form, together with evidence of fire insurance on the improvements in the amount of

the full replacement cost naming Seller as a mortgage loan payee, and a real estate tax service contract (at Buyer's expense), assuring Seller of notice of the status of payment of real property taxes during the life of the Purchase Money Note.

- (c) The Assignment and Assumption of Lessor's Interest in Lease form specified in paragraph 10.2(c) above, duly executed by Buyer.
- (d) Assumptions duly executed by Buyer of the obligations of Seller that accrue after Closing under any Other Agreements.
- (e) If applicable, a written assumption duly executed by Buyer of the loan documents with respect to Existing Notes.
- (f) If the Buyer is a corporation, a duly executed corporate resolution authorizing the execution of this Agreement and the purchase of the Property.

10.4 At Closing, Escrow Holder shall cause to be issued to Buyer a standard coverage (or ALTA extended, if elected pursuant to 9.1(g)) owner's form policy of title insurance effective as of the Closing, issued by the Title Company in the full amount of the Purchase Price, insuring title to the Property vested in Buyer, subject only to the exceptions approved by Buyer. In the event there is a Purchase Money Deed of Trust in this transaction, the policy of title insurance shall be a joint protection policy insuring both Buyer and Seller.

IMPORTANT: IN A PURCHASE OR EXCHANGE OF REAL PROPERTY, IT MAY BE ADVISABLE TO OBTAIN TITLE INSURANCE IN CONNECTION WITH THE CLOSE OF ESCROW SINCE THERE MAY BE PRIOR RECORDED LIENS AND ENCUMBRANCES WHICH AFFECT YOUR INTEREST IN THE PROPERTY BEING ACQUIRED. A NEW POLICY OF TITLE INSURANCE SHOULD BE OBTAINED IN ORDER TO ENSURE YOUR INTEREST IN THE PROPERTY THAT YOU ARE ACQUIRING.

11. Prorations and Adjustments.

11.1 **Taxes.** Applicable real property taxes and special assessment bonds shall be prorated through Escrow as of the date of the Closing, based upon the latest tax bill available. The Parties agree to prorate as of the Closing any taxes assessed against the Property by supplemental bill levied by reason of events occurring prior to the Closing. Payment of the prorated amount shall be made promptly in cash upon receipt of a copy of any supplemental bill.

11.2 **Insurance.** **WARNING:** Any insurance which Seller may have maintained will terminate on the Closing. Buyer is advised to obtain appropriate insurance to cover the Property.

11.3 **Rentals, Interest and Expenses.** Scheduled rentals, interest on Existing Notes, utilities, and operating expenses shall be prorated as of the date of Closing. The Parties agree to promptly adjust between themselves outside of Escrow any rents received after the Closing.

11.4 **Security Deposits.** Security Deposits held by Seller shall be given to Buyer as a credit to the cash required of Buyer at the Closing.

11.5 **Post Closing Matters.** Any item to be prorated that is not determined or determinable at the Closing shall be promptly adjusted by the Parties by appropriate cash payment outside of the Escrow when the amount due is determined.

11.6 **Variations in Existing Note Balances.** In the event that Buyer is purchasing the Property subject to an Existing Deed of Trust(s), and in the event that a Beneficiary Statement as to the applicable Existing Note(s) discloses that the unpaid principal balance of such Existing Note(s) at the closing will be more or less than the amount set forth in paragraph 9.1(c) hereof ("Existing Note Variation"), then the Purchase Money Note(s) shall be reduced or increased by an amount equal to such Existing Note Variation. If there is to be no Purchase Money Note, the cash required at the Closing per paragraph 9.1(c) shall be reduced or increased by the amount of such Existing Note Variation.

11.7 **Variations in New Loan Balance.** In the event Buyer is obtaining a New Loan and the amount ultimately obtained exceeds the amount set forth in paragraph 9.1, then the amount of the Purchase Money Note, if any, shall be reduced by the amount of such excess.

11.8 **Owner's Association Fees.** Escrow Holder shall (i) bring Seller's account with the association current and pay any delinquencies or transfer fees from Seller's proceeds; and (ii) pay any up-front fees required by the association from Buyer's funds.

12. Representations and Warranties of Seller and Disclaimers.

12.1 Seller's warranties and representations shall survive the Closing and delivery of the deed for a period of 3 years, and any lawsuit or action based upon them must be commenced within such time period. Seller's warranties and representations are true, material and relied upon by Buyer and Brokers in all respects. Seller hereby makes the following warranties and representations to Buyer and Brokers:

(a) **Authority of Seller.** Seller is the owner of the Property and/or has the full right, power and authority to sell, convey and transfer the Property to Buyer as provided herein, and to perform Seller's obligations hereunder.

(b) **Maintenance During Escrow and Equipment Condition At Closing.** Except as otherwise provided in paragraph 9.1(n) hereof, Seller shall maintain the Property until the Closing in its present condition, ordinary wear and tear excepted.

(c) **Hazardous Substances/Storage Tanks.** Seller has no knowledge, except as otherwise disclosed to Buyer in writing, of the existence or prior existence on the Property of any Hazardous Substance, nor of the existence or prior existence of any above or below ground storage tank.

(d) **Compliance.** Seller has no knowledge of any aspect or condition of the Property which violates applicable laws, rules, regulations, codes or covenants, conditions or restrictions, or of improvements or alterations made to the Property without a permit where one was required, or of any unfulfilled order or directive of any applicable governmental agency or casualty insurance company requiring any investigation, remediation, repair, maintenance or improvement be performed on the Property.

(e) **Changes in Agreements.** Prior to the Closing, Seller will not violate or modify any Existing Lease or Other Agreement, or create any new leases or other agreements affecting the Property, without Buyer's written approval, which approval will not be unreasonably withheld.

(f) **Possessory Rights.** Seller has no knowledge that anyone will, at the Closing, have any right to possession of the Property, except as disclosed by this Agreement or otherwise in writing to Buyer.

(g) **Mechanics' Liens.** There are no unsatisfied mechanics' or materialmen's lien rights concerning the Property.

(h) **Actions, Suits or Proceedings.** Seller has no knowledge of any actions, suits or proceedings pending or threatened before any commission, board, bureau, agency, arbitrator, court or tribunal that would affect the Property or the right to occupy or utilize same.

(i) **Notice of Changes.** Seller will promptly notify Buyer and Brokers in writing of any Material Change (see paragraph 9.1(o)) affecting the Property that becomes known to Seller prior to the Closing.

(j) **No Tenant Bankruptcy Proceedings.** Seller has no notice or knowledge that any tenant of the Property is the subject of a bankruptcy or insolvency proceeding.

(k) **No Seller Bankruptcy Proceedings.** Seller is not the subject of a bankruptcy, insolvency or probate proceeding. (SEE ADDENDUM)

(l) **Personal Property.** Seller has no knowledge that anyone will, at the Closing, have any right to possession of any personal property included in the Purchase Price nor knowledge of any liens or encumbrances affecting such personal property, except as disclosed by this Agreement or otherwise in writing to Buyer.

12.2 Buyer hereby acknowledges that, except as otherwise stated in this Agreement or Addendum, Buyer is purchasing the Property in its existing "as-is", "where-is" condition and will, by the time called for herein, make or have waived all inspections of the Property Buyer believes are necessary to protect its own interest in, and its contemplated use of, the Property. The Parties acknowledge that, except as otherwise stated in this Agreement, no representations, inducements, promises, agreements, assurances, oral or written, concerning the Property, or any aspect of the occupational safety and health laws, Hazardous Substance laws, or any other act, ordinance or law, have been made by either Party or Brokers, or relied upon by either Party hereto.

12.3 In the event that Buyer learns that a Seller representation or warranty might be untrue prior to the Closing, and Buyer elects to purchase the Property anyway then, and in that event, Buyer waives any right that it may have to bring an action or proceeding against Seller or Brokers regarding said representation or warranty.

12.4 Any environmental reports, soils reports, surveys, and other similar documents which were prepared by third party consultants and provided to Buyer by Seller or Seller's representatives, have been delivered as an accommodation to Buyer and without any representation or warranty as to the sufficiency, accuracy, completeness, and/or validity of said documents; all of which Buyer relies on at its own risk. Seller believes said documents to be accurate, but Buyer is advised to retain appropriate consultants to review said documents and investigate the Property.

13. Possession.

Possession of the Property shall be given to Buyer at the Closing subject to the rights of tenants under Existing Leases.

14. Buyer's Entry.

At any time during the Escrow period, Buyer, and its agents and representatives, shall have the right at reasonable times and subject to rights of tenants, to enter upon the Property for the purpose of making inspections and tests specified in this Agreement. No destructive testing shall be conducted, however, without Seller's prior approval which shall not be unreasonably withheld. Following any such entry or work, unless otherwise directed in writing by Seller, Buyer shall return the Property to the condition it was in prior to such entry or work, including the recompaction or removal of any disrupted soil or material as Seller may reasonably direct. All such inspections and tests and any other work conducted or materials furnished with respect to the Property by or for Buyer shall be paid for by Buyer as and when due and Buyer shall indemnify, defend, protect and hold harmless Seller and the Property of and from any and all claims, liabilities, losses, expenses (including reasonable attorneys' fees), damages, including those for injury to person or property, arising out of or relating to any such work or materials or the acts or omissions of Buyer, its agents or employees in connection therewith.

EXHIBIT "2"

23. Miscellaneous.

23.1 Binding Effect. This Agreement shall be binding on the Parties without regard to whether or not paragraphs 21 and 22 are initiated by both of the Parties. Paragraphs 21 and 22 are each incorporated into this Agreement only if initiated by both Parties at the time that the Agreement is executed.

23.2 Applicable Law. This Agreement shall be governed by, and paragraph 22.3 is amended to refer to, the laws of the state in which the Property is located. Any litigation or arbitration between the Parties hereto concerning this Agreement shall be initiated in the county in which the Property is located.

23.3 Time of Essence. Time is of the essence of this Agreement.

23.4 Counterparts. This Agreement may be executed by Buyer and Seller in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. Escrow Holder, after verifying that the counterparts are identical except for the signatures, is authorized and instructed to combine the signed signature pages on one of the counterparts, which shall then constitute the Agreement.

23.5 Waiver of Jury Trial. THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS AGREEMENT.

23.6 Conflict. Any conflict between the printed provisions of this Agreement and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions. Seller and Buyer must initial any and all handwritten provisions.

23.7 1031 Exchange. Both Seller and Buyer agree to cooperate with each other in the event that either or both wish to participate in a 1031 exchange. Any party initiating an exchange shall bear all costs of such exchange. The cooperating Party shall not have any liability (special or otherwise) for damages to the exchanging Party in the event that the sale is delayed and/or that the sale otherwise fails to qualify as a 1031 exchange.

23.8 Days. Unless otherwise specifically indicated to the contrary, the word "days" as used in this Agreement shall mean and refer to calendar days.

24. Disclosures Regarding The Nature of a Real Estate Agency Relationship.

24.1 The Parties and Brokers agree that their relationship(s) shall be governed by the principles set forth in the applicable sections of the California Civil Code, as summarized in paragraph 24.2

24.2 When entering into a discussion with a real estate agent regarding a real estate transaction, a Buyer or Seller should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Buyer and Seller acknowledge being advised by the Brokers in this transaction, as follows:

(a) **Seller's Agent.** A Seller's agent under a listing agreement with the Seller acts as the agent for the Seller only. A Seller's agent or subagent has the following affirmative obligations: (1) *To the Seller:* A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Seller. (2) *To the Buyer and the Seller:* a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(b) **Buyer's Agent.** A selling agent can, with a Buyer's consent, agree to act as agent for the Buyer only. In these situations, the agent is not the Seller's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Seller. An agent acting only for a Buyer has the following affirmative obligations: (1) *To the Buyer:* A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Buyer. (2) *To the Buyer and the Seller:* a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(c) **Agent Representing Both Seller and Buyer.** A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Seller and the Buyer in a transaction, but only with the knowledge and consent of both the Seller and the Buyer. (1) In a dual agency situation, the agent has the following affirmative obligations to both the Seller and the Buyer: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Seller or the Buyer. b. Other duties to the Seller and the Buyer as stated above in their respective sections (a) or (b) of this paragraph 24.2. (2) In representing both Seller and Buyer, the agent may not without the express permission of the respective Party, disclose to the other Party that the Seller will accept a price less than the listing price or that the Buyer will pay a price greater than the price offered. (3) The above duties of the agent in a real estate transaction do not relieve a Seller or Buyer from the responsibility to protect their own interests. Buyer and Seller should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(d) **Further Disclosures.** Throughout this transaction Buyer and Seller may receive more than one disclosure, depending upon the number of agents assisting in the transaction. Buyer and Seller should each read its contents each time it is presented, considering the relationship between them and the real estate agent in this transaction and that disclosure. Buyer and Seller each acknowledge receipt of a disclosure of the possibility of multiple representation by the Broker representing that principal. This disclosure may be part of a listing agreement, buyer representation agreement or separate document. Buyer understands that Broker representing Buyer may also represent other potential buyers, who may consider, make offers on or ultimately acquire the Property. Seller understands that Broker representing Seller may also represent other sellers with competing properties that may be of interest to this Buyer. Brokers have no responsibility with respect to any default or breach hereof by either Party. The Parties agree that no lawsuit or other legal proceeding involving any breach of duty, error or omission relating to this transaction may be brought against Broker more than one year after the Date of Agreement and that the liability (including court costs and attorneys' fees), of any Broker with respect to any breach of duty, error or omission relating to this Agreement shall not exceed the fee received by such Broker pursuant to this Agreement; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

24.3 Confidential Information: Buyer and Seller agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

25. Construction of Agreement. In construing this Agreement, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Agreement. Whenever required by the context, the singular shall include the plural and vice versa. This Agreement shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

26. Additional Provisions: Additional provisions of this offer, if any, are as follows or are attached hereto by an addendum or addenda consisting of paragraphs 27 through 34. (If there are no additional provisions write "NONE".)

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AIR COMMERCIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS AGREEMENT OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS AGREEMENT.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PROPERTY, SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PROPERTY, THE INTEGRITY AND CONDITION OF ANY STRUCTURES AND OPERATING SYSTEMS, AND THE SUITABILITY OF THE PROPERTY FOR BUYER'S INTENDED USE.

WARNING: IF THE PROPERTY IS LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THIS AGREEMENT MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PROPERTY IS LOCATED.

PAGE 7 OF 8

INITIALS

INITIALS

©2003 - AIR COMMERCIAL REAL ESTATE ASSOCIATION

FORM OFA-18-05/15E

EXHIBIT "2"

NOTE:

1. THIS FORM IS NOT FOR USE IN CONNECTION WITH THE SALE OF RESIDENTIAL PROPERTY.
2. IF EITHER PARTY IS A CORPORATION, IT IS RECOMMENDED THAT THIS AGREEMENT BE SIGNED BY TWO CORPORATE OFFICERS.

The undersigned Buyer offers and agrees to buy the Property on the terms and conditions stated and acknowledges receipt of a copy hereof.

BROKER:

Lee & Associates

Attn: Gary McCardell
Title: SVP/Principal
Address: 100 Bayview Circle, Suite 600
Newport Beach, CA 92660
Telephone: (949) 764-4745
Facsimile: ()
Email: gmccardell@lee-associates.com
Federal ID No.:

Broker/Agent BRE License #: 01343033

BUYER:

15 Studebaker, LLC, and/or assignee

By: _____
Date: _____
Name Printed: _____
Title: _____
Telephone: () _____
Facsimile: () _____
Email: _____
Federal ID No.:

By: _____
Date: _____
Name Printed: _____
Title: _____
Address: _____
Telephone: () _____
Facsimile: () _____
Email: _____
Federal ID No. 81-4325322

27. Acceptance.

27.1 Seller accepts the foregoing offer to purchase the Property and hereby agrees to sell the Property to Buyer on the terms and conditions therein specified.

27.2 In consideration of real estate brokerage service rendered by Brokers, Seller agrees to pay Brokers a real estate Brokerage Fee in a sum equal to 6 % of the Purchase Price to be divided between the Brokers as follows: Seller's Broker 3 % and Buyer's Broker 3 %. This Agreement shall serve as an irrevocable instruction to Escrow Holder to pay such Brokerage Fee to Brokers out of the proceeds accruing to the account of Seller at the Closing.

27.3 Seller acknowledges receipt of a copy hereof and authorizes Brokers to deliver a signed copy to Buyer.

NOTE: A PROPERTY INFORMATION SHEET IS REQUIRED TO BE DELIVERED TO BUYER BY SELLER UNDER THIS AGREEMENT.

BROKER:

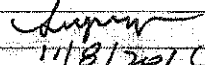
Newmark Grubb Knight Frank ("NGKF")

Attn: Joe Woodka
Title: _____
Address: 4675 MacArthur Court, Suite 1600
Newport Beach, CA 92660
Telephone: (949) 608-2018
Facsimile: (949) 608-2003
Email: jwoodka@ngkf.com
Federal ID No.:

Broker/Agent BRE License #: 01355491 / 01404224

SELLER:

LKN Properties, a California corporation

By: 
Date: 11/8/2016
Name Printed: Lien Nguyen
Title: President
Telephone: (949) 733-8038
Facsimile: (949) 733-8058
Email: _____
Federal ID No.:

By: _____
Date: _____
Name Printed: _____
Title: _____
Address: 15 Studebaker
Irvine, CA 92618
Telephone: () _____
Facsimile: () _____
Email: _____
Federal ID No.:

NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 500 N Brand Blvd, Suite 900, Glendale, CA 91203.
Telephone No. (213) 887-8777. Fax No.: (213) 887-8616.

© Copyright 2003 By AIR Commercial Real Estate Association.

All rights reserved.

No part of these works may be reproduced in any form without permission in writing.

S:\Woodka\2016\15 Studebaker-1 Bendix\PSA-15 Studebaker-1 Bendix

PAGE 8 OF 8

INITIALS

©2003 - AIR COMMERCIAL REAL ESTATE ASSOCIATION

INITIALS

FORM OFA-18-05/16E

EXHIBIT "2"

**ADDENDUM TO STANDARD OFFER AGREEMENT
AND ESCROW FOR PURCHASE OF REAL ESTATE
(Non-Residential)**

(APN NO: 591-023-01)

15 Studebaker & 1 Bendix, Irvine, CA 92618

This Addendum ("Addendum") to that certain Standard Offer Agreement And Escrow For Purchase of Real Estate (Non-Residential) (the "Agreement"), shall be effective as of the Date of Agreement, by and between 15 Studebaker, LLC, or assignee ("Buyer"), LKN Properties, a California corporation ("Seller"), for the real property located at 15 Studebaker/1 Bendix, Irvine, California, as more particularly described in the Agreement. All of the terms hereof shall be incorporated into the Agreement as if first set forth therein. All references to the "Agreement" shall be deemed to include this Addendum.

The following Paragraphs are hereby added to the Agreement:

27. Contingencies. If Buyer fails to deliver written notice of its election to waive contingencies, prior to 5:00 p.m. Irvine time on the last day of the Contingency Period or Financing Contingency, it will be presumed that Buyer has approved of any and all corresponding contingencies and is moving forward with the purchase. Upon any cancellation by Buyer prior to the expiration of the Contingency Period or Financing Contingency, Buyer shall be entitled to the return of the Deposit (including interest thereon), less any cancellation charges, and escrow costs.

28. Seller's Vacancy after Close of Escrow. Seller shall have up to thirty (30) days following the Close of Escrow to completely vacate the currently occupied portion of the Property (first floor of 15 Studebaker) at no cost to Seller other than utility and janitorial costs which shall be maintained and paid under Seller's current Agreement. Buyer shall have no obligation to maintain the property in any manner during the thirty (30) day period. Seller shall maintain an insurance policy that matches that required of a tenant in a standard AIR net lease agreement and shall in no way interfere in Buyer's access.

29. Credit to Buyer Upon Close of Escrow. Buyer shall receive a credit of \$20,000 at the Close of Escrow to be used towards parking surface upgrades, or any other improvements Buyer wishes to perform.

30. As-Is Transaction. Buyer acknowledges that it has had and will have ample opportunity to inspect the Property and to investigate its physical characteristics and conditions. Buyer acknowledges that, except as specifically set forth herein at Paragraph 12, or in any document or instrument to be delivered by Seller at the Closing, neither Seller nor any of its trustees, beneficiaries, agents, brokers, or representatives have made any representations, warranties or agreements to or with Buyer as to any matters concerning the Property, its physical condition, environmental condition, the present use(s) thereof or the suitability of Buyer's intended use of the Property. Buyer further acknowledges and agrees that the Property is to be purchased, conveyed, and accepted by Buyer in its present 'AS-IS' condition, and that no patent or latent condition of the Property, whether or not known or discovered, whether arising before or after the Closing, shall affect the rights of either party hereto. Buyer has investigated operative or imposed governmental laws and regulations (including, but not limited to, zoning, the Americans With Disabilities Act, environmental laws, the ordinances of the City of Irvine, and any and all files on the Property at the City of Irvine) and is acquiring the Property solely on the basis of its own review and determination of the application and effect of such laws and regulations. Except as specially set forth herein in Paragraph 12, or in any document or instrument to be delivered by Seller at the Closing, any agreements, warranties or representations not expressly contained in the Standard Agreement shall in no way bind Seller.

31. Attorneys' Fees and Costs. In the event of any litigation to enforce or interpret any of the terms, provisions or covenants of this Agreement, the prevailing party shall be entitled to recover from the other its actual attorneys' fees and all related costs and expenses.

S:\Wood&Sp12016\15 Studebaker - 1 Bendix\PSA-15 Studebaker-1 Bendix\ADDENDUM to PSA-15 Studebaker-1 Bendix-11-1-16.docx

EXHIBIT "2"

32. Assignment. Buyer shall have the right, with Seller's consent which shall not be unreasonably withheld, to assign this Agreement, in whole but not in part, to any affiliate of Buyer so long as Buyer provides written notice to Seller of such assignment. Any assignment permitted or consented to pursuant to this Section shall not release the Buyer from any of its obligations (whether payment, performance or otherwise) or covenants under this Agreement.

33. Confidentiality. Unless agreed to in writing, all information gained by either party concerning the business and affairs of the other party or the Property, or the proposed terms of the transaction, including the identity of the parties, will be kept confidential, other than publicly available information, or information required to be disclosed by law provided, however, the Buyer is permitted to disclose and such information to its consultants, investors, lenders, public officials, and agents.

34. Bankruptcy Court Approval and Conditions of Sale. The Seller is the owner of record of the Property. The Seller filed a petition under Chapter 11 of the Bankruptcy Code on September 6, 2016 ("Petition Date"), which case is pending before the United States Bankruptcy Court for the Central District of California, Santa Ana Division, Case No. 8:16-bk-13734-CB ("Bankruptcy Case"). Since the Petition Date, the Seller has continued in the possession of its property and the management of its financial affairs. As a result of the Bankruptcy Case, the Property is an asset of the Seller's bankruptcy estate ("Estate").

a. Bankruptcy Court Approval. The sale of the Property is expressly conditioned on approval of the United States Bankruptcy Court for the Central District of California, Santa Ana Division and entry of a final order in the Bankruptcy Case approving the Agreement and this Addendum.

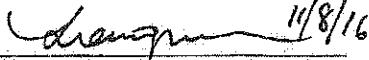
b. Unknown Contingencies. The Buyer understands that if the Seller is unable to complete escrow because of unknown defects in the title, or because the liens and encumbrances exceed the amounts known to the Seller, or by being divested of title by the Bankruptcy Court, or because the Bankruptcy Court does not approve the sale, the Buyer's sole damages will be limited to the refund of its deposit less escrow charges.

c. Bankruptcy Court Jurisdiction. Prior to and after the Close of Escrow, the United States Bankruptcy Court, Santa Ana Division, shall have and retain the sole and exclusive jurisdiction over the Property, the Agreement and this Addendum (as it relates to matters between Buyer and Seller); and any and all disputes relating in any manner to the Property, the Agreement and/or the Addendum arising before and after closing shall be resolved in said Court. Further, the Buyer and the Seller have agreed that if a dispute arises, such dispute may initially be resolved through the Mediation Program pending in the United States Bankruptcy Court for the Central District of California.

IN WITNESS WHEREOF, the undersigned have executed this Addendum and each of them represent they have the authority to bind their respective parties to the terms and conditions hereunder.

AGREED AND ACCEPTED "SELLER"

LKN Properties, a California corporation

By:  11/8/16

Name: Lien Nguyen

Title: President

AGREED AND ACCEPTED "BUYER"

15 Studebaker, LLC, or assignee

By: _____

Name: _____

Title: _____

S:\JWoodka\2016\15 Studebaker - 1 Bendix\PSA-15 Studebaker-1 Bendix\ADDENDUM to PSA-15 Studebaker-1 Bendix-11-1-16.docx

EXHIBIT "2"



**STANDARD OFFER, AGREEMENT AND ESCROW
INSTRUCTIONS FOR PURCHASE OF REAL ESTATE**

(Non-Residential)

AIR Commercial Real Estate Association

November 1, 2016

(Date for Reference Purposes)

1. Buyer.

1.1 15 Studebaker, LLC, or assignee ("Buyer") hereby offers to purchase the real property, hereinafter described, from the owner thereof ("Seller") (collectively, the "Parties" or individually, a "Party"), through an escrow ("Escrow") to close 30 or no later than 60 days after Date of Agreement, defined below the waiver or expiration of the Buyer's Contingencies, ("Expected Closing Date") to be held by First American Title Insurance Company (Nathan Thompson, Escrow Officer) ("Escrow Holder") whose address is 18500 Von Karman, Suite 600, Irvine, California 92612

, Phone No. (949) 885-2473, Facsimile No. (714) 481-2215 upon the terms and conditions set forth in this agreement ("Agreement"). Buyer shall have the right to assign Buyer's rights hereunder, but any such assignment shall not relieve Buyer of Buyer's obligations herein unless Seller expressly releases Buyer.

1.2 The term "Date of Agreement" as used herein shall be the date when by execution and delivery (as defined in paragraph 20.2) of this document or a subsequent counteroffer thereto, Buyer and Seller have reached agreement in writing whereby Seller agrees to sell, and Buyer agrees to purchase, the Property upon terms accepted by both Parties.

2. Property.

2.1 The real property ("Property") that is the subject of this offer consists of (insert a brief physical description) An approximate 16,000 square foot, freestanding building situated on approximately 0.85 acres.

is located in the City of Irvine, County of Orange, State of California, is commonly known by the street address of 15 Studebaker and 1 Bendix, Irvine, CA 92618

and is legally described as: Legal description to be provided by Escrow.

(APN: 591-023-01).

2.2 If the legal description of the Property is not complete or is inaccurate, this Agreement shall not be invalid and the legal description shall be completed or corrected to meet the requirements of First American Title Insurance Company (Ed Luque, Title Officer) ("Title Company"), which shall issue the title policy hereinafter described.

2.3 The Property includes, at no additional cost to Buyer, the permanent improvements thereon, including those items which pursuant to applicable law are a part of the property, as well as the following items, if any, owned by Seller and at present located on the Property: electrical distribution systems (power panel, bus ducting, conduits, disconnects, lighting fixtures); telephone distribution systems (lines, jacks and connections only); space heaters; heating, ventilating, air conditioning equipment ("HVAC"); air lines; fire sprinkler systems; security and fire detection systems; carpets; window coverings; wall coverings; and This sale is "As-Is", "Where-Is".

(collectively, the "Improvements").

2.4 The fire sprinkler monitor: ☐ is owned by Seller and included in the Purchase Price, ☐ is leased by Seller, and Buyer will need to negotiate a new lease with the fire monitoring company, ☒ existence or ownership will be determined during Escrow, or ☐ there is no fire sprinkler monitor.

2.5 ~~Except as provided in Paragraph 2.3, the Purchase Price does not include Seller's personal property, furniture and furnishings, and~~ all of which shall be removed by Seller prior to Closing.

3. Purchase Price.

3.1 The purchase price ("Purchase Price") to be paid by Buyer to Seller for the Property shall be \$4,160,000.00, payable as follows:

(a) Cash down payment, including the Deposit as defined in paragraph 4.3 (or if an all cash transaction, the Purchase Price): \$416,000.00

(Strike if not applicable) (b) Amount of "New Loan" as defined in paragraph 5.1, if any: \$3,744,000.00

(c) Buyer shall take title to the Property subject to and/or assume the following existing deed(s) of trust ("Existing Deed(s) of Trust") securing the existing promissory note(s) ("Existing Note(s)");

(i) An Existing Note ("First Note") with an unpaid principal balance as of the Closing of approximately: \$ _____

Said First Note is payable at \$ _____ per month,

(Strike if not applicable) Including interest at the rate of _____ % per annum until paid (and/or the entire unpaid balance is due on _____).

(ii) An Existing Note ("Second Note") with an unpaid principal balance as of the Closing of approximately: \$ _____

Said Second Note is payable at \$ _____ per month,

Including interest at the rate of _____ % per annum until paid (and/or the entire unpaid balance is due on _____).

(Strike if not applicable) (d) Buyer shall give Seller a deed of trust ("Purchase Money Deed of Trust") on the property, to secure the promissory note of Buyer to Seller described in paragraph 6 ("Purchase Money Note") in the amount of: \$ _____

Total Purchase Price: \$4,160,000.00

PAGE 1 OF 8

INITIALS

INITIALS

©2003 - AIR COMMERCIAL REAL ESTATE ASSOCIATION

FORM OFA-18-05/16E

EXHIBIT "2"

3.2 If Buyer is taking title to the Property subject to, or assuming, an Existing Deed of Trust and such deed of trust permits the beneficiary to demand payment of fees including, but not limited to, points, processing fees, and appraisal fees as a condition to the transfer of the Property, Buyer agrees to pay such fees up to a maximum of 1.5% of the unpaid principal balance of the applicable Existing Note.

4. Deposits.

4.1 ~~Buyer has delivered to Broker a check in the sum of \$_____ payable to Escrow Holder, to be delivered by Broker to Escrow Holder within 2 or _____ business days after both Parties have executed this Agreement and the executed Agreement has been delivered to Escrow Holder, or~~ ☒ within 2 or _____ business days after both Parties have executed this Agreement and the executed Agreement has been delivered to Escrow Holder Buyer shall deliver to Escrow Holder a check in the sum of \$50,000.00. If said check is not received by Escrow Holder within said time period then Seller may elect to unilaterally terminate this transaction by giving written notice of such election to Escrow Holder whereupon neither Party shall have any further liability to the other under this Agreement. Should Buyer and Seller not enter into an agreement for purchase and sale, Buyer's check or funds shall, upon request by Buyer, be promptly returned to Buyer.

4.2 Additional deposits:

(a) ~~Within 5 business days after the Date of Agreement, Buyer shall deposit with Escrow Holder the additional sum of \$_____ to be applied to the Purchase Price at the Closing.~~

(b) ~~Within 5 business days after the contingencies discussed in paragraph 9.1 (a) through (m) are approved or waived, Buyer shall deposit with Escrow Holder the additional sum of \$25,000.00 to be applied to the Purchase Price at the Closing.~~

(c) ~~If an Additional Deposit is not received by Escrow Holder within the time period provided then Seller may notify Buyer, Escrow Holder, and Brokers, in writing that, unless the Additional Deposit is received by Escrow Holder within 2 business days following said notice, the Escrow shall be deemed terminated without further notice or instructions.~~

4.3 Escrow Holder shall deposit the funds deposited with it by Buyer pursuant to paragraphs 4.1 and 4.2 (collectively the "Deposit"), in a State or Federally chartered bank in an interest bearing account whose term is appropriate and consistent with the timing requirements of this transaction. The interest therefrom shall accrue to the benefit of Buyer, who hereby acknowledges that there may be penalties or interest forfeitures if the applicable instrument is redeemed prior to its specified maturity. Buyer's Federal Tax Identification Number is 81-4325322. NOTE: Such interest bearing account cannot be opened until Buyer's Federal Tax Identification Number is provided.

4.4 Notwithstanding the foregoing, within 5 days after Escrow Holder receives the monies described in paragraph 4.1 above, Escrow Holder shall release \$100 of said monies to Seller as and for independent consideration for Seller's execution of this Agreement and the granting of the contingency period to Buyer as herein provided. Such independent consideration is non-refundable to Buyer but shall be credited to the Purchase Price in the event that the purchase of the Property is completed.

4.5 Upon waiver of all of Buyer's contingencies the Deposit shall become non-refundable but applicable to the Purchase Price except in the event of a Seller breach, or in the event that the Escrow is terminated pursuant to the provisions of Paragraph 9.1(n) (Destruction, Damage or Loss) or 9.1(o) (Material Change).

5. Financing Contingency. (Strike if not applicable)

5.1 ~~This offer is contingent upon Buyer obtaining from an insurance company, financial institution or other lender, a commitment to lend to Buyer a sum equal to at least _____ % of the Purchase Price, on terms reasonably acceptable to Buyer. Such loan ("New Loan") shall be secured by a first deed of trust or mortgage on the Property. If this Agreement provides for Seller to carry back junior financing, then Seller shall have the right to approve the terms of the New Loan. Seller shall have 7 days from receipt of the commitment setting forth the proposed terms of the New Loan to approve or disapprove of such proposed terms. If Seller fails to notify Escrow Holder, in writing, of the disapproval within said 7 days it shall be conclusively presumed that Seller has approved the terms of the New Loan.~~

5.2 Buyer hereby agrees to diligently pursue obtaining the New Loan. If Buyer shall fail to notify its Broker, Escrow Holder and Seller, in writing within 45 days following the Date of Agreement, that the New Loan has not been obtained, it shall be conclusively presumed that Buyer has either obtained said New Loan or has waived this New Loan contingency.

5.3 If, after due diligence, Buyer shall notify its Broker, Escrow Holder and Seller, in writing, within the time specified in paragraph 5.2 hereof, that Buyer has not obtained said New Loan, this Agreement shall be terminated, and Buyer shall be entitled to the prompt return of the Deposit, plus any interest earned thereon, less only Escrow Holder and Title Company cancellation fees and costs, which Buyer shall pay.

6. Seller Financing (Purchase Money Note). (Strike if not applicable)

6.1 ~~If Seller approves Buyer's financials (see paragraph 6.5) the Purchase Money Note shall provide for interest on unpaid principal at the rate of _____ % per annum, with principal and interest paid as follows:~~

~~The Purchase Money Note and Purchase Money Deed of Trust shall be on the current forms commonly used by Escrow Holder, and be junior and subordinate only to the Existing Note(s) and/or the New Loan expressly called for by this Agreement.~~

6.2 ~~The Purchase Money Note and/or the Purchase Money Deed of Trust shall contain provisions regarding the following (see also paragraph 10.3 (b)):~~

~~(a) Prepayment. Principal may be prepaid in whole or in part at any time without penalty, at the option of the Buyer.~~

~~(b) Late Charge. A late charge of 5% shall be payable with respect to any payment of principal, interest, or other charges, not made within 10 days after it is due.~~

~~(c) Due On Sale. In the event the Buyer sells or transfers title to the Property or any portion thereof, then the Seller may, at Seller's option, require the entire unpaid balance of said Note to be paid in full.~~

6.3 ~~If the Purchase Money Deed of Trust is to be subordinate to other financing, Escrow Holder shall, at Buyer's expense prepare and record on Seller's behalf a request for notice of default and/or sale with regard to each mortgage or deed of trust to which it will be subordinate.~~

6.4 **WARNING: CALIFORNIA LAW DOES NOT ALLOW DEFICIENCY JUDGEMENTS ON SELLER FINANCING. IF BUYER ULTIMATELY DEFAULTS ON THE LOAN, SELLER'S SOLE REMEDY IS TO FORECLOSE ON THE PROPERTY.**

6.5 ~~Seller's obligation to provide financing is contingent upon Seller's reasonable approval of Buyer's financial condition. Buyer to provide a current financial statement and copies of its Federal tax returns for the last 3 years to Seller within 10 days following the Date of Agreement. Seller has 10 days following receipt of such documentation to satisfy itself with regard to Buyer's financial condition and to notify Escrow Holder as to whether or not Buyer's financial condition is acceptable. If Seller fails to notify Escrow Holder, in writing, of the disapproval of this contingency within said time period, it shall be conclusively presumed that Seller has approved Buyer's financial condition. If Seller is not satisfied with Buyer's financial condition or if Buyer fails to deliver the required documentation then Seller may notify Escrow Holder in writing that Seller Financing will not be available, and Buyer shall have the option, within 10 days of the receipt of such notice, to either terminate this transaction or to purchase the Property without Seller financing. If Buyer fails to notify Escrow Holder within said time period of its election to terminate this transaction then Buyer shall be conclusively presumed to have elected to purchase the Property without Seller financing. If Buyer elects to terminate, Buyer's Deposit shall be refunded less Title Company and Escrow Holder cancellation fees and costs, all of which shall be Buyer's obligation.~~

7. Real Estate Brokers.

7.1 The following real estate broker(s) ("Brokers") and brokerage relationships exist in this transaction and are consented to by the Parties (check the applicable boxes):

☒ Newmark Grubb Knight Frank ("NGKF"), Joe Woodka represents Seller exclusively ("Seller's Broker");

☒ Lee & Associates, Gary McArdell represents Buyer exclusively ("Buyer's Broker"); or

☐ _____ represents both Seller and Buyer ("Dual Agency").

The Parties acknowledge that other than the Brokers listed above, there are no other brokers representing the Parties or due any fees and/or commissions under this Agreement. See paragraph 24 regarding the nature of a real estate agency relationship. Buyer shall use the services of Buyer's Broker exclusively in connection with any and all negotiations and offers with respect to the Property for a period of 1 year from the date inserted for reference purposes at the top of page 1.

7.2 Buyer and Seller each represent and warrant to the other that he/she/it has had no dealings with any person, firm, broker or finder in connection with the negotiation of this Agreement and/or the consummation of the purchase and sale contemplated herein, other than the Brokers named in paragraph 7.1, and no broker or other person, firm or entity, other than said Brokers is/are entitled to any commission or finder's fee in connection with this transaction as the result of any dealings or acts of such Party. Buyer and Seller do each hereby agree to indemnify, defend, protect and hold the other harmless from and against any costs, expenses or liability for compensation, commission or charges which may be claimed by any

530
INITIALS

PAGE 2 OF 8

INITIALS

broker, finder or other similar party, other than said named Brokers by reason of any dealings or act of the indemnifying Party.

8. Escrow and Closing.

8.1 Upon acceptance hereof by Seller, this Agreement, ~~including any counteroffers incorporated herein by the Parties~~, shall constitute not only the agreement of purchase and sale between Buyer and Seller, but also instructions to Escrow Holder for the consummation of the Agreement through the Escrow. Escrow Holder shall not prepare any further escrow instructions relating or amending the Agreement unless specifically so instructed by the Parties or a Broker herein. Subject to the reasonable approval of the Parties, Escrow Holder may, however, include its standard general escrow provisions. In the event that there is any conflict between the provisions of the Agreement and the provisions of any additional escrow instructions the provisions of the Agreement shall prevail as to the Parties and the Escrow Holder.

8.2 As soon as practical after the receipt of this Agreement and any relevant counteroffers, Escrow Holder shall ascertain the Date of Agreement as defined in paragraphs 1.2 and 20.2 and advise the Parties and Brokers, in writing, of the date ascertained.

8.3 Escrow Holder is hereby authorized and instructed to conduct the Escrow in accordance with this Agreement, applicable law and custom and practice of the community in which Escrow Holder is located, including any reporting requirements of the Internal Revenue Code. In the event of a conflict between the law of the state where the Property is located and the law of the state where the Escrow Holder is located, the law of the state where the Property is located shall prevail.

8.4 Subject to satisfaction of the contingencies herein described, Escrow Holder shall close this escrow (the "Closing") by recording a general warranty deed (a grant deed in California) and the other documents required to be recorded, and by disbursing the funds and documents in accordance with this Agreement.

8.5 Buyer and Seller shall each pay one-half of the Escrow Holder's charges and Seller shall pay the usual recording fees and any required documentary transfer taxes. Seller shall pay the premium for a standard coverage owner's or joint protection policy of title insurance. (See also paragraph 11 as to payment of other expenses).

8.6 Escrow Holder shall verify that all of Buyer's contingencies have been satisfied or waived prior to Closing. The matters contained in paragraphs 9.1 subparagraphs (b), (c), (d), (e), (g), (i), (j), (n), and (o), 9.4, 12, 13, 14, 16, 18, 20, 21, 22, and 24 are, however, matters of agreement between the Parties only and are not instructions to Escrow Holder.

8.7 If this transaction is terminated for non-satisfaction and non-waiver of a Buyer's Contingency, as defined in paragraph 9.2, then neither of the Parties shall thereafter have any liability to the other under this Agreement, except to the extent of a breach of any affirmative covenant or warranty in this Agreement. In the event of such termination, Buyer shall, subject to the provisions of paragraph 8.10, be promptly refunded all funds deposited by Buyer with Escrow Holder, less only the \$100 provided for in paragraph 4.4 and the Title Company and Escrow Holder cancellation fees and costs, all of which shall be Buyer's obligation. If this transaction is terminated as a result of Seller's breach of this Agreement then Seller shall pay the Title Company and Escrow Holder cancellation fees and costs.

8.8 The Closing shall occur on the Expected Closing Date, or as soon thereafter as the Escrow is in condition for Closing; provided, however, that if the Closing does not occur by the Expected Closing Date and said Date is not extended by mutual instructions of the Parties, a Party not then in default under this Agreement may notify the other Party, Escrow Holder, and Brokers, in writing that, unless the Closing occurs within 5 business days following said notice, the Escrow shall be deemed terminated without further notice or instructions.

8.9 Except as otherwise provided herein, the termination of Escrow shall not relieve or release either Party from any obligation to pay Escrow Holder's fees and costs or constitute a waiver, release or discharge of any breach or default that has occurred in the performance of the obligations, agreements, covenants or warranties contained therein.

8.10 If this sale of the Property is not consummated for any reason other than Seller's breach or default, then at Seller's request, and as a condition to any obligation to return Buyer's deposit (see paragraph 21), Buyer shall within 5 days after written request deliver to Seller, at no charge, copies of all surveys, engineering studies, soil reports, maps, master plans, feasibility studies and other similar items prepared by or for Buyer that pertain to the Property. Provided, however, that Buyer shall not be required to deliver any such report if the written contract which Buyer entered into with the consultant who prepared such report specifically forbids the dissemination of the report to others.

9. Contingencies to Closing.

9.1 The Closing of this transaction is contingent upon the satisfaction or waiver of the following contingencies. **IF BUYER FAILS TO NOTIFY ESCROW HOLDER, IN WRITING, OF THE DISAPPROVAL OF ANY OF SAID CONTINGENCIES WITHIN THE TIME SPECIFIED THEREIN, IT SHALL BE CONCLUSIVELY PRESUMED THAT BUYER HAS APPROVED SUCH ITEM, MATTER OR DOCUMENT.** Buyer's conditional approval shall constitute disapproval, unless provision is made by the Seller within the time specified therefore by the Buyer in such conditional approval or by this Agreement, whichever is later, for the satisfaction of the condition imposed by the Buyer. Escrow Holder shall promptly provide all Parties with copies of any written disapproval or conditional approval which it receives. With regard to subparagraphs (a) through (m) the pre-printed time periods shall control unless a different number of days is inserted in the spaces provided.

(a) **Disclosure.** Seller shall make to Buyer, through Escrow, all of the applicable disclosures required by law (See AIR Commercial Real Estate Association ("AIR") standard form entitled "Seller's Mandatory Disclosure Statement") and provide Buyer with a completed Property Information Sheet ("Property Information Sheet") concerning the Property, duly executed by or on behalf of Seller in the current form or equivalent to that published by the AIR within 10 or _____ days following the Date of Agreement. Buyer has 40 30 days from the Date of Agreement receipt of said disclosures to approve or disapprove the matters disclosed.

(b) **Physical Inspection.** Buyer has 40 or _____ 30 days following the receipt of the Property Information Sheet or the Date of Agreement, whichever is later, to satisfy itself with regard to the physical aspects and size of the Property.

(c) **Hazardous Substance Conditions Report.** Buyer has 30 or _____ days following the receipt of the Property Information Sheet or the Date of Agreement, whichever is later, to satisfy itself with regard to the environmental aspects of the Property. Seller recommends that Buyer obtain a Hazardous Substance Conditions Report concerning the Property and relevant adjoining properties. Any such report shall be paid for by Buyer. A "Hazardous Substance" for purposes of this Agreement is defined as any substance whose nature and/or quantity of existence, use, manufacture, disposal or effect, render it subject to Federal, state or local regulation, investigation, remediation or removal as potentially injurious to public health or welfare. A "Hazardous Substance Condition" for purposes of this Agreement is defined as the existence on, under or relevantly adjacent to the Property of a Hazardous Substance that would require remediation and/or removal under applicable Federal, state or local law.

(d) **Soil Inspection.** Buyer has 30 or _____ days following the receipt of the Property Information Sheet or the Date of Agreement, whichever is later, to satisfy itself with regard to the condition of the soils on the Property. Seller recommends that Buyer obtain a soil test report. Any such report shall be paid for by Buyer. Seller shall provide Buyer copies of any soils report that Seller may have within 10 days of the Date of Agreement.

(e) **Governmental Approvals.** Buyer has 30 or _____ days following the Date of Agreement to satisfy itself with regard to approvals and permits from governmental agencies or departments which have or may have jurisdiction over the Property and which Buyer deems necessary or desirable in connection with its intended use of the Property, including, but not limited to, permits and approvals required with respect to zoning, planning, building and safety, fire, police, handicapped and Americans with Disabilities Act requirements, transportation and environmental matters.

(f) **Conditions of Title.** Escrow Holder shall cause a current commitment for title insurance ("Title Commitment") concerning the Property issued by the Title Company, as well as legible copies of all documents referred to in the Title Commitment ("Underlying Documents"), and a scaled and dimensioned plot showing the location of any easements to be delivered to Buyer within 10 or _____ days following the Date of Agreement. Buyer has 40 30 days from the receipt of the Title Commitment, the Underlying Documents and the plot plan Date of Agreement to satisfy itself with regard to the condition of title. The disapproval by Buyer of any monetary encumbrance, which by the terms of this Agreement is not to remain against the Property after the Closing, shall not be considered a failure of this contingency, as Seller shall have the obligation, at Seller's expense, to satisfy and remove such disapproved monetary encumbrance at or before the Closing.

(g) **Survey.** Buyer has 30 or _____ days following the receipt of the Title Commitment and Underlying Documents Date of Agreement to satisfy itself with regard to any ALTA title supplement based upon a survey prepared to American Land Title Association ("ALTA") standards for an owner's policy by a licensed surveyor, showing the legal description and boundary lines of the Property, any easements of record, and any improvements, poles, structures and things located within 10 feet of either side of the Property boundary lines. Any such survey shall be prepared at Buyer's direction and expense. If Buyer has obtained a survey and approved the ALTA title supplement, Buyer may elect within the period allowed for Buyer's approval of a survey to have an ALTA extended coverage owner's form of title policy, in which event Buyer shall pay any additional premium attributable thereto.

(h) **Existing Leases and Tenancy Statements.** Seller shall within 10 or _____ days following the Date of Agreement provide both Buyer and Escrow Holder with legible copies of all leases, subleases or rental arrangements (collectively, "Existing Leases") affecting the Property, and with a tenancy statement ("Estoppel Certificate") in the latest form or equivalent to that published by the AIR, executed by Seller and/or each tenant and subtenant of the Property. Seller shall use its best efforts to have each tenant complete and execute an Estoppel Certificate. If any tenant fails or refuses to provide an Estoppel Certificate then Seller shall complete and execute an Estoppel Certificate for that tenancy. Buyer has 10 days from the receipt of said Existing Leases and Estoppel Certificates to satisfy itself with regard to the Existing Leases and any other tenancy issues.

SSB
INITIALS

PAGE 3 OF 8

INITIALS

(i) *Owner's Association.* Seller shall within 10 or _____ days following the Date of Agreement provide Buyer with a statement and transfer package from any owner's association servicing the Property. Such transfer package shall at a minimum include: copies of the association's bylaws, articles of incorporation, current budget and financial statement. Buyer has 10 days from the receipt of such documents to satisfy itself with regard to the association.

(j) *Other Agreements.* Seller shall within 10 or _____ days following the Date of Agreement provide Buyer with legible copies of all other agreements ("Other Agreements") known to Seller that will affect the Property after Closing. Buyer has 40 30 days from the receipt of said Other Agreements Date of Agreement to satisfy itself with regard to such Agreements.

(k) *Financing.* If paragraph 5 hereof dealing with a financing contingency has not been stricken, the satisfaction or waiver of such New Loan contingency.

(l) *Existing Notes.* If paragraph 3.1(c) has not been stricken, Seller shall within 10 or _____ days following the Date of Agreement provide Buyer with legible copies of the Existing Notes, Existing Deeds of Trust and related agreements (collectively, "Loan Documents") to which the Property will remain subject after the Closing. Escrow Holder shall promptly request from the holders of the Existing Notes a beneficiary statement ("Beneficiary Statement") confirming: (1) the amount of the unpaid principal balance, the current interest rate, and the date to which interest is paid, and (2) the nature and amount of any impounds held by the beneficiary in connection with such loan. Buyer has 10 or _____ days following the receipt of the Loan Documents and Beneficiary Statements to satisfy itself with regard to such financing. Buyer's obligation to close is conditioned upon Buyer being able to purchase the Property without acceleration or change in the terms of any Existing Notes or charges to Buyer except as otherwise provided in this Agreement or approved by Buyer, provided, however, Buyer shall pay the transfer fee referred to in paragraph 3.2 hereof. Likewise if Seller is to carry back a Purchase Money Note then Seller shall within 10 or _____ days following the Date of Agreement provide Buyer with a copy of the proposed Purchase Money Note and Purchase Money Deed of Trust. Buyer has 10 or _____ days from the receipt of such documents to satisfy itself with regard to the form and content thereof.

(m) *Personal Property.* In the event that any personal property is included in the Purchase Price, Buyer has 10 or _____ days following the Date of Agreement to satisfy itself with regard to the title condition of such personal property. Seller recommends that Buyer obtain a UCC-1 report. Any such report shall be paid for by Buyer. Seller shall provide Buyer copies of any liens or encumbrances affecting such personal property that it is aware of within 10 or _____ days following the Date of Agreement.

(n) *Destruction, Damage or Loss.* Subsequent to the Date of Agreement and prior to Closing there shall not have occurred a destruction, or damage or loss to, the Property or any portion thereof, from any cause whatsoever, which would cost more than \$10,000.00 to repair or cure. If the cost of repair or cure is \$10,000.00 or less, Seller shall repair or cure the loss prior to the Closing. Buyer shall have the option, within 10 days after receipt of written notice of a loss costing more than \$10,000.00 to repair or cure, to either terminate this Agreement or to purchase the Property notwithstanding such loss, but without deduction or offset against the Purchase Price. If the cost to repair or cure is more than \$10,000.00, and Buyer does not elect to terminate this Agreement, Buyer shall be entitled to any insurance proceeds applicable to such loss. Unless otherwise notified in writing, Escrow Holder shall assume no such destruction, damage or loss has occurred prior to Closing.

(o) *Material Change.* Buyer shall have 10 days following receipt of written notice of a Material Change within which to satisfy itself with regard to such change. "Material Change" shall mean a substantial adverse change in the use, occupancy, tenants, title, or condition of the Property that occurs after the date of this offer and prior to the Closing. Unless otherwise notified in writing, Escrow Holder shall assume that no Material Change has occurred prior to the Closing.

(p) *Seller Performance.* The delivery of all documents and the due performance by Seller of each and every undertaking and agreement to be performed by Seller under this Agreement.

(q) *Brokerage Fee.* Payment at the Closing of such brokerage fee as is specified in this Agreement or later written instructions to Escrow Holder executed by Seller and Brokers ("Brokerage Fee"). It is agreed by the Parties and Escrow Holder that Brokers are a third party beneficiary of this Agreement insofar as the Brokerage Fee is concerned, and that no change shall be made with respect to the payment of the Brokerage Fee specified in this Agreement, without the written consent of Brokers.

9.2 All of the contingencies specified in subparagraphs (a) through (m) of paragraph 9.1 are for the benefit of, and may be waived by, Buyer, and may be elsewhere herein referred to as "Buyer's Contingencies."

9.3 If any of Buyer's Contingencies or any other matter subject to Buyer's approval is disapproved as provided for herein in a timely manner ("Disapproved Item"), Seller shall have the right within 10 days following the receipt of notice of Buyer's disapproval to elect to cure such Disapproved Item prior to the Expected Closing Date ("Seller's Election"). Seller's failure to give to Buyer within such period, written notice of Seller's commitment to cure such Disapproved Item on or before the Expected Closing Date shall be conclusively presumed to be Seller's Election not to cure such Disapproved Item. If Seller elects, either by written notice or failure to give written notice, not to cure a Disapproved Item, Buyer shall have the right, within 10 days after Seller's Election to either accept title to the Property subject to such Disapproved Item, or to terminate this Agreement. Buyer's failure to notify Seller in writing of Buyer's election to accept title to the Property subject to the Disapproved Item without deduction or offset shall constitute Buyer's election to terminate this Agreement. The above time periods only apply once for each Disapproved Item. Unless expressly provided otherwise herein, Seller's right to cure shall not apply to the remediation of Hazardous Substance Conditions or to the Financing Contingency. Unless the Parties mutually instruct otherwise, if the time periods for the satisfaction of contingencies or for Seller's and Buyer's elections would expire on a date after the Expected Closing Date, the Expected Closing Date shall be deemed extended for 3 business days following the expiration of: (a) the applicable contingency period(s), (b) the period within which the Seller may elect to cure the Disapproved Item, or (c) if Seller elects not to cure, the period within which Buyer may elect to proceed with this transaction, whichever is later.

9.4 The Parties acknowledge that extensive local, state and Federal legislation establish broad liability upon owners and/or users of real property for the investigation and remediation of Hazardous Substances. The determination of the existence of a Hazardous Substance Condition and the evaluation of the impact of such a condition are highly technical and beyond the expertise of Brokers. The Parties acknowledge that they have been advised by Brokers to consult their own technical and legal experts with respect to the possible presence of Hazardous Substances on the Property or adjoining properties, and Buyer and Seller are not relying upon any investigation by or statement of Brokers with respect thereto. The Parties hereby assume all responsibility for the impact of such Hazardous Substances upon their respective interests herein.

10. Documents Required at or Before Closing:

10.1 Five days prior to the Closing date Escrow Holder shall obtain an updated Title Commitment concerning the Property from the Title Company and provide copies thereof to each of the Parties.

10.2 Seller shall deliver to Escrow Holder in time for delivery to Buyer at the Closing:

(a) Grant or general warranty deed, duly executed and in recordable form, conveying fee title to the Property to Buyer.

(b) If applicable, the Beneficiary Statements concerning Existing Note(s).

(c) If applicable, the Existing Leases and Other Agreements together with duly executed assignments thereof by Seller and Buyer. The assignment of Existing Leases shall be on the most recent Assignment and Assumption of Lessor's Interest in Lease form published by the A/R or its equivalent.

(d) If applicable, Eetoppel Certificates executed by Seller and/or the tenant(s) of the Property.

(e) An affidavit executed by Seller to the effect that Seller is not a "foreign person" within the meaning of Internal Revenue Code Section 1445 or successor statutes. If Seller does not provide such affidavit in form reasonably satisfactory to Buyer at least 3 business days prior to the Closing, Escrow Holder shall at the Closing deduct from Seller's proceeds and remit to the Internal Revenue Service such sum as is required by applicable Federal law with respect to purchases from foreign sellers.

(f) If the Property is located in California, an affidavit executed by Seller to the effect that Seller is not a "nonresident" within the meaning of California Revenue and Tax Code Section 18662 or successor statutes. If Seller does not provide such affidavit in form reasonably satisfactory to Buyer at least 3 business days prior to the Closing, Escrow Holder shall at the Closing deduct from Seller's proceeds and remit to the Franchise Tax Board such sum as is required by such statute.

(g) If applicable, a bill of sale, duly executed, conveying title to any included personal property to Buyer.

(h) If the Seller is a corporation, a duly executed corporate resolution authorizing the execution of this Agreement and the sale of the Property.

10.3 Buyer shall deliver to Seller through Escrow:

(a) The cash portion of the Purchase Price and such additional sums as are required of Buyer under this Agreement shall be deposited by Buyer with Escrow Holder, by federal funds wire transfer, or any other method acceptable to Escrow Holder in immediately collectable funds, no later than 2:00 P.M. on the business day prior to the Expected Closing Date provided, however, that Buyer shall not be required to deposit such monies into Escrow if at the time set for the deposit of such monies Seller is in default or has indicated that it will not perform any of its obligations hereunder. Instead, in such circumstances in order to reserve its rights to proceed Buyer need only provide Escrow with evidence establishing that the required monies were available.

(b) If a Purchase Money Note and Purchase Money Deed of Trust are called for by this Agreement, the duly executed originals of those documents, the Purchase Money Deed of Trust being in recordable form, together with evidence of fire insurance on the improvements in the amount of

SSB
INITIALS

PAGE 4 OF 8

INITIALS

the full replacement cost naming Seller as a mortgage loss payee, and a real estate tax service contract (at Buyer's expense), assuring Seller of notice of the status of payment of real property taxes during the life of the Purchase Money Note.

- (e) The Assignment and Assumption of Lessor's Interest in Lease form specified in paragraph 10.2(c) above, duly executed by Buyer.
- (d) Assumptions duly executed by Buyer of the obligations of Seller that accrue after Closing under any Other Agreements.
- (e) If applicable, a written assumption duly executed by Buyer of the loan documents with respect to Existing Notes.
- (f) If the Buyer is a corporation, a duly executed corporate resolution authorizing the execution of this Agreement and the purchase of the Property.

10.4 At Closing, Escrow Holder shall cause to be issued to Buyer a standard coverage (or ALTA extended, if elected pursuant to 9.1(g)) owner's form policy of title insurance effective as of the Closing, issued by the Title Company in the full amount of the Purchase Price, insuring title to the Property vested in Buyer, subject only to the exceptions approved by Buyer. In the event there is a Purchase Money Deed of Trust in this transaction, the policy of title insurance shall be a joint protection policy insuring both Buyer and Seller.

IMPORTANT: IN A PURCHASE OR EXCHANGE OF REAL PROPERTY, IT MAY BE ADVISABLE TO OBTAIN TITLE INSURANCE IN CONNECTION WITH THE CLOSING OF ESCROW SINCE THERE MAY BE PRIOR RECORDED LIENS AND ENCUMBRANCES WHICH AFFECT YOUR INTEREST IN THE PROPERTY BEING ACQUIRED. A NEW POLICY OF TITLE INSURANCE SHOULD BE OBTAINED IN ORDER TO ENSURE YOUR INTEREST IN THE PROPERTY THAT YOU ARE ACQUIRING.

11. Prorations and Adjustments.

11.1 **Taxes.** Applicable real property taxes and special assessment bonds shall be prorated through Escrow as of the date of the Closing, based upon the latest tax bill available. The Parties agree to prorate as of the Closing any taxes assessed against the Property by supplemental bill levied by reason of events occurring prior to the Closing. Payment of the prorated amount shall be made promptly in cash upon receipt of a copy of any supplemental bill.

11.2 **Insurance.** **WARNING:** Any insurance which Seller may have maintained will terminate on the Closing. Buyer is advised to obtain appropriate insurance to cover the Property.

11.3 **Rentals, Interest and Expenses.** Scheduled rentals, interest on Existing Notes, utilities, and operating expenses shall be prorated as of the date of Closing. The Parties agree to promptly adjust between themselves outside of Escrow any rents received after the Closing.

11.4 **Security Deposit.** Security Deposits held by Seller shall be given to Buyer as a credit to the cash required of Buyer at the Closing.

11.5 **Post Closing Matters.** Any item to be prorated that is not determined or determinable at the Closing shall be promptly adjusted by the Parties by appropriate cash payment outside of the Escrow when the amount due is determined.

11.6 **Variations in Existing Note Balances.** In the event that Buyer is purchasing the Property subject to an Existing Deed of Trust(s), and in the event that a Beneficiary Statement as to the applicable Existing Note(s) discloses that the unpaid principal balance of such Existing Note(s) at the closing will be more or less than the amount set forth in paragraph 3.4(c) hereof ("Existing Note Variation"), then the Purchase Money Note(s) shall be reduced or increased by an amount equal to such Existing Note Variation. If there is to be no Purchase Money Note, the cash required at the Closing per paragraph 3.1(a) shall be reduced or increased by the amount of such Existing Note Variation.

11.7 **Variations in New Loan Balance.** In the event Buyer is obtaining a New Loan and the amount ultimately obtained exceeds the amount set forth in paragraph 5.1, then the amount of the Purchase Money Note, if any, shall be reduced by the amount of such excess.

11.8 **Owner's Association Fees.** Escrow Holder shall: (i) bring Seller's account with the association current and pay any delinquencies or transfer fees from Seller's proceeds, and (ii) pay any up front fees required by the association from Buyer's funds.

12. Representations and Warranties of Seller and Disclaimers.

12.1 Seller's warranties and representations shall survive the Closing and delivery of the deed for a period of 3 years, and any lawsuit or action based upon them must be commenced within such time period. Seller's warranties and representations are true, material and relied upon by Buyer and Brokers in all respects. Seller hereby makes the following warranties and representations to Buyer and Brokers:

(a) **Authority of Seller.** Seller is the owner of the Property and/or has the full right, power and authority to sell, convey and transfer the Property to Buyer as provided herein, and to perform Seller's obligations hereunder.

(b) **Maintenance During Escrow and Equipment Condition At Closing.** Except as otherwise provided in paragraph 9.1(n) hereof, Seller shall maintain the Property until the Closing in its present condition, ordinary wear and tear excepted.

(c) **Hazardous Substances/Storage Tanks.** Seller has no knowledge, except as otherwise disclosed to Buyer in writing, of the existence or prior existence on the Property of any Hazardous Substance, nor of the existence or prior existence of any above or below ground storage tank.

(d) **Compliance.** Seller has no knowledge of any aspect or condition of the Property which violates applicable laws, rules, regulations, codes or covenants, conditions or restrictions, or of improvements or alterations made to the Property without a permit where one was required, or of any unfulfilled order or directive of any applicable governmental agency or casualty insurance company requiring any investigation, remediation, repair, maintenance or improvement be performed on the Property.

(e) **Changes in Agreements.** Prior to the Closing, Seller will not violate or modify any Existing Lease or Other Agreement, or create any new leases or other agreements affecting the Property, without Buyer's written approval, which approval will not be unreasonably withheld.

(f) **Possessory Rights.** Seller has no knowledge that anyone will, at the Closing, have any right to possession of the Property, except as disclosed by this Agreement or otherwise in writing to Buyer.

(g) **Mechanics' Liens.** There are no unsatisfied mechanics' or materialmen's lien rights concerning the Property.

(h) **Actions, Suits or Proceedings.** Seller has no knowledge of any actions, suits or proceedings pending or threatened before any commission, board, bureau, agency, arbitrator, court or tribunal that would affect the Property or the right to occupy or utilize same.

(i) **Notice of Changes.** Seller will promptly notify Buyer and Brokers in writing of any Material Change (see paragraph 9.1(o)) affecting the Property that becomes known to Seller prior to the Closing.

(j) **No Tenant Bankruptcy Proceedings.** Seller has no notice or knowledge that any tenant of the Property is the subject of a bankruptcy or insolvency proceeding.

(k) **No Seller Bankruptcy Proceedings.** Seller is not the subject of a bankruptcy, insolvency or probate proceeding. (SEE ADDENDUM)

(l) **Personal Property.** Seller has no knowledge that anyone will, at the Closing, have any right to possession of any personal property included in the Purchase Price nor knowledge of any liens or encumbrances affecting such personal property, except as disclosed by this Agreement or otherwise in writing to Buyer.

12.2 Buyer hereby acknowledges that, except as otherwise stated in this Agreement or Addendum, Buyer is purchasing the Property in its existing "as-is", "where-is" condition and will, by the time called for herein, make or have waived all inspections of the Property Buyer believes are necessary to protect its own interest in, and its contemplated use of, the Property. The Parties acknowledge that, except as otherwise stated in this Agreement, no representations, inducements, promises, agreements, assurances, oral or written, concerning the Property, or any aspect of the occupational safety and health laws, Hazardous Substance laws, or any other act, ordinance or law, have been made by either Party or Brokers, or relied upon by either Party hereto.

12.3 In the event that Buyer learns that a Seller representation or warranty might be untrue prior to the Closing, and Buyer elects to purchase the Property anyway then, and in that event, Buyer waives any right that it may have to bring an action or proceeding against Seller or Brokers regarding said representation or warranty.

12.4 Any environmental reports, soils reports, surveys, and other similar documents which were prepared by third party consultants and provided to Buyer by Seller or Seller's representatives, have been delivered as an accommodation to Buyer and without any representation or warranty as to the sufficiency, accuracy, completeness, and/or validity of said documents, all of which Buyer relies on at its own risk. Seller believes said documents to be accurate, but Buyer is advised to retain appropriate consultants to review said documents and investigate the Property.

13. Possession.

Possession of the Property shall be given to Buyer at the Closing subject to the rights of tenants under Existing Leases.

14. Buyer's Entry.

At any time during the Escrow period, Buyer, and its agents and representatives, shall have the right at reasonable times and subject to rights of tenants, to enter upon the Property for the purpose of making inspections and tests specified in this Agreement. No destructive testing shall be conducted, however, without Seller's prior approval which shall not be unreasonably withheld. Following any such entry or work, unless otherwise directed in writing by Seller, Buyer shall return the Property to the condition it was in prior to such entry or work, including the recompaction or removal of any disrupted soil or material as Seller may reasonably direct. All such inspections and tests and any other work conducted or materials furnished with respect to the Property by or for Buyer shall be paid for by Buyer as and when due and Buyer shall indemnify, defend, protect and hold harmless Seller and the Property of and from any and all claims, liabilities, losses, expenses (including reasonable attorneys' fees), damages, including those for injury to person or property, arising out of or relating to any such work or materials or the acts or omissions of Buyer, its agents or employees in connection therewith.

35B
INITIALS

PAGE 5 OF 8

INITIALS

15. Further Documents and Assurances.

The Parties shall each, diligently and in good faith, undertake all actions and procedures reasonably required to place the Escrow in condition for Closing as and when required by this Agreement. The Parties agree to provide all further information, and to execute and deliver all further documents, reasonably required by Escrow Holder or the Title Company.

16. Attorneys' Fees.

If any Party or Broker brings an action or proceeding (including arbitration) involving the Property whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term "Prevailing Party" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred.

17. Prior Agreements/Amendments.

17.1 This Agreement supersedes any and all prior agreements between Seller and Buyer regarding the Property.

17.2 Amendments to this Agreement are effective only if made in writing and executed by Buyer and Seller.

18. Broker's Rights.

18.1 If this sale is not consummated due to the default of either the Buyer or Seller, the defaulting Party shall be liable to and shall pay to Brokers the Brokerage Fee that Brokers would have received had the sale been consummated. If Buyer is the defaulting party, payment of said Brokerage Fee is in addition to any obligation with respect to liquidated or other damages.

18.2 Upon the Closing, Brokers are authorized to publicize the facts of this transaction.

19. Notices.

19.1 Whenever any Party, Escrow Holder or Brokers herein shall desire to give or serve any notice, demand, request, approval, disapproval or other communication, each such communication shall be in writing and shall be delivered personally, by messenger, or by mail, postage prepaid, to the address set forth in this agreement or by facsimile transmission, electronic signature, digital signature, or email.

19.2 Service of any such communication shall be deemed made on the date of actual receipt if personally delivered, or transmitted by facsimile transmission, electronic signature, digital signature, or email. Any such communication sent by regular mail shall be deemed given 48 hours after the same is mailed. Communications sent by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed delivered 24 hours after delivery of the same to the Postal Service or courier. If such communication is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

19.3 Any Party or Broker hereto may from time to time, by notice in writing, designate a different address to which, or a different person or additional persons to whom, all communications are thereafter to be made.

20. Duration of Offer.

20.1 If this offer is not accepted by Seller on or before 5:00 P.M. according to the time standard applicable to the city of

Irvine on the date of November 9, 2016, it shall be deemed automatically revoked.

20.2 The acceptance of this offer, or of any subsequent counteroffer hereto, that creates an agreement between the Parties as described in paragraph 1.2, shall be deemed made upon delivery to the other Party or either Broker herein of a duly executed writing unconditionally accepting the last outstanding offer or counteroffer.

21. LIQUIDATED DAMAGES. (This Liquidated Damages paragraph is applicable only if initialed by both Parties.)

THE PARTIES AGREE THAT IT WOULD BE IMPRACTICABLE OR EXTREMELY DIFFICULT TO FIX, PRIOR TO SIGNING THIS AGREEMENT, THE ACTUAL DAMAGES WHICH WOULD BE SUFFERED BY SELLER IF BUYER FAILS TO PERFORM ITS OBLIGATIONS UNDER THIS AGREEMENT. THEREFORE, IF, AFTER THE SATISFACTION OR WAIVER OF ALL CONTINGENCIES PROVIDED FOR THE BUYER'S BENEFIT, BUYER BREACHES THIS AGREEMENT, SELLER SHALL BE ENTITLED TO LIQUIDATED DAMAGES IN THE AMOUNT OF \$75,000.00. UPON PAYMENT OF SAID SUM TO SELLER, BUYER SHALL BE RELEASED FROM ANY FURTHER LIABILITY TO SELLER, AND ANY ESCROW CANCELLATION FEES AND TITLE COMPANY CHARGES SHALL BE PAID BY SELLER.

SJB
Buyer Initials

Seller Initials

22. ARBITRATION OF DISPUTES. (This Arbitration of Disputes paragraph is applicable only if initialed by both Parties.)

22.1 ANY CONTROVERSY AS TO WHETHER SELLER IS ENTITLED TO THE LIQUIDATED DAMAGES AND/OR BUYER IS ENTITLED TO THE RETURN OF DEPOSIT MONEY, SHALL BE DETERMINED BY BINDING ARBITRATION BY, AND UNDER THE COMMERCIAL RULES OF THE AMERICAN ARBITRATION ASSOCIATION ("COMMERCIAL RULES"). ARBITRATION HEARINGS SHALL BE HELD IN THE COUNTY WHERE THE PROPERTY IS LOCATED. ANY SUCH CONTROVERSY SHALL BE ARBITRATED BY 3 ARBITRATORS WHO SHALL BE IMPARTIAL REAL ESTATE BROKERS WITH AT LEAST 5 YEARS OF FULL TIME EXPERIENCE IN BOTH THE AREA WHERE THE PROPERTY IS LOCATED AND THE TYPE OF REAL ESTATE THAT IS THE SUBJECT OF THIS AGREEMENT. THEY SHALL BE APPOINTED UNDER THE COMMERCIAL RULES. THE ARBITRATORS SHALL HEAR AND DETERMINE SAID CONTROVERSY IN ACCORDANCE WITH APPLICABLE LAW, THE INTENTION OF THE PARTIES AS EXPRESSED IN THIS AGREEMENT AND ANY AMENDMENTS THERETO, AND UPON THE EVIDENCE PRODUCED AT AN ARBITRATION HEARING. PRE-ARBITRATION DISCOVERY SHALL BE PERMITTED IN ACCORDANCE WITH THE COMMERCIAL RULES OR STATE LAW APPLICABLE TO ARBITRATION PROCEEDINGS. THE AWARD SHALL BE EXECUTED BY AT LEAST 2 OF THE 3 ARBITRATORS, BE RENDERED WITHIN 30 DAYS AFTER THE CONCLUSION OF THE HEARING, AND MAY INCLUDE ATTORNEYS' FEES AND COSTS TO THE PREVAILING PARTY PER PARAGRAPH 16 HEREOF. JUDGMENT MAY BE ENTERED ON THE AWARD IN ANY COURT OF COMPETENT JURISDICTION NOTWITHSTANDING THE FAILURE OF A PARTY DULY NOTIFIED OF THE ARBITRATION HEARING TO APPEAR THEREAT.

22.2 BUYER'S RESORT TO OR PARTICIPATION IN SUCH ARBITRATION PROCEEDINGS SHALL NOT BAR SUIT IN A COURT OF COMPETENT JURISDICTION BY THE BUYER FOR DAMAGES AND/OR SPECIFIC PERFORMANCE UNLESS AND UNTIL THE ARBITRATION RESULTS IN AN AWARD TO THE SELLER OF LIQUIDATED DAMAGES, IN WHICH EVENT SUCH AWARD SHALL ACT AS A BAR AGAINST ANY ACTION BY BUYER FOR DAMAGES AND/OR SPECIFIC PERFORMANCE.

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

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

SJB
Buyer Initials

Seller Initials

SJB
INITIALS

PAGE 6 OF 8

INITIALS

23. Miscellaneous.

23.1 Binding Effect. This Agreement shall be binding on the Parties without regard to whether or not paragraphs 21 and 22 are initiated by both of the Parties. Paragraphs 21 and 22 are each incorporated into this Agreement only if initiated by both Parties at the time that the Agreement is executed.

23.2 Applicable Law. This Agreement shall be governed by, and paragraph 22.3 is amended to refer to, the laws of the state in which the Property is located. Any litigation or arbitration between the Parties hereto concerning this Agreement shall be initiated in the county in which the Property is located.

23.3 Time of Essence. Time is of the essence of this Agreement.

23.4 Counterparts. This Agreement may be executed by Buyer and Seller in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. Escrow Holder, after verifying that the counterparts are identical except for the signatures, is authorized and instructed to combine the signed signature pages on one of the counterparts, which shall then constitute the Agreement.

23.5 Waiver of Jury Trial. THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS AGREEMENT.

23.6 Conflict. Any conflict between the printed provisions of this Agreement and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions. Seller and Buyer must initial any and all handwritten provisions.

23.7 1031 Exchange. Both Seller and Buyer agree to cooperate with each other in the event that either or both wish to participate in a 1031 exchange. Any party initiating an exchange shall bear all costs of such exchange. The cooperating Party shall not have any liability (special or otherwise) for damages to the exchanging Party in the event that the sale is delayed and/or that the sale otherwise fails to qualify as a 1031 exchange.

23.8 Days. Unless otherwise specifically indicated to the contrary, the word "days" as used in this Agreement shall mean and refer to calendar days.

24. Disclosures Regarding The Nature of a Real Estate Agency Relationship.

24.1 The Parties and Brokers agree that their relationship(s) shall be governed by the principles set forth in the applicable sections of the California Civil Code, as summarized in paragraph 24.2.

24.2 When entering into a discussion with a real estate agent regarding a real estate transaction, a Buyer or Seller should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Buyer and Seller acknowledge being advised by the Brokers in this transaction, as follows:

(a) **Seller's Agent.** A Seller's agent under a listing agreement with the Seller acts as the agent for the Seller only. A Seller's agent or subagent has the following affirmative obligations: (1) *To the Seller:* A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Seller. (2) *To the Buyer and the Seller:* a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(b) **Buyer's Agent.** A selling agent can, with a Buyer's consent, agree to act as agent for the Buyer only. In these situations, the agent is not the Seller's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Seller. An agent acting only for a Buyer has the following affirmative obligations: (1) *To the Buyer:* A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Buyer. (2) *To the Buyer and the Seller:* a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(c) **Agent Representing Both Seller and Buyer.** A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Seller and the Buyer in a transaction, but only with the knowledge and consent of both the Seller and the Buyer. (1) In a dual agency situation, the agent has the following affirmative obligations to both the Seller and the Buyer: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Seller or the Buyer. b. Other duties to the Seller and the Buyer as stated above in their respective sections (a) or (b) of this paragraph 24.2. (2) In representing both Seller and Buyer, the agent may not without the express permission of the respective Party, disclose to the other Party that the Seller will accept a price less than the listing price or that the Buyer will pay a price greater than the price offered. (3) The above duties of the agent in a real estate transaction do not relieve a Seller or Buyer from the responsibility to protect their own interests. Buyer and Seller should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(d) **Further Disclosures.** Throughout this transaction Buyer and Seller may receive more than one disclosure, depending upon the number of agents assisting in the transaction. Buyer and Seller should each read its contents each time it is presented, considering the relationship between them and the real estate agent in this transaction and that disclosure. Buyer and Seller each acknowledge receipt of a disclosure of the possibility of multiple representation by the Broker representing that principal. This disclosure may be part of a listing agreement, buyer representation agreement or separate document. Buyer understands that Broker representing Buyer may also represent other potential buyers, who may consider, make offers on or ultimately acquire the Property. Seller understands that Broker representing Seller may also represent other sellers with competing properties that may be of interest to this Buyer. Brokers have no responsibility with respect to any default or breach hereof by either Party. The Parties agree that no lawsuit or other legal proceeding involving any breach of duty, error or omission relating to this transaction may be brought against Broker more than one year after the Date of Agreement and that the liability (including court costs and attorneys' fees), of any Broker with respect to any breach of duty, error or omission relating to this Agreement shall not exceed the fee received by such Broker pursuant to this Agreement; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

24.3 Confidential Information: Buyer and Seller agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

25. Construction of Agreement. In construing this Agreement, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Agreement. Whenever required by the context, the singular shall include the plural and vice versa. This Agreement shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

26 Additional Provisions: Additional provisions of this offer, if any, are as follows or are attached hereto by an addendum or addenda consisting of paragraphs _____ 27 _____ through _____ 34 _____. (If there are no additional provisions write "NONE".)

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AIR COMMERCIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS AGREEMENT OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS AGREEMENT.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PROPERTY. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PROPERTY, THE INTEGRITY AND CONDITION OF ANY STRUCTURES AND OPERATING SYSTEMS, AND THE SUITABILITY OF THE PROPERTY FOR BUYER'S INTENDED USE.

WARNING: IF THE PROPERTY IS LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THIS AGREEMENT MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PROPERTY IS LOCATED.

INITIALS

©2003 - AIR COMMERCIAL REAL ESTATE ASSOCIATION

PAGE 7 OF 8

INITIALS

FORM OFA-18-05/16E

EXHIBIT "2"

NOTE:

1. THIS FORM IS NOT FOR USE IN CONNECTION WITH THE SALE OF RESIDENTIAL PROPERTY.
2. IF EITHER PARTY IS A CORPORATION, IT IS RECOMMENDED THAT THIS AGREEMENT BE SIGNED BY TWO CORPORATE OFFICERS.

The undersigned Buyer offers and agrees to buy the Property on the terms and conditions stated and acknowledges receipt of a copy hereof.

BROKER:

Lee & Associates

Attn: Gary McArdell
Title: SVP/Principal
Address: 100 Bayview Circle, Suite 600
Newport Beach, CA 92660
Telephone: (949) 764-4745
Facsimile: ()
Email: gmcardell@lee-associates.com
Federal ID No.:

Broker/Agent BRE License #: 01343033

BUYER:

15 Studebaker, LLC, and/or assignee

By: [Signature]
Date: 11/21/16
Name Printed: SABED 11/21/16
Title: PARTNER
Telephone: ()
Facsimile: ()
Email: ()
Federal ID No. 81-4325322

By: _____
Date: _____
Name Printed: _____
Title: _____
Address: _____
Telephone: () _____
Facsimile: () _____
Email: _____
Federal ID No. 81-4325322

27. Acceptance.

27.1 Seller accepts the foregoing offer to purchase the Property and hereby agrees to sell the Property to Buyer on the terms and conditions therein specified.

27.2 In consideration of real estate brokerage service rendered by Brokers, Seller agrees to pay Brokers a real estate Brokerage Fee in a sum equal to 6 % of the Purchase Price to be divided between the Brokers as follows: Seller's Broker 3 % and Buyer's Broker 3 %. This Agreement shall serve as an irrevocable instruction to Escrow Holder to pay such Brokerage Fee to Brokers out of the proceeds accruing to the account of Seller at the Closing.

27.3 Seller acknowledges receipt of a copy hereof and authorizes Brokers to deliver a signed copy to Buyer.

NOTE: A PROPERTY INFORMATION SHEET IS REQUIRED TO BE DELIVERED TO BUYER BY SELLER UNDER THIS AGREEMENT.

BROKER:

Newmark Grubb Knight Frank ("NGKF")

Attn: Joe Woodka
Title: _____
Address: 4675 MacArthur Court, Suite 1600
Newport Beach, CA 92660
Telephone: (949) 608-2018
Facsimile: (949) 608-2003
Email: jwoodka@ngkf.com
Federal ID No.:

Broker/Agent BRE License #: 01355491 / 01404224

SELLER:

LKN Properties, a California corporation

By: _____
Date: _____
Name Printed: Lien Nguyen
Title: President
Telephone: (949) 733-8038
Facsimile: (949) 733-8058
Email: _____

By: _____
Date: _____
Name Printed: _____
Title: _____
Address: 15 Studebaker
Irvine, CA 92618
Telephone: () _____
Facsimile: () _____
Email: _____
Federal ID No.:

NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 800 N Brand Blvd, Suite 900, Glendale, CA 91203.
Telephone No. (213) 687-8777. Fax No.: (213) 687-8516.

© Copyright 2003 By AIR Commercial Real Estate Association.

All rights reserved.

No part of these works may be reproduced in any form without permission in writing.

S:\Woodka\2016\15 Studebaker-1 Bendix\PSA-15 Studebaker-1 Bendix

SJB

INITIALS

©2003 - AIR COMMERCIAL REAL ESTATE ASSOCIATION

PAGE 8 OF 8

INITIALS

FORM OFA-18-05/16E

EXHIBIT "2"

**ADDENDUM TO STANDARD OFFER AGREEMENT
AND ESCROW FOR PURCHASE OF REAL ESTATE
(Non-Residential)**

**(APN NO: 591-023-01)
15 Studebaker & 1 Bendix, Irvine, CA 92618**

This Addendum ("Addendum") to that certain Standard Offer Agreement And Escrow For Purchase of Real Estate (Non-Residential) (the "Agreement"), shall be effective as of the Date of Agreement, by and between 15 Studebaker, LLC, or assignee ("Buyer"), LKN Properties, a California corporation ("Seller"), for the real property located at 15 Studebaker/1 Bendix, Irvine, California, as more particularly described in the Agreement. All of the terms hereof shall be incorporated into the Agreement as if first set forth therein. All references to the "Agreement" shall be deemed to include this Addendum.

The following Paragraphs are hereby added to the Agreement:

27. Contingencies. If Buyer fails to deliver written notice of its election to waive contingencies, prior to 5:00 p.m. Irvine time on the last day of the Contingency Period or Financing Contingency, it will be presumed that Buyer has approved of any and all corresponding contingencies and is moving forward with the purchase. Upon any cancellation by Buyer prior to the expiration of the Contingency Period or Financing Contingency, Buyer shall be entitled to the return of the Deposit (including interest thereon), less any cancellation charges, and escrow costs.

28. Seller's Vacancy after Close of Escrow. Seller shall have up to thirty (30) days following the Close of Escrow to completely vacate the currently occupied portion of the Property (first floor of 15 Studebaker) at no cost to Seller other than utility and janitorial costs which shall be maintained and paid under Seller's current Agreement. Buyer shall have no obligation to maintain the property in any manner during the thirty (30) day period.. Seller shall maintain an insurance policy that matches that required of a tenant in a standard AIR net lease agreement and shall in no way interfere in Buyer's access.

29. Credit to Buyer Upon Close of Escrow. Buyer shall receive a credit of \$20,000 at the Close of Escrow to be used towards parking surface upgrades, or any other improvements Buyer wishes to perform.

30. As-Is Transaction. Buyer acknowledges that it has had and will have ample opportunity to inspect the Property and to investigate its physical characteristics and conditions. Buyer acknowledges that, except as specifically set forth herein at Paragraph 12, or in any document or instrument to be delivered by Seller at the Closing, neither Seller nor any of its trustees, beneficiaries, agents, brokers, or representatives have made any representations, warranties or agreements to or with Buyer as to any matters concerning the Property, its physical condition, environmental condition, the present use(s) thereof or the suitability of Buyer's intended use of the Property. Buyer further acknowledges and agrees that the Property is to be purchased, conveyed, and accepted by Buyer in its present 'AS-IS' condition, and that no patent or latent condition of the Property, whether or not known or discovered, whether arising before or after the Closing, shall affect the rights of either party hereto. Buyer has investigated operative or imposed governmental laws and regulations (including, but not limited to, zoning, the Americans With Disabilities Act, environmental laws, the ordinances of the City of Irvine, and any and all files on the Property at the City of Irvine) and is acquiring the Property solely on the basis of its own review and determination of the application and effect of such laws and regulations. Except as specially set forth herein in Paragraph 12, or in any document or instrument to be delivered by Seller at the Closing, any agreements, warranties or representations not expressly contained in the Standard Agreement shall in no way bind Seller.

31. Attorneys' Fees and Costs. In the event of any litigation to enforce or interpret any of the terms, provisions or covenants of this Agreement, the prevailing party shall be entitled to recover from the other its actual attorneys' fees and all related costs and expenses.

S:\JWoodkal\2016\15 Studebaker - 1 Bendix\PSA-15 Studebaker-1 Bendix\ADDENDUM to PSA-15 Studebaker-1 Bendix-11-1-16.docx

EXHIBIT "2"

32. Assignment. Buyer shall have the right, with Seller's consent which shall not be unreasonably withheld, to assign this Agreement, in whole but not in part, to any affiliate of Buyer so long as Buyer provides written notice to Seller of such assignment. Any assignment permitted or consented to pursuant to this Section shall not release the Buyer from any of its obligations (whether payment, performance or otherwise) or covenants under this Agreement.

33. Confidentiality. Unless agreed to in writing, all information gained by either party concerning the business and affairs of the other party or the Property, or the proposed terms of the transaction, including the identity of the parties, will be kept confidential, other than publicly available information, or information required to be disclosed by law provided, however, the Buyer is permitted to disclose and such information to its consultants, investors, lenders, public officials, and agents.

34. Bankruptcy Court Approval and Conditions of Sale. The Seller is the owner of record of the Property. The Seller filed a petition under Chapter 11 of the Bankruptcy Code on September 6, 2016 ("Petition Date"), which case is pending before the United States Bankruptcy Court for the Central District of California, Santa Ana Division, Case No. 8:16-bk-13734-CB ("Bankruptcy Case"). Since the Petition Date, the Seller has continued in the possession of its property and the management of its financial affairs. As a result of the Bankruptcy Case, the Property is an asset of the Seller's bankruptcy estate ("Estate").

a. Bankruptcy Court Approval. The sale of the Property is expressly conditioned on approval of the United States Bankruptcy Court for the Central District of California, Santa Ana Division and entry of a final order in the Bankruptcy Case approving the Agreement and this Addendum.

b. Unknown Contingencies. The Buyer understands that if the Seller is unable to complete escrow because of unknown defects in the title, or because the liens and encumbrances exceed the amounts known to the Seller, or by being divested of title by the Bankruptcy Court, or because the Bankruptcy Court does not approve the sale, the Buyer's sole damages will be limited to the refund of its deposit less escrow charges.

c. Bankruptcy Court Jurisdiction. Prior to and after the Close of Escrow, the United States Bankruptcy Court, Santa Ana Division, shall have and retain the sole and exclusive jurisdiction over the Property, the Agreement and this Addendum (as it relates to matters between Buyer and Seller); and any and all disputes relating in any manner to the Property, the Agreement and/or the Addendum arising before and after closing shall be resolved in said Court. Further, the Buyer and the Seller have agreed that if a dispute arises, such dispute may initially be resolved through the Mediation Program pending in the United States Bankruptcy Court for the Central District of California.

IN WITNESS WHEREOF, the undersigned have executed this Addendum and each of them represent they have the authority to bind their respective parties to the terms and conditions hereunder.

AGREED AND ACCEPTED "SELLER"

LKN Properties, a California corporation

By: _____

Name: Lien Nguyen

Title: President

AGREED AND ACCEPTED "BUYER"

15 Studebaker, LLC, or assignee

By: _____

Name: Saeed J Bekam

Title: Partner

S:\Woodke\2016\15 Studebaker - 1 Bendix\PSA-15 Studebaker-1 Bendix\ADDENDUM to PSA-15 Studebaker-1 Bendix-11-18.docx

EXHIBIT "2"



SELLER'S MANDATORY DISCLOSURE STATEMENT

(Required by law on transactions
involving non-residential properties in California)
**DO NOT USE THIS FORM WITH REGARD
TO THE SALE OF RESIDENTIAL PROPERTIES**
AIR Commercial Real Estate Association

This disclosure statement is intended to be a part of the ☒ STANDARD OFFER, AGREEMENT AND ESCROW INSTRUCTIONS FOR PURCHASE OF REAL ESTATE (See paragraph 9.1(a) of said document) or ☐

(the "Purchase Agreement") dated November 1, 2015, regarding that certain real property commonly known as: 15 Studebaker - 1 Bendix, Irvine, CA

(the "Property") wherein LRN Properties is the Seller and 15 Studebaker, LLC, or assignee is the Buyer.

Note: This disclosure statement is not designed nor intended to be used in place of the standard Property Information Sheet published by the AIR Commercial Real Estate Association ("AIR"). Both documents should be used in every transaction involving a sale.

In order to comply with State law concerning disclosures to a potential purchaser, Seller elects to:

☒ A. Utilize a report prepared by a professional consultant which has been approved by the AIR, i.e. First American Natural Hazard Disclosures, (800) 527-0027, or JCP Property Disclosure Reports, (800) 748-5293. A copy of their report is attached hereto. (Complete paragraph 8, 9, 10, 12 and 13 and sign this statement in the place provided.)

☐ B. Utilize a report prepared by _____ A copy of their report is attached hereto. (Complete paragraphs 8, 9, 10, 12, and 13, sign this Statement in the place provided, and attach a copy of The Commercial Property Owner's Guide to Earthquake Safety.)

☐ C. Complete this Disclosure Statement without the assistance of a professional consultant. (Complete paragraphs 1 through 13 and sign this Statement in the place provided. Remember to attach a copy of The Commercial Property Owner's Guide to Earthquake Safety.)

1. **EARTHQUAKE FAULT ZONES.** If the Property is located within a delineated Earthquake Fault Zone (a zone that encompasses a potentially or recently active trace of an earthquake fault that is deemed by the State Geologist to constitute a potential hazard to structures from surface faulting or fault creep), California Public Resources Code §2621 et seq. mandates that prospective purchasers be advised that the Property is located within such a Zone, and that its development may require a geologic report from a state registered geologist. In accordance with such law, Buyer is hereby informed that the Property is ☐ or is not ☐ within a delineated Earthquake Fault Zone.

2. **SEISMIC HAZARD ZONES.** If the Property is located within a Seismic Hazard Zone as delineated on a map prepared by the California Division of Mines and Geology, California Public Resources Code §2690 et seq. mandates that prospective purchasers be advised that the Property is located within such a Zone. In accordance with such law, Buyer is hereby informed that the Property is ☐ or is not ☐ within a Seismic Hazard Zone.

3. **EARTHQUAKE SAFETY.** If (1) the improvements on the Property were constructed prior to 1975, and (2) said improvements include structures with (i) pre-cast (e.g., tilt-up) concrete or reinforced masonry walls together with wood frame floors or roofs or (ii) unreinforced masonry walls, Buyer must be provided with a copy of The Commercial Property Owner's Guide to Earthquake Safety (the "Booklet") published by the California Seismic Safety Commission. Buyer is hereby informed that the Property:

☒ (a) meets the foregoing requirements, and a copy of the Booklet and a completed "Commercial Property Earthquake Weakness Disclosure Report" is attached hereto. Within five business days of Buyer's receipt of said Disclosure Report, Buyer shall deliver a duly countersigned copy of the same to Escrow Holder, with a copy to Seller and Seller's Broker. Escrow Holder is hereby instructed that the Escrow shall not close unless and until Escrow Holder has received the Disclosure Report duly signed by both Seller and Buyer.

☐ (b) does not meet the foregoing requirements requiring the delivery of the Booklet.

4. **FIRE PROTECTION.** If the Property is located within a designated State Responsibility Area as delineated on a map prepared by the California Department of Forestry, California Public Resources Code §4186 mandates that prospective purchasers be advised that the Property is located within a wildland area which may contain substantial forest fire risks and hazards, that the State may not be responsible to provide fire protection services, and that the Property may be subject to the requirements of Public Resources Code §4291 which requires the periodic removal of brush, the maintenance of firebreaks, and other similar activities. In accordance with such law, Buyer is hereby informed that the Property is ☐ or is not ☐ within a designated State Responsibility Area.

5. **FIRE HAZARD.** If the Property is located within an area designated as a Very High Fire Hazard Severity Zone pursuant to Government Code §51178 et seq. §51186.5 mandates that prospective purchasers be advised that the Property is located within such a zone and that the Property may be subject to various maintenance, design and/or construction requirements and/or restrictions. In accordance with such law, Buyer is hereby informed that the Property is ☐ or is not ☐ within a designated Very High Fire Hazard Severity Zone.

6. **AREA OF POTENTIAL FLOODING.** If the Property is located within an area of potential flooding in the event of the failure of a dam as shown on an inundation map designated pursuant to Government Code §8589.2, §8589.4 mandates that prospective purchasers be advised that the Property is located within such an area. In accordance with such law, Buyer is hereby informed that the Property is ☐ or is not ☐ within a designated area of potential flooding.

7. **FLOOD HAZARD AREAS.** If the Property is located within a designated Federal Flood Hazard Area as delineated on a map prepared by the Federal Emergency Management Agency, Federal law, i.e. 42 U.S.C. §4104a, mandates that prospective purchasers be advised that the Property is located within an area having special flood hazards and that flood insurance may be required as a condition to obtaining financing. In accordance with such law, Buyer is hereby informed that the Property is ☐ or is not ☐ within a designated Federal Flood Hazard Area.

8. **FLOOD DISASTER INSURANCE.** If the Seller or Seller's predecessor-in-interest has previously received Federal flood disaster assistance

SLB
INITIALS

PAGE 1 OF 2

[Signature]
INITIALS

and said assistance was conditioned upon obtaining and maintaining flood insurance on the Property. Federal law, ie. 42 U.S.C. §5154a, mandates that prospective purchasers be advised that they will be required to maintain such insurance on the Property and that if said insurance is not maintained and the Property is thereafter damaged by a flood disaster, the purchaser may be required to reimburse the Federal Government for the disaster relief provided. Buyer is hereby informed that to the best of the Seller's knowledge Federal flood disaster assistance has ☐ or has not ☒ been previously received with regard to the Property. Note: If such disaster assistance has been received, the law specifies that the required notice be "contained in documents evidencing the transfer of ownership".

9. WATER HEATER BRACING. If the Property contains one or more water heaters, Seller is required by California Health and Safety Code §19211 to certify to the Buyer that all such water heaters have been braced, strapped and/or anchored in accordance with law. Buyer is hereby advised that the required bracing, strapping and/or anchors: ☐ have been installed ☐ have not been installed, or ☒ Seller does not know whether they have been installed.

10. PRESENCE OF MOLD. If the seller or transferor of property knows of the presence of mold that affects the property and the mold either exceeds permissible exposure limits or poses a health threat then Health and Safety Code §26140, et seq. mandates that prospective purchasers be advised in writing of such mold. In accordance with such law, Buyer is hereby informed that the undersigned does ☐ or does not ☒ know of the presence of such mold affecting the Property.

11. TITLE INSURANCE. In the event that the Purchase Agreement does not at present provide that title insurance will be obtained, Buyer is strongly urged to consider purchasing such insurance, and, in accordance with California Civil Code §1087.6, is advised as follows:

IMPORTANT: IN A PURCHASE OR EXCHANGE OF REAL PROPERTY, IT MAY BE ADVISABLE TO OBTAIN TITLE INSURANCE IN CONNECTION WITH THE CLOSE OF ESCROW SINCE THERE MAY BE PRIOR RECORDED LIENS AND ENCUMBRANCES WHICH AFFECT YOUR INTEREST IN THE PROPERTY BEING ACQUIRED. A NEW POLICY OF TITLE INSURANCE SHOULD BE OBTAINED IN ORDER TO ENSURE YOUR INTEREST IN THE PROPERTY THAT YOU ARE ACQUIRING.

12. HAZARDOUS SUBSTANCES. Seller is required by California Health and Safety Code §25359.7 to notify potential buyers of the presence of any hazardous substance that Seller knows, or has reasonable cause to believe, is located on or beneath the Property. In accordance with such law, Buyer is hereby notified that: ☒ Seller neither knows nor has reasonable cause to believe that any hazardous substance is on or beneath the Property, or ☐ Seller knows or has reasonable cause to believe that the following hazardous substances are on or beneath the Property:

13. OTHER

PLEASE NOTE:

While the information contained in or attached to this Disclosure Statement is believed to be accurate as of the date that it was prepared, the applicable laws and the areas covered by the various natural hazard zones, etc. can change from time to time. Prior to the close of escrow, Buyer may wish to again check the status of the Property. Also, the city and/or county in which the Property is located may have established natural hazard zones in addition to those listed above. Buyer is advised to check with the appropriate local agency or agencies.

The descriptions contained within the above disclosure paragraphs are not intended to be full and complete dissertations of all of the possible ramifications to the Buyer and/or the Property. In the event that this document indicates that the Property is affected by one or more of the disclosures, Buyer is advised to:

1. Review the applicable laws in their entirety.
2. Seek advice of counsel as to the legal consequences of the items disclosed.
3. Retain appropriate consultants to review and investigate the impact of said disclosures.

Likewise no representation or recommendation is made by the AIR Commercial Real Estate Association or by any broker as to the legal sufficiency, legal effect, or consequences of this document or the Purchase Agreement to which it relates.

Date:

11/9/2016

SELLER

Receipt of the above Seller's Mandatory Disclosure Statement is hereby acknowledged:

Date:

11/11/16

BUYER

NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 500 N Brand Blvd, Suite 800, Glendale, CA 91203. Telephone No. (213) 687-8777, Fax No. (213) 687-8616.

SELLER'S MANDATORY DISCLOSURE STATEMENT - 10/2016 Edition - 1-1-16

INITIALS

PAGE 2 OF 2

INITIALS



PROPERTY INFORMATION SHEET
(For the sale or leasing of non-residential properties)
AIR Commercial Real Estate Association

PREFACE:

Purpose: This Statement is NOT a warranty as to the actual condition of the Property/Premises. The purpose is, instead, to provide the brokers and the potential buyer/lessee with important information about the Property/Premises which is currently in the actual knowledge of the Owner and which the Owner is required by law to disclose.

Actual Knowledge: For purposes of this Statement the phrase 'actual knowledge' means: the awareness of a fact, or the awareness of sufficient information and circumstances so as to cause one to believe that a certain situation or condition probably exists.

TO WHOM IT MAY CONCERN:

LKN Properties ("Owner"),
owns the Property/Premises commonly known by the street address of 15 Studebaker - 1 Bendix
located in the City of Irvine County
of Orange, State of California
and generally described as (describe briefly the nature of the Premises or Property) an approximate 16,000 square foot
freestanding building on approximately 0.85 acres, on the corner of Studebaker and
Bendix, having 2 addresses, 15 Studebaker and 1 Bendix.

(herein after "Property"), and certifies that:

1. **Material Physical Defects.** Owner has no actual knowledge of any material physical defects in the Property or any improvements and structures thereon, including, but not limited to the roof, except (if there are no exceptions write "NONE"): NONE

2. **Equipment.**
A. Owner has no actual knowledge that the heating, ventilating, air conditioning, plumbing, loading doors, electrical and lighting systems, life safety systems, security systems and mechanical equipment existing on the Property as of the date hereof, if any, are not in good operating order and condition, except (if there are no exceptions write "NONE"): NONE

B. Owner has no actual knowledge of any leases, financing agreements, liens or other agreements affecting any equipment which is being included with the Property, except (if there are no exceptions write "NONE"): NONE

3. **Soil Conditions.** Owner has no actual knowledge that the Property has any slipping, sliding, settling, flooding, ponding or any other grading, drainage or soil problems, except (if there are no exceptions write "NONE"): NONE

4. **Utilities.** Owner represents and warrants that the Property is served by the following utilities (check the appropriate boxes): ☒ public sewer system and the cost of installation thereof has been fully paid, ☐ private septic system, ☒ electricity, ☐ natural gas, ☒ domestic water, ☒ telephone, and ☒ other: GAS UNKNOWN

5. **Insurance.** Owner has no actual knowledge of any insurance claims filed regarding the Property during the preceeding 3 years, except (if there are no exceptions write "NONE"): NONE

6. **Compliance With Laws.** Owner has no actual knowledge of any aspect or condition of the Property which violates applicable laws, rules, regulations, codes, or covenants, conditions or restrictions, or of improvements or alterations made to the Property without a permit where one was required, or of any unfulfilled order or directive of any applicable government agency or of any casualty insurance company that any work of investigation, remediation, repair, maintenance or improvement is to be performed on the Property, except (if there are no exceptions write "NONE"):

NONE

7. **Hazardous Substances and Mold.**

A. Owner has no actual knowledge of the Property ever having been used as a waste dump, of the past or present existence of any above or below ground storage tanks on the Property, or of the current existence on the Property of asbestos, transformers containing PCB's or any

hazardous, toxic or infectious substance whose nature and/or quantity of existence, use, manufacture or effect, render it subject to Federal, state or local regulation, investigation, remediation or removal as potentially injurious to public health or welfare, except (if there are no exceptions write "NONE"): NONE

B. Owner represents and warrants that it is not currently, and never has been engaged in the business of hauling waste, and never stored hazardous substances on the Property, except (if there are no exceptions write "NONE"): NONE

C. Owner has no actual knowledge of the existence on the Property of hazardous levels of any mold or fungi defined as toxic under applicable state or Federal law, except (if there are no exceptions write "NONE"): NONE

8. Fire Damage. Owner has no actual knowledge of any structure on the Property having suffered material fire damage, except (if there are no exceptions write "NONE"): NONE

9. Actions, Suits or Proceedings. Owner has no actual knowledge that any actions, suits or proceedings are pending or threatened before any court, arbitration tribunal, governmental department, commission, board, bureau, agency or instrumentality that would effect the Property or the right or ability of an owner or tenant to convey, occupy or utilize the Property, except (if there are no exceptions write "NONE"): BANKRUPTCY PROCEEDINGS PREVIOUSLY DISCLOSED

Owner has not served any Notices of Default on any of the tenants of the Property which have not been resolved except (if there are no exceptions write "NONE"): NONE

10. Governmental Proceedings. Owner has no actual knowledge of any existing or contemplated condemnation, environmental, zoning, redevelopment agency plan or other land use regulation proceedings which could detrimentally affect the value, use and operation of the Property, except (if there are no exceptions write "NONE"): NONE

11. Unrecorded Title Matters. Owner has no actual knowledge of any encumbrances, covenants, conditions, restrictions, easements, licenses, liens, charges or other matters which affect the title of the Property that are not recorded in the official records of the county recorder where the Property is located, except (if there are no exceptions write "NONE"): NONE

12. Leases. Owner has no actual knowledge of any leases, subleases or other tenancy agreements affecting the Property, except (if there are no exceptions write "NONE"): NONE

13. Options. Owner has no actual knowledge of any options to purchase, rights of first refusal, rights of first offer or other similar agreements affecting the Property, except (if there are no exceptions write "NONE"): NONE

14. Short Sale/Foreclosure. The ability of the Owner to complete a sale of the Property ☐ is contingent ☒ is not contingent upon obtaining the consent of one or more lenders to conduct a "short sale", i.e. a sale for less than the amount owing on the Property. (This paragraph only needs to be completed if this Property Information Sheet is being completed in connection with the proposed sale of the Property) One or more of any loans secured by the Property ☐ is ☐ is not in foreclosure.

15. Energy Efficiency. The Property ☐ has ☐ has not been granted an energy efficiency rating or certification such as one from the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) or ☒ Seller/Lessor does not know if the Property has been granted such a rating or certificate. If such a rating or certification has been obtained please describe the rating or certification, and provide the name of the organization that granted it: NONE

16. Other. (It will be presumed that there are no additional items which warrant disclosure unless they are set forth herein):

The statements herein will be relied upon by brokers, buyers, lessees, lenders and others. Therefore, Owner and/or the Owner's Property Manager has reviewed and modified this printed statement as necessary to accurately and completely state all the known material facts concerning the Property. To the extent such modifications are not made, this statement may be relied upon as printed. This statement, however, shall not relieve a buyer or lessee of responsibility for independent investigation of the Property. Owner agrees to promptly notify, in writing, all appropriate parties of any material changes which may occur in the statements contained herein from the date this statement is signed until title to the Property is transferred, or the lease is executed.

Date: 11/09/16
(Fill in date of execution)

"OWNER"

LKN Properties

By: [Signature]

Name Printed: Lien Nguyen

Title: PRESIDENT

Buyer/lessee hereby acknowledges receipt of a copy of this Property Information Sheet on _____

(Fill in date received)

By: [Signature]

Name Printed: David J. Berkman

Title: _____

NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 500 N Brand Blvd, Suite 900, Glendale, CA 91203. Telephone No. (213) 687-8777. Fax No.: (213) 687-8816.

PROPERTY INFORMATION SHEET-15 Studebaker-1 Bondix-1-1-16

EXHIBIT "2"



SELLER'S MANDATORY DISCLOSURE STATEMENT

*(Required by law on transactions
involving non-residential properties in California)*
**DO NOT USE THIS FORM WITH REGARD
TO THE SALE OF RESIDENTIAL PROPERTIES**
AIR Commercial Real Estate Association

This disclosure statement is intended to be a part of the ☒ STANDARD OFFER, AGREEMENT AND ESCROW INSTRUCTIONS FOR PURCHASE OF REAL ESTATE (See paragraph 9.1(e) of said document) or ☐

(the "Purchase Agreement") dated November 1, 2016, regarding that certain real property commonly known as: 15 Studebaker - 1 Bendix, Irvine, CA

(the "Property") wherein LKN Properties is the Seller and 15 Studebaker, LLC, or assignee is the Buyer.

Note: This disclosure statement is not designed nor intended to be used in place of the standard Property Information Sheet published by the AIR Commercial Real Estate Association ("AIR"). Both documents should be used in every transaction involving a sale.

In order to comply with State law concerning disclosures to a potential purchaser, Seller elects to:

☒ A. Utilize a report prepared by a professional consultant which has been approved by the AIR, i.e. First American Natural Hazard Disclosures, (800) 527-0027, or JCP Property Disclosure Reports, (800) 748-5233. A copy of their report is attached hereto. (Complete paragraph 8, 9, 10, 12 and 13 and sign this statement in the place provided.)

☐ B. Utilize a report prepared by _____
(_____) A copy of their report is attached hereto. (Complete paragraphs 8, 9, 10, 12, and 13, sign this Statement in the place provided, and attach a copy of The Commercial Property Owner's Guide to Earthquake Safety.)

☐ C. Complete this Disclosure Statement without the assistance of a professional consultant. (Complete paragraphs 1 through 13 and sign this Statement in the place provided. Remember to attach a copy of The Commercial Property Owner's Guide to Earthquake Safety.)

1. **EARTHQUAKE FAULT ZONES.** If the Property is located within a delineated Earthquake Fault Zone (a zone that encompasses a potentially or recently active trace of an earthquake fault that is deemed by the State Geologist to constitute a potential hazard to structures from surface faulting or fault creep), California Public Resources Code §2621 et seq. mandates that prospective purchasers be advised that the Property is located within such a Zone, and that its development may require a geologic report from a state registered geologist. In accordance with such law, Buyer is hereby informed that the Property is ☐ or is not ☐ within a delineated Earthquake Fault Zone.

2. **SEISMIC HAZARD ZONES.** If the Property is located within a Seismic Hazard Zone as delineated on a map prepared by the California Division of Mines and Geology, California Public Resources Code §2690 et seq. mandates that prospective purchasers be advised that the Property is located within such a Zone. In accordance with such law, Buyer is hereby informed that the Property is ☐ or is not ☐ within a Seismic Hazard Zone.

3. **EARTHQUAKE SAFETY.** If (1) the improvements on the Property were constructed prior to 1975, and (2) said improvements include structures with (i) pre-cast (e.g., tilt-up) concrete or reinforced masonry walls together with wood frame floors or roofs or (ii) unreinforced masonry walls, Buyer must be provided with a copy of The Commercial Property Owner's Guide to Earthquake Safety (the "Booklet") published by the California Seismic Safety Commission. Buyer is hereby informed that the Property:

☐ (a) meets the foregoing requirements, and a copy of the Booklet and a completed "Commercial Property Earthquake Weakness Disclosure Report" is attached hereto. Within five business days of Buyer's receipt of said Disclosure Report, Buyer shall deliver a duly countersigned copy of the same to Escrow Holder, with a copy to Seller and Seller's Broker. Escrow Holder is hereby instructed that the Escrow shall not close unless and until Escrow Holder has received the Disclosure Report duly signed by both Seller and Buyer.

☐ (b) does not meet the foregoing requirements requiring the delivery of the Booklet.

4. **FIRE PROTECTION.** If the Property is located within a designated State Responsibility Area as delineated on a map prepared by the California Department of Forestry, California Public Resources Code §4136 mandates that prospective purchasers be advised that the Property is located within a wildland area which may contain substantial forest fire risks and hazards, that the State may not be responsible to provide fire protection services, and that the Property may be subject to the requirements of Public Resources Code §4291 which requires the periodic removal of brush, the maintenance of firebreaks, and other similar activities. In accordance with such law, Buyer is hereby informed that the Property is ☐ or is not ☐ within a designated State Responsibility Area.

5. **FIRE HAZARD.** If the Property is located within an area designated as a Very High Fire Hazard Severity Zone pursuant to Government Code §51178 et seq. §51183.5 mandates that prospective purchasers be advised that the Property is located within such a zone and that the Property may be subject to various maintenance, design and/or construction requirements and/or restrictions. In accordance with such law, Buyer is hereby informed that the Property is ☐ or is not ☐ within a designated Very High Fire Hazard Severity Zone.

6. **AREA OF POTENTIAL FLOODING.** If the Property is located within an area of potential flooding in the event of the failure of a dam as shown on an inundation map designated pursuant to Government Code §8589.5, §8589.4 mandates that prospective purchasers be advised that the Property is located within such an area. In accordance with such law, Buyer is hereby informed that the Property is ☐ or is not ☐ within a designated area of potential flooding.

7. **FLOOD HAZARD AREAS.** If the Property is located within a designated Federal Flood Hazard Area as delineated on a map prepared by the Federal Emergency Management Agency, Federal law, i.e. 42 U.S.C. §4104a, mandates that prospective purchasers be advised that the Property is located within an area having special flood hazards and that flood insurance may be required as a condition to obtaining financing. In accordance with such law, Buyer is hereby informed that the Property is ☐ or is not ☐ within a designated Federal Flood Hazard Area.

8. **FLOOD DISASTER INSURANCE.** If the Seller or Seller's predecessor-in-interest has previously received Federal flood disaster assistance

PAGE 1 OF 2

INITIALS

INITIALS

©1998 - AIR COMMERCIAL REAL ESTATE ASSOCIATION

FORM SMD-5-04/14E

EXHIBIT "2"

and said assistance was conditioned upon obtaining and maintaining flood insurance on the Property. Federal law, ie. 42 U.S.C. §5154a, mandates that prospective purchasers be advised that they will be required to maintain such insurance on the Property and that if said insurance is not maintained and the Property is thereafter damaged by a flood disaster, the purchaser may be required to reimburse the Federal Government for the disaster relief provided. Buyer is hereby informed that to the best of the Seller's knowledge Federal flood disaster assistance has ☐ or has not ☒ been previously received with regard to the Property. Note: If such disaster assistance has been received, the law specifies that the required notice be "contained in documents evidencing the transfer of ownership".

9. WATER HEATER BRACING. If the Property contains one or more water heaters, Seller is required by California Health and Safety Code §19211 to certify to the Buyer that all such water heaters have been braced, strapped and/or anchored in accordance with law. Buyer is hereby advised that the required bracing, strapping and/or anchors: ☐ have been installed ☐ have not been installed, or ☒ Seller does not know whether they have been installed.

10. PRESENCE OF MOLD. If the seller or transferor of property knows of the presence of mold that affects the property and the mold either exceeds permissible exposure limits or poses a health threat then Health and Safety Code §26140, et seq. mandates that prospective purchasers be advised in writing of such mold. In accordance with such law, Buyer is hereby informed that the undersigned does ☐ or does not ☒ know of the presence of such mold affecting the Property.

11. TITLE INSURANCE. In the event that the Purchase Agreement does not at present provide that title insurance will be obtained, Buyer is strongly urged to consider purchasing such insurance, and, in accordance with California Civil Code §1057.6, is advised as follows:

IMPORTANT: IN A PURCHASE OR EXCHANGE OF REAL PROPERTY, IT MAY BE ADVISABLE TO OBTAIN TITLE INSURANCE IN CONNECTION WITH THE CLOSE OF ESCROW SINCE THERE MAY BE PRIOR RECORDED LIENS AND ENCUMBRANCES WHICH AFFECT YOUR INTEREST IN THE PROPERTY BEING ACQUIRED. A NEW POLICY OF TITLE INSURANCE SHOULD BE OBTAINED IN ORDER TO ENSURE YOUR INTEREST IN THE PROPERTY THAT YOU ARE ACQUIRING.

12. HAZARDOUS SUBSTANCES. Seller is required by California Health and Safety Code §25359.7 to notify potential buyers of the presence of any hazardous substance that Seller knows, or has reasonable cause to believe, is located on or beneath the Property. In accordance with such law, Buyer is hereby notified that: ☒ Seller neither knows nor has reasonable cause to believe that any hazardous substance is on or beneath the Property, or ☐ Seller knows or has reasonable cause to believe that the following hazardous substances are on or beneath the Property: _____

13. OTHER. _____

PLEASE NOTE:

While the information contained in or attached to this Disclosure Statement is believed to be accurate as of the date that it was prepared, the applicable laws and the areas covered by the various natural hazard zones, etc. can change from time to time. Prior to the close of escrow, Buyer may wish to again check the status of the Property. Also, the city and/or county in which the Property is located may have established natural hazard zones in addition to those listed above. Buyer is advised to check with the appropriate local agency or agencies.

The descriptions contained within the above disclosure paragraphs are not intended to be full and complete dissertations of all of the possible ramifications to the Buyer and/or the Property. In the event that this document indicates that the Property is affected by one or more of the disclosures, Buyer is advised to:

1. Review the applicable laws in their entirety.
2. Seek advice of counsel as to the legal consequences of the items disclosed.
3. Retain appropriate consultants to review and investigate the impact of said disclosures.

Likewise no representation or recommendation is made by the AIR Commercial Real Estate Association or by any broker as to the legal sufficiency, legal effect, or consequences of this document or the Purchase Agreement to which it relates.

Date: 11/9/2016


SELLER

Receipt of the above Seller's Mandatory Disclosure Statement is hereby acknowledged:

Date: _____

BUYER

NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 500 N Brand Blvd, Suite 900, Glendale, CA 91203. Telephone No. (213) 687-8777. Fax No.: (213) 687-8616.

SELLER'S MANDATORY DISCLOSURE STATEMENT-15 Studebaker-1.Bordix-1-1-16

PAGE 2 OF 2

INITIALS _____


INITIALS _____

©1998 - AIR COMMERCIAL REAL ESTATE ASSOCIATION

FORM SMD-5-04/14E

EXHIBIT "2"



PROPERTY INFORMATION SHEET
(For the sale or leasing of non-residential properties)
AIR Commercial Real Estate Association

PREFACE:

Purpose: This Statement is NOT a warranty as to the actual condition of the Property/Premises. The purpose is, instead, to provide the brokers and the potential buyer/lessee with important information about the Property/Premises, which is currently in the actual knowledge of the Owner and which the Owner is required by law to disclose.

Actual Knowledge: For purposes of this Statement the phrase 'actual knowledge' means: the awareness of a fact, or the awareness of sufficient information and circumstances so as to cause one to believe that a certain situation or condition probably exists.

TO WHOM IT MAY CONCERN:

LKN Properties ("Owner"),
owns the Property/Premises commonly known by the street address of 15 Studebaker - 1 Bendix
located in the City of Irvine County
of, Orange State of California
and generally described as (describe briefly the nature of the Premises or Property) an approximate 15,000 square foot
freestanding building on approximately 0.85 acres, on the corner of Studebaker and
Bendix, having 2 addresses; 15 Studebaker and 1 Bendix.

(herein after "Property"), and certifies that:

1. **Material Physical Defects.** Owner has no actual knowledge of any material physical defects in the Property or any improvements and structures thereon, including, but not limited to the roof, except (if there are no exceptions write "NONE"): NONE

2. **Equipment.**
A. Owner has no actual knowledge that the heating, ventilating, air conditioning, plumbing, loading doors, electrical and lighting systems, life safety systems, security systems and mechanical equipment existing on the Property as of the date hereof, if any, are not in good operating order and condition, except (if there are no exceptions write "NONE"): NONE

B. Owner has no actual knowledge of any leases, financing agreements, liens or other agreements affecting any equipment which is being included with the Property, except (if there are no exceptions write "NONE"): NONE

3. **Soil Conditions.** Owner has no actual knowledge that the Property has any slipping, sliding, settling, flooding, ponding or any other grading, drainage or soil problems, except (if there are no exceptions write "NONE"): NONE

4. **Utilities.** Owner represents and warrants that the Property is served by the following utilities (check the appropriate boxes) ☒ public sewer system and the cost of installation thereof has been fully paid, ☐ private septic system, ☒ electricity, ☐ natural gas, ☒ domestic water, ☒ telephone, and ☒ other: GAS UNKNOWN

5. **Insurance.** Owner has no actual knowledge of any insurance claims filed regarding the Property during the preceeding 3 years, except (if there are no exceptions write "NONE"): NONE

6. **Compliance With Laws.** Owner has no actual knowledge of any aspect or condition of the Property which violates applicable laws, rules, regulations, codes, or covenants, conditions or restrictions, or of improvements or alterations made to the Property without a permit where one was required, or of any unfulfilled order or directive of any applicable government agency or of any casualty insurance company that any work of investigation, remediation, repair, maintenance or improvement is to be performed on the Property, except (if there are no exceptions write "NONE"):

NONE

7. **Hazardous Substances and Mold.**

A. Owner has no actual knowledge of the Property ever having been used as a waste dump, of the past or present existence of any above or below ground storage tanks on the Property, or of the current existence on the Property of asbestos, transformers containing PCB's or any

hazardous, toxic or infectious substance whose nature and/or quantity of existence, use, manufacture or effect, render it subject to Federal, state or local regulation, investigation, remediation or removal as potentially injurious to public health or welfare, except (if there are no exceptions write "NONE"): NONE

B. Owner represents and warrants that it is not currently, and never has been engaged in the business of hauling waste, and never stored hazardous substances on the Property, except (if there are no exceptions write "NONE"): NONE

C. Owner has no actual knowledge of the existence on the Property of hazardous levels of any mold or fungi defined as toxic under applicable state or Federal law, except (if there are no exceptions write "NONE"): NONE

8. Fire Damage. Owner has no actual knowledge of any structure on the Property having suffered material fire damage, except (if there are no exceptions write "NONE"): NONE

9. Actions, Suits or Proceedings. Owner has no actual knowledge that any actions, suits or proceedings are pending or threatened before any court, arbitration tribunal, governmental department, commission, board, bureau, agency or instrumentality that would affect the Property or the right or ability of an owner or tenant to convey, occupy or utilize the Property, except (if there are no exceptions write "NONE"): BANKRUPTCY PROCEEDINGS PREVIOUSLY DISCLOSED

Owner has not served any Notices of Default on any of the tenants of the Property which have not been resolved except (if there are no exceptions write "NONE"): NONE

10. Governmental Proceedings. Owner has no actual knowledge of any existing or contemplated condemnation, environmental, zoning, redevelopment agency plan or other land use regulation proceedings which could detrimentally affect the value, use and operation of the Property, except (if there are no exceptions write "NONE"): NONE

11. Unrecorded Title Matters. Owner has no actual knowledge of any encumbrances, covenants, conditions, restrictions, easements, licenses, liens, charges or other matters which affect the title of the Property that are not recorded in the official records of the county recorder where the Property is located, except (if there are no exceptions write "NONE"): NONE

12. Leases. Owner has no actual knowledge of any leases, subleases or other tenancy agreements affecting the Property, except (if there are no exceptions write "NONE"): NONE

13. Options. Owner has no actual knowledge of any options to purchase, rights of first refusal, rights of first offer or other similar agreements affecting the Property, except (if there are no exceptions write "NONE"): NONE

14. Short Sale/Foreclosure. The ability of the Owner to complete a sale of the Property ☐ is contingent ☒ is not contingent upon obtaining the consent of one or more lenders to conduct a 'short sale', ie. a sale for less than the amount owing on the Property. (This paragraph only needs to be completed if this Property Information Sheet is being completed in connection with the proposed sale of the Property) One or more of any loans secured by the Property ☐ is ☐ is not in foreclosure.

15. Energy Efficiency. The Property ☐ has ☐ has not been granted an energy efficiency rating or certification such as one from the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) or ☒ Seller/Lessor does not know if the Property has been granted such a rating or certificate. If such a rating or certification has been obtained please describe the rating or certification and provide the name of the organization that granted it: NONE

16. Other. (It will be presumed that there are no additional items which warrant disclosure unless they are set forth herein):

The statements herein will be relied upon by brokers, buyers, lessees, lenders and others. Therefore, Owner and/or the Owner's Property Manager has reviewed and modified this printed statement as necessary to accurately and completely state all the known material facts concerning the Property. To the extent such modifications are not made, this statement may be relied upon as printed. This statement, however, shall not relieve a buyer or lessee of responsibility for independent investigation of the Property. Owner agrees to promptly notify, in writing, all appropriate parties of any material changes which may occur in the statements contained herein from the date this statement is signed until title to the Property is transferred, or the lease is executed.

Date: 11/09/16
(Fill in date of execution)

"OWNER"

IGN Properties

By: 

Name Printed: Lien Nguyen

Title: PRESIDENT

Buyer/lessee hereby acknowledges receipt of a copy of this Property Information Sheet on _____

(Fill in date received)

By: _____

Name Printed: _____

Title: _____

NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 500 N Brand Blvd, Suite 900, Glendale, CA 91203.
Telephone No. (213) 687-8777. Fax No.: (213) 687-8616.

PROPERTY INFORMATION SHEET-15 Studebaker-1 Bendix-1-1-16

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: **100 Spectrum Center Drive, Suite 600, Irvine, California 92618**

A true and correct copy of the foregoing document entitled (*specify*): **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*) **November 23, 2016**, 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:

- Attorney for Debtor: James C Bastian jbastian@shblp.com
- Attorney for Bank of America N.A.: Cristina E Bautista cristina.bautista@kattenlaw.com, ecf.lax.docket@kattenlaw.com, adelle.shafer@kattenlaw.com
- Interested Party: Nancy S Goldenberg nancy.goldenberg@usdoj.gov
- Interested Party: United States Trustee (SA) ustpregion16.sa.ecf@usdoj.gov

☐ Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:

On (*date*) **November 23, 2016**, 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.

Buyer

Gouvis Engineering
Attn: Saeed Bekam
4400 Campus Drive
Newport Beach, CA 92660

☒ 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*) **November 23, 2016**, 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.

Judge's Copy (via Messenger): U.S. Bankruptcy Court; Attn: Honorable Catherine E. Bauer; 411 W. Fourth Street, bin besides 5th floor elevators; Santa Ana, CA 92701

Debtor's Broker: Joseph Woodka; Email: jwoodka@ngkf.com

Buyer's Broker: Gary McArdell; Email: gmcardell@lee-associates.com

☐ 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.

November 23, 2016

Date

Erlanna Lohayza

Printed Name

/s/ Erlanna Lohayza

Signature

U.S. MAIL SERVICE LIST

DEBTOR

LKN PROPERTIES, INC., A
CALIFORNIA CORPORATION
LIEN NGUYEN, PRESIDENT
3762 HENDRIX STREET
IRVINE, CA 92614

SCHEDULE D

BANK OF AMERICA, N.A.
ATTN PRESIDENT OR MANAGER
AGENT
GLOBAL FX AND DERIVATIVE
OPERATIONS
200 N COLLEGE ST
CHARLOTTE, NC 28255

SCHEDULE D

BANK OF AMERICA, N.A.
ATTN PRESIDENT OR MANAGER
AGENT
PO BOX 660576
DALLAS, TX 75266-0576

**SCHEDULE D - ADDITIONAL
NOTICE**

BANK OF AMERICA, N.A.
ATTN JOHN CLARKE SENIOR
VICE PRESIDENT
MO8-060-12-02
1200 MAIN STREET
KANSAS CITY, MO 64105

**ATTORNEYS FOR BANK OF
AMERICA, N.A.**

MATTHEW R MOLLOZZI ESQ
MOORE & VAN ALLEN PLLC
100 NORTH TRYON STREET
SUITE 4700
CHARLOTTE, NC 28202-4003

SCHEDULE D

ORANGE COUNTY TREASURER-
TAX COLLECTOR
PO BOX 4515
SANTA ANA, CA 92702-4515

**SCHEDULE E - NOTICE
PURPOSES**

INTERNAL REVENUE SERVICE
PO BOX 7346
PHILADELPHIA, PA 19101-7346

**SCHEDULE E - NOTICE
PURPOSES**

CALIFORNIA FRANCHISE TAX
BOARD
PO BOX 942840
SACRAMENTO, CA 94240-0040

**SCHEDULE E - NOTICE
PURPOSES**

CALIFORNIA FRANCHISE TAX
BOARD
BANKRUPTCY SECTION, MS: A-340
PO BOX 2952
SACRAMENTO, CA 95812-2952

**SCHEDULE E - NOTICE
PURPOSES**

CALIFORNIA EMPLOYMENT
DEVELOPMENT DEPARTMENT
ATTN BANKRUPTCY UNIT
BANKRUPTCY GROUP MIC 92E
PO BOX 826880
SACRAMENTO, CA 94280-0001

**TRUSTEE UNDER THE DEED OF
TRUST**

TRUSTEE SALE NO. 789198
FIRST AMERICAN TITLE
INSURANCE COMPANY
DAVID Z BARK, FORECLOSURE
TRUSTEE
4380 LA JOLLA VILLAGE DRIVE
SUITE 110
SAN DIEGO, CA 92122

**ATTORNEYS FOR LKN
PROPERTIES, INC.**

MARSHALL YOUNG ESQ
KALYN M STERN ESQ
MURTAUGH MEYER NELSON &
TREGLIA LLP
2603 MAIN STREET
9TH FLOOR
IRVINE, CA 92614-6232

RETURNED MAIL

10/5/16 - SEE NEW ADDRESS

SCHEDULE D

ORANGE COUNTY TREASURER-
TAX COLLECTOR
PO BOX 1438
SANTA ANA, CA 92702-1438