

FORM APPROVED COUNTY COUNSEL
 BY: *[Signature]* 10/2/14
 DATE: GREGORY P. PRAMOS

Departmental Concurrence

**SUBMITTAL TO THE BOARD OF SUPERVISORS
 COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

815



FROM: Economic Development Agency

SUBMITTAL DATE:
 October 8, 2014

SUBJECT: Consent to Assignment of Lease and Standard Offer, Agreement and Escrow Instructions Between the U.S. Small Business Administration and MVAC Holdings, LLC– Hemet-Ryan Airport, CEQA Exempt, District 3/District 3, [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Find that the project is exempt from California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15301, Existing Facilities;
2. Approve the attached Consent to Assignment of Lease relating to the assignment between U.S. Small Business Administration (SBA), as Assignor, and MVAC Holdings, LLC, as Assignee, in connection with the Lease between the County (as lessor) and the SBA (as lessee) dated September 28, 2004, relating to the lease of a 1.54 acre improved property located at 3875 Industrial Avenue, Hemet, California;

(Continued)

[Signature]

Robert Field
 Assistant County Executive Officer/EDA

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 0	\$ 0	\$ 0	\$ 0	Consent <input type="checkbox"/> Policy <input checked="" type="checkbox"/>
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0	

SOURCE OF FUNDS: N/A

Budget Adjustment: No
For Fiscal Year: 2014/15

C.E.O. RECOMMENDATION:

APPROVE

BY: *[Signature]*
 Rohini Dasika

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

- A-30
- Positions Added
- 4/5 Vote
- Change Order

Prev. Agn. Ref.: 3.20 of 9/28/04

District: 3/3

Agenda Number:

3-11

SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

Economic Development Agency

FORM 11: Consent to Assignment of Lease and Standard Offer, Agreement and Escrow Instructions Between the U.S. Small Business Administration and MVAC Holdings, LLC– Hemet-Ryan Airport, CEQA Exempt, District 3/District 3, [\$0]

DATE: October 8, 2014

PAGE: 2 of 3

RECOMMENDED MOTION: (Continued)

2. Approve the attached Consent to Standard Offer, Agreement and Escrow Instructions entered into between the SBA and MVAC Holdings, LLC, relating to the sale of the improvements located on the leased premises;
3. Authorize the Chairman of the Board of Supervisors to sign the attached Consent to Assignment of Lease and Consent to Standard Offer, Agreement and Escrow Instructions; and
4. Authorize the Assistant County Executive Officer/EDA, or designee, to execute any additional documents necessary to implement the Consent to Assignment and the Consent to Standard Offer, Agreement and Escrow Instructions, subject to approval by County Counsel.

BACKGROUND:

Summary

The County of Riverside Economic Development Agency (EDA) received a request from MVAC Holdings, LLC, a California limited liability company (MVAC) to consent to the assignment of the U.S. Small Business Administration's (SBA) interest in that certain Lease dated September 28, 2004 (Lease) between the County of Riverside, as lessor, and the SBA, as successor in interest to James Walter Garvin and Judith Marie Garvin family Trust dated September 25, 1996 (Garvin Family Trust), as lessee, to MVAC. The Lease relates to the 1.54 acre of improved light industrial property located at 3875 Industrial Avenue, Hemet, California (Leased Premises). A copy of the Lease is attached. On July 11, 2013 the SBA, as the lender under a deed of trust signed by the Garvin Family Trust secured against the Leased Premises, foreclosed on the deed of trust and assumed the interest of the Garvin Family Trust. SBA now desires to assign and sell its interest under the Lease to MVAC. The SBA cannot assign its interest as lessee to MVAC without the County's prior consent. A copy of the Assignment of Lease and the proposed County Consent to Assignment of Lease are attached.

In connection with the assignment of the SBA's interest in the Lease, MVAC and SBA executed a Standard Offer, Agreement and Escrow Instructions (Purchase Agreement) dated April 16, 2014 relating to the sale of the improvements located on the Leased Premises. The Purchase Agreement is subject to the consent and approval of the Board of Supervisors. Copies of the Purchase Agreement and proposed Consent to Standard Offer, Agreement and Escrow Instructions are attached. MVAC will not change the existing use of the Leased Premises. The Purchase Agreement will not impact the terms of the Lease.

Pursuant to the California Environmental Quality Act (CEQA), the Assignment of Lease and Purchase Agreement were reviewed and determined to be categorically exempt from CEQA under CEQA Guidelines 15301, Class 1 – Existing Facilities. The proposed project, the Assignment of Lease and Purchase Agreement, relate to the assignment of lessee rights under an existing lease relating to the letting of property involving existing facilities and the sale of an existing facility, and no expansion of an existing use will occur. EDA staff recommends that the Board of Supervisors consent to the Assignment of Lease and Purchase Agreement and approve the execution of the attached Consent to Assignment of Lease and Consent to Standard Offer, Agreement and Escrow Instructions. County Counsel has reviewed and approved the Consent to Assignment of Lease and Consent to Standard Offer, Agreement and Escrow Instructions as to legal form.

(Continued)

SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

Economic Development Agency

FORM 11: Consent to Assignment of Lease and Standard Offer, Agreement and Escrow Instructions Between the U.S. Small Business Administration and MVAC Holdings, LLC– Hemet-Ryan Airport, CEQA Exempt, District 3/District 3, [\$0]

DATE: October 8, 2014

PAGE: 3 of 3

Impact on Citizens and Businesses

The assignment of the SBA's interest in the Lease will assist in the County's effort to increase airport operations which in turn provides increased patron activities for local businesses.

SUPPLEMENTAL:

Additional Fiscal Information

There is no net county cost and no budget adjustment required.

(Continued)

ATTACHMENTS:

Attachment A – Consent to Assignment of Lease

Attachment B – Consent to Standard Offer, Agreement and Escrow Instructions

Attachment C – Assignment of Lease

Attachment D – Standard Offer, Agreement and Escrow Instructions

Attachment E – Lease – Exhibit A

CONSENT TO ASSIGNMENT OF LEASE

The County of Riverside ("County") hereby consents to the assignment of the U.S. Small Business Administration's ("SBA") interest as lessee under that certain Lease (defined below) to MVAC Holdings, LLC, a California limited liability company (MVAC) as set forth in the Assignment of Lease attached hereto as Attachment "A" and incorporated herein by this reference ("Assignment"). Pursuant to the Assignment, the SBA (as assignor) transferred and assigned to MVAC (as assignee) all of SBA's rights, title, interest and obligations ("Rights and Obligations") under the Lease (Hemet-Ryan Airport) dated September 28, 2004 ("Lease") between the County (as lessor) and James Walter Garvin and Judith Marie Garvin Family Trust dated September 25, 1996 (as lessee) ("Garvin Family Trust"). The Lease pertains to that certain parcel of land totaling approximately 1.54 acres at the Hemet-Ryan Airport, improved with a single story, metal industrial building, commonly known as 3875 Industrial Avenue, as more particularly depicted in Exhibit "A" to the Lease.

The Garvin Family Trust's interest in the Lease was foreclosed upon by the SBA on July 11, 2013 pursuant to the terms of the SBA deed of trust secured against the Garvin Family Trust's leasehold estate. As a result of such foreclosure, the SBA is now the "lessee" under the Lease.

In reliance upon the assumption by MVAC of all Rights and Obligations under the Lease as set forth in the attached Assignment, the County does hereby consent to the assignment of the Rights and Obligations by the SBA to MVAC and MVAC's assumption thereof. Ratification and consent hereof by the County shall not be construed to relieve or release SBA from its duty to comply with any obligations under the Lease.

[Remainder of Page Intentionally Blank]

[Signatures on Following Page]

IN WITNESS WHEREOF, the County of Riverside has executed this Consent to Assignment of Lease as of the date set forth below.

Date: _____

COUNTY OF RIVERSIDE, a political
Subdivision of the State of California

By: _____
Jeff Stone, Chairman
Board of Supervisors

ATTEST:
KECIA IHEM-HARPER
Clerk of the Board

APPROVED AS TO FORM
Gregory P. Priamos, County Counsel

By: _____
Deputy

By: 
Jhaila R. Brown
Deputy County Counsel

(SEAL)

ATTACHMENT A

ASSIGNMENT OF LEASE

(behind this page)

ASSIGNMENT OF LEASE

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, the undersigned, U.S. Small Business Administration its Attorney in Fact ("Lessee"), hereby transfers and assigns to MVAC Holdings, LLC a California limited liability company ("Assignee"), only upon close of escrow, all rights, title and interest of the undersigned under that certain Lease Agreement dated September 28, 2004 between the County of Riverside and James Walter Garvin and Judith Marie Garvin Family Trust, and foreclosed on by Lessee on 07/11/2013, pertaining to the premises described as approximately 1.54 acres of land and all improvements located thereon at the Hemet – Ryan Airport, County of Riverside, State of California, said Lease is attached as Exhibit "A".

This Assignment and the transfer of all rights, title and interest herein are contingent upon:

- A. The acceptance and approval by the Riverside County Board of Supervisors;
- B. Close of escrow file #4624545 for property address 3875 Industrial Avenue, Hemet, CA to MVAC Holdings, LLC as the Buyer.

[Signature page follows]

**U.S Small Business Administration
Its Attorney in Fact**

By: 

Name: Lora A. Ortega

Title: Vice President

ACCEPTANCE AND AGREEMENT

Effective on _____, MVAC Holdings, LLC, a California limited liability company, the undersigned hereby accepts said Assignment and hereby agrees to keep, perform and be bound by all of the terms, covenants and conditions in said Lease on the part of the Lessee therein to be kept and performed to all intents and purposes as though the undersigned Assignee was the original Lessee thereunder.

| MVAC Holdings, LLC

| By: _____
Michael McCarthy, Member

| By: _____
John R. Lawson, Member

**U.S Small Business Administration
Its Attorney in Fact**

By: _____

Name: _____


Title: _____

ACCEPTANCE AND AGREEMENT

Effective on _____, MVAC Holdings, LLC, a California limited liability company, the undersigned hereby accepts said Assignment and hereby agrees to keep, perform and be bound by all of the terms, covenants and conditions in said Lease on the part of the Lessee therein to be kept and performed to all intents and purposes as though the undersigned Assignee was the original Lessee thereunder.

MVAC Holdings, LLC

By:  _____
Michael McCarthy, Member

By:  _____
John R. Lawson, Member



First American Title

First American Title Company
3400 Central Avenue, Suite 100
Riverside, CA 92506
(951)787-1757
Fax - (866)558-2890

ASSIGNMENT OF BUYER'S INTEREST INSTRUCTION

To: **First American Title Company, Escrow Holder**
Debra Dunn, Escrow Officer

Date: **April 25, 2014**
File No.: **RRI-4624545 (DD)**

Re: **3875 Industrial Ave., Hemet, CA**

Assignment: Menifee Valley Air Conditioning, Buyer herein, assigns to MVAC Holdings, LLC, a California limited liability company:

1. All interest in and to all right to acquire title to the property which is the subject of this escrow.
2. All funds now on deposit to the account of the undersigned in this escrow. No consideration is to be paid to the undersigned through this escrow for or on account of this agreement.

Agreement: IT IS AGREED BETWEEN United States Small Business, as Seller and Menifee Valley Air Conditioning, as Buyer and MVAC Holdings, LLC, a California limited liability Company as Assignee, with respect to the Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate, and original Escrow Instructions with multiple dates in Escrow No. RRI-4624545 as follows:

- ~~1. Seller hereby releases Buyer from all claims and demands against Buyer with respect to the escrow instructions~~
2. Seller accepts assignee in place of Buyer as the substituted party to said escrow instructions and hereby agrees with Assignee to be bound by the terms of the escrow instructions in all respects as if Assignee was originally named therein as a party in place of Buyer.
3. Seller hereby acknowledges the above assignment and new Buyer and instructs Escrow Holder to prepare for our signature(s) the Grant Deed showing the Assignee as the new Buyer.
4. Assignee agrees to perform in accordance with the escrow instructions and to be bound by all terms thereof in all respects as if he were the original party to the escrow instructions in place of Buyer.

MM 9-26-14
JK 9-26-14

SELLER:

BUYER:

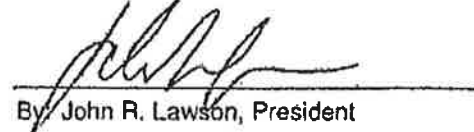
United States Small Business Administration

Menifee Valley Air Conditioning



By: Lisa Ortega, Vice President

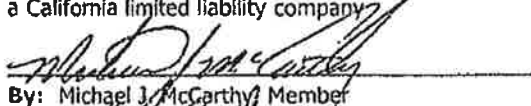
By: Michael McCarthy, CFO



By: John R. Lawson, President

ASSIGNEE:

MVAC Holdings, LLC
a California limited liability company



By: Michael J. McCarthy, Member



BY: John R. Lawson, Member

Attachment B

**Consent to Standard Offer, Agreement and
Escrow Instruction**

**CONSENT TO STANDARD OFFER,
AGREEMENT AND ESCROW INSTRUCTIONS**

The County of Riverside (County) hereby consents to the Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate ("Purchase Agreement") dated April 16, 2014 between the U.S. Small Business Administration (as seller) ("SBA") and MVAC Holdings, LLC, a California limited liability company (as buyer) ("MVAC") relating to the free standing industrial building located at 3875 Industrial Avenue (Hemet-Ryan Airport), Hemet California. The Purchase Agreement is attached hereto as Exhibit "A."

By consenting to the Purchase Agreement, the County neither undertakes nor assumes nor will have any responsibility or duty to MVAC or to any third party to review, inspect, supervise, pass judgment upon or inform MVAC or any third party of any matter in connection with the subject building, whether regarding the quality, adequacy or suitability of the subject building for MVAC's proposed use, or otherwise. MVAC and all third parties shall rely upon its or their own judgment regarding such matters. The County makes no representations, express or implied, with respect to the legality, fitness, or desirability of the subject building for MVAC's intended use.

IN WITNESS WHEREOF, the County of Riverside has executed this Consent to Standard Offer, Agreement and Escrow Instructions as of the date set forth below.

Date: _____

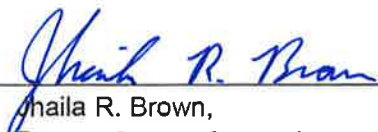
COUNTY OF RIVERSIDE, a political subdivision of
the State of California

By: _____
Jeff Stone, Chairman
Board of Supervisors

ATTEST:
KECIA IHEM-HARPER
Clerk of the Board

APPROVED AS TO FORM
GREGORY P. PRIAMOS, County Counsel

By: _____
Deputy
(SEAL)

By: 
Jhaila R. Brown,
Deputy County Counsel

MVAC Holdings, LLC, a California limited liability company, hereby acknowledges and consents to all of the terms set forth in this Consent to Standard Offer, Agreement and Escrow Instructions.

MVAC HOLDINGS, LLC,
a California limited liability company

By: 
Michael McCarthy, Member

Dated: 9/26/14

By: 
John R. Lawson, Member

Dated: 9/26/2014

EXHIBIT "A"

Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate
(Behind this Page)



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

AIR Commercial Real Estate Association

April 16, 2014

(Date for Reference Purposes)

1. Buyer.

1.1 Henifee Valley Air Conditioning or Assignee ("Buyer") hereby offers to purchase the real property, hereinafter describe d, from the owner thereof ("Seller") (collectively, the "Parties" or individually, a "Party"), through an escrow ("Escrow") to close on or on or before 15 days after the waiver or expiration of the Buyer's Contingencies. ("Expected Closing Date") to be held by First American Title - Attn: Debra Dunn ("Escrow Holder") whose address is 3400 Central Ave., Ste. 100, Riverside, CA 92506

Email: ddunn@firstam.com Phone No. (951) 787-1700 Facsimile No. _____ 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) a ±22,800 SF freestanding industrial building on 11.54 acres land - subject to a ground lease with the County of Riverside is located in the City of Hemet, County of Riverside, State of California, is commonly known by the street address of 3875 Industrial Avenue

and is legally described as: to be provided by escrow

(APN: 456-050-017)

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 ("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 exterior covered dock platform

(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, 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 no personal property 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 \$350,000.00, 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): \$35,000.00

(Strike if not applicable) (b) Amount of "New Loan" as defined in paragraph 5.1, if any: \$315,000.00

(c) Buyer shall take title to the Property subject to and/or secure 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, 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 5 ("Purchase Money Note") in the amount of: \$ _____

Total Purchase Price: \$350,000.00

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[Signature]
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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 \$10,000.00. 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 _____ business days after the contingency described in paragraph 9.1 (a) through (k) are approved or waived, Buyer shall deposit with Escrow Holder the additional sum of \$ _____ to be applied to the Purchase Price at the Closing.

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 _____ 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.

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 90% 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 prior 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 35 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 financing (see paragraph 6.6) 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 8% shall be payable with respect to any payment of principal, interest or other charges, not made within 40 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, 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 returned 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):

_____ represents Seller exclusively ("Seller's Broker");

_____ represents Buyer exclusively ("Buyer's Broker"); or

Lee & Associates Commercial Real Estate Services, Inc. - Riverside represents both Seller and Buyer ("Dual Agency").

The Parties acknowledge that Brokers are the procuring cause of 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 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.

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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 revising 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.

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 life insurance. (See also paragraph 11)

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 sub-paragraphs (b), (c), (d), (e), (f), (g), (h), (i), (j), (k), (l), (m), (n), (o), 9.4, 9.5, 12, 13, 14, 15, 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 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 of 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 sub-paragraphs (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 10 days from the receipt of said disclosures to approve or disapprove the matters disclosed.

(b) **Physical Inspection.** Buyer has 40 or 45 days from 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 45 days from 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 relatively 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 45 days from 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 soil report that Seller may have within 10 days of the Date of Agreement.

(e) **Governmental Approvals.** Buyer has 30 or See paragraph #26.3 days from 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, poison, handicapped and Americans with Disabilities Act requirements, transportation and environmental matters.

(f) **Conditions of Title.** Escrow Holder shall cause a current commitment for life 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 encumbrances to be delivered to Buyer within 10 or _____ days following the Date of Agreement. Buyer has 10 days from the receipt of the Title Commitment, the Underlying Documents and the plot plan 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 45 days from the Date of Agreement receipt of the Title Commitment and Underlying Documents 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 of the Date of Agreement provide both Buyer and Escrow Holder with legible copies of all leasing, subleasing 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 with each tenant and a statement 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.

(i) **Owner's Association.** Seller shall within 10 or _____ days of the Date of Agreement provide Buyer with a statement and transfer package from any owner's association concerning 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.

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(j) **Other Agreements.** Seller shall within 10 or _____ days of 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 days from the receipt of said Other Agreements 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 3.4 (e) has not been stricken, Seller shall within 10 or _____ days of 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 holder 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 each loan. Buyer has 10 or _____ days from 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 escalation of charges in the terms of any Existing Note or charges to Buyer except as otherwise provided in the 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 of 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 from 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 of the Date of Agreement.

(n) **Destruction, Damage or Loss.** There shall not have occurred prior to the Closing, a destruction of, 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, tenancy, 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 8.1 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. 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 Buyer understands and agrees that until such time as all Buyer's Contingencies have been satisfied or waived, Seller and/or its agents may solicit, entertain and/or accept back-up offers to purchase the Property.

9.5 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 Quit Claim 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 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 right 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 mortgagee 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.

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- (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(f)) 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 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 Past 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 3.1(d) 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(e) 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 Disclosures.

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 ordinances, 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 to 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) Mechanical Liens. There are no unsatisfied mechanics' or materialsmen'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(p)) 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.
- (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, Buyer is purchasing the Property in its existing 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 reinstallation 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.

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

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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 Wherever 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.

19.2 Service of any such communication shall be deemed made on the date of actual receipt if personally delivered. 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. Communications transmitted by facsimile transmission shall be deemed delivered upon telephonic confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. 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 hereinafter 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

Menet, CA, on the date of April 23, 2014

it shall be deemed automatically revoked.

20.2 The acceptance of this offer, or of any subsequent counteroffer hereto, shall create 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 Initiated 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 \$10,000.00 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.

[Handwritten Signature]
Buyer Initials

[Handwritten Signature]
Seller Initials

22. ARBITRATION OF DISPUTES. (This Arbitration of Disputes paragraph is applicable only if Initiated 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.

[Handwritten Signature]
Buyer Initials

[Handwritten Signature]
Seller 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.

[Handwritten Signature]
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[Handwritten Signature]
INITIALS

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 signatory 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.

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.

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. 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. Unless otherwise specifically indicated to the contrary, the word "days" as used in this Agreement shall mean and refer to calendar days. 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 consisting of paragraphs 26.1 through 26.5. (If there are no additional provisions write "NONE".)

26.1 Ground Lease: Buyer is aware that the property is subject to a Ground Lease with the County of Riverside.

26.2 Parcel boundary: Buyer is aware that The westerly fence and a portion of the exterior leading dock and awning may be located on the neighboring property and it is likely that Buyer may need to modify the dock/awning and relocate the fence closer to the subject building.

26.3 This Purchase is contingent upon Seller's obtaining approval from the U.S. Small Business Administration, and the County of Riverside. Buyer's deposit shall remain fully refundable in the event any governmental agency denies the proposed transfer/assignment of the ground lease. This contingency shall remain in effect until the escrow close date.

26.4 The Parties shall execute the attached Exhibit to Standard Offer and Escrow Instructions for Purchase of Real Estate - Additional SBA Conditions

26.5: Also attached and part of this Agreement is "Exhibit to Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate - Additional SBA Conditions"

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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.

- 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 Commercial Real Estate Menifee Valley Air Conditioning

Attn: Charley Black, SIOR
 Title: Senior Vice President
 Address: 25240 Hancock Ave., Suite 101
 Murrieta, CA 92562
 Telephone: (951) 445-4507
 Facsimile: ()
 Email: cblack@lee-associates.com
 Federal ID No.:

Broker/Agent DRE License #:

By: *[Signature]*
 Date: 4/17/14
 Name Printed: Michael McCarthy
 Title: Chief Financial Officer
 Telephone: (951) 785-6125
 Facsimile: (951) 471-3430
 Email: mmc@cmccathy@aiaa.com

By: *[Signature]*
 Date: 4-17-2014
 Name Printed: John R Lawson
 Title: President
 Address:

Telephone: (951) 295-6125
 Facsimile: (951) 471-3430
 Email: jlawson@aiaa.com
 Federal ID No. 33-0785761

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 Seller acknowledges that Brokers have been retained to locate a Buyer and are the procuring cause of the purchase and sale of the Property set forth in this Agreement. 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 5% of the Purchase Price to be divided between the Brokers as follows: Seller's Broker 2.5% and Buyer's Broker 2.5%. 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: Lee & Associates Commercial Real Estate Services, Inc. - Riverside

SELLER: U.S. Small Business Administration
 its attorney-in-fact

Attn: Charley Black, SIOR
 Title: Senior Vice President
 Address: 25240 Hancock Ave., Ste. 100
 Murrieta, CA 92562
 Telephone: (951) 445-4507
 Facsimile: (951) 445-4547
 Email: cblack@lee-associates.com
 Federal ID No. 33-0355610

Broker/Agent DRE License #: 01008597

By: *[Signature]* 4/18/2014
 Date: 4/18/2014
 Name Printed: Nick Stoneham
 Title: Manager
 Telephone: (619) 243-8693
 Facsimile: ()
 Email:

By:
 Date:
 Name Printed:
 Title:
 Address: c/o CDC Small Business Finance
 2448 Historic Decatur Rd., #200, San Diego
 Telephone: ()
 Facsimile: ()
 Email:
 Federal ID No.:

[Signature]
 INITIALS:

[Signature]
 INITIALS

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 forms: AIR Commercial Real Estate Association, 500 N Brand Blvd, Suite 900, Glendale, CA 91203. Telephone No. (213) 687-6777. Fax No.: (213) 687-6616.

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

ADDITIONAL SBA CONDITIONS

Condition of Property:

- The property is purchased in "AS IS, WHERE IS" Condition.
- SBA makes no warranty or representation, expressed or implied, including but not limited, implied warranties of merchantability and fitness for a particular purpose. No document or information provided by SBA or SBA's broker, to Buyer shall constitute a representation as to the completeness or accuracy of such documents or information.
- Buyer has or will make its own investigation concerning the physical condition of the property, condition of title or any other matter pertaining to the property.

Buyer is not relying on any representations, warranties or inducements of SBA or SBA's broker, if any, with respect to the physical condition of the property, condition of title to the property, economic matters, and/or any other matter pertaining to the property. Accordingly, except for those specific written representations and warranties of SBA set forth in this Agreement, Buyer is purchasing the property and each and every aspect thereof in an "AS IS" condition, and SBA or SBA's broker makes no expressed or implied representation concerning (i) the status of title to the property; (ii) any leases; (iii) the current or future real estate tax liability assessment or valuation of the property; (iv) the compliance of the property in its current or future state with applicable laws or any violation thereof, including without limitation, those relating to access for the handicapped, environmental or zoning matter, or the ability to obtain a change in the zoning of the property; (v) the nature and extent of any right-of-way, lease, lien, encumbrance, license or reservation; (vi) the availability of any financing for the purchase, operation or operation of the property from any source, including without limitation, any governmental authority or lender; (vii) the current or future use of the property; (viii) the viability or financial condition of any tenant; and (ix) the actual or projected income or operating expenses of the property.

No Indemnity:

SBA will not indemnify or hold buyer harmless from and against any claim, loss, damage or expense, including any reasonable attorneys fees (including attorneys fees on appeal), asserted against or suffered by the buyer resulting from (i) any breach by the SBA of this Agreement, (ii) any liability of the SBA with respect to the property, under the leases or other contract, or otherwise, or (iii) the inaccuracy or breach of any of the representations, warranties or covenants made by SBA.

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[Signature]

No Arbitration Or Alternative Dispute Resolution:

Notwithstanding any provision to the contrary, if any dispute arises under this agreement, SBA does not consent nor is it bound to any arbitration, mediation, or other alternative dispute resolution process.

Federal Law:

This document shall be construed and enforced under Federal Law, including SBA regulations. Bank and/or SBA may use local or state procedures for purposes such as filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using these procedures, SBA does not waive any federal immunity from local or state control, penalty, tax or liability. Nor borrower or guarantor or lender (including Bank) may claim or assert against SBA any local or state law to deny and obligation hereunder or under any of the subject SBA loan documents or defeat any claim of SBA with respect to the SBA loan. Any clause in this document requiring arbitration is not enforceable when SBA is the holder of the Note secured by this instrument.

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[Signature]
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Attachment C
Assignment of Lease

ASSIGNMENT OF LEASE

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, the undersigned, U.S. Small Business Administration its Attorney in Fact ("Lessee"), hereby transfers and assigns to MVAC Holdings, LLC a California limited liability company ("Assignee"), only upon close of escrow, all rights, title and interest of the undersigned under that certain Lease Agreement dated September 28, 2004 between the County of Riverside and James Walter Garvin and Judith Marie Garvin Family Trust, and foreclosed on by Lessee on 07/11/2013, pertaining to the premises described as approximately 1.54 acres of land and all improvements located thereon at the Hemet – Ryan Airport, County of Riverside, State of California, said Lease is attached as Exhibit "A".

This Assignment and the transfer of all rights, title and interest herein are contingent upon:

- A. The acceptance and approval by the Riverside County Board of Supervisors;
- B. Close of escrow file #4624545 for property address 3875 Industrial Avenue, Hemet, CA to MVAC Holdings, LLC as the Buyer.

[Signature page follows]

**U.S Small Business Administration
Its Attorney in Fact**

By: 

Name: Her A. Ortega

Title: Vice-President

ACCEPTANCE AND AGREEMENT

Effective on _____, MVAC Holdings, LLC, a California limited liability company, the undersigned hereby accepts said Assignment and hereby agrees to keep, perform and be bound by all of the terms, covenants and conditions in said Lease on the part of the Lessee therein to be kept and performed to all intents and purposes as though the undersigned Assignee was the original Lessee thereunder.

MVAC Holdings, LLC

By: _____
Michael McCarthy, Member

By: _____
John R. Lawson, Member

**U.S Small Business Administration
Its Attorney in Fact**

By: _____

Name: _____


Title: _____

ACCEPTANCE AND AGREEMENT

Effective on _____, MVAC Holdings, LLC, a California limited liability company, the undersigned hereby accepts said Assignment and hereby agrees to keep, perform and be bound by all of the terms, covenants and conditions in said Lease on the part of the Lessee therein to be kept and performed to all intents and purposes as though the undersigned Assignee was the original Lessee thereunder.

MVAC Holdings, LLC

By:  _____
Michael McCarthy, Member

By:  _____
John R. Lawson, Member

Attachment D

**Standard Offer, Agreement & Escrow
Instructions for Purchase of Real Estate**



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

(Non-Residential)

AIR Commercial Real Estate Association

April 16, 2014

(Date for Reference Purposes)

1. Buyer

1.1 Menifee Valley Air Conditioning or Assignee ("Buyer")

hereby offers to purchase the real property, hereinafter describe, from the owner thereof ("Seller")

(collectively, the "Parties" or individually, a "Party"), through an escrow ("Escrow") to close on or before 17 days after the waiver of

expiration of the Buyer's Contingencies, ("Expected Closing Date") to be held by

First American Title - Attn: Debra Dunn ("Escrow Holder") whose address is

3100 Central Ave., Ste. 100, Riverside, CA 92506

Email: ddunn@firstam.com Phone No. (951) 787-1700 Facsimile No.

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) a ±22,800 SF

freestanding industrial building on 11.54 acres land - subject to a ground lease with the

County of Riverside

(is located in the City of Hemet, County of Riverside

State of California, is commonly known by the street address of 3875 Industrial Avenue

and is legally described as: to be provided by escrow

(APN: 156-050-017)

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

("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 exterior covered dock platform

(collectively, the "Improvements")

2.4 The fire sprinkler monitor: [X] 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, [] 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

no personal property 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 \$350,000.00, 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): \$35,000.00

(b) Amount of "New Loan" as defined in paragraph 5.1, if any: \$315,000.00

(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,

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

(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: \$350,000.00

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FORM OFA-11-04/12E

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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 \$10,000.00. 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 _____ business days after the contingency discussed in paragraph 5.1 (a) through (c) are approved or waived, Buyer shall deposit with Escrow Holder the additional sum of \$ _____ to be applied to the Purchase Price at the Closing.

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 _____. 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.

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 90% 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 financing (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 4.3 (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 6% shall be payable with respect to any payment of principal, interest, or other charges, not made within 40 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 such 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 the 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):

- _____ represents Seller exclusively ("Seller's Broker");
- _____ represents Buyer exclusively ("Buyer's Broker"); or
- Lee's Associates Commercial Real Estate Services, Inc. - Riverside represents both Seller and Buyer ("Dual Agency").

The Parties acknowledge that Brokers are the procuring cause of 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 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.

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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.

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 gift 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)

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), (f), (g), (h), (i), (j), (k), (l), (m), (n), (o), 8.4, 9.5, 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 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 10 days from the receipt of said disclosure to approve or disapprove the matters disclosed.

(b) *Physical Inspection*. Buyer has 10 or 45 days from 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 45 days from 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 45 days from 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 such report that Seller may have within 10 days of the Date of Agreement.

(e) *Governmental Approvals*. Buyer has 10 or See paragraph 12.6.3 days from 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 encumbrances to be delivered to Buyer within 10 or _____ days following the Date of Agreement. Buyer has 10 days from the receipt of the Title Commitment, the Underlying Documents and the plot plan 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 45 days from the Date of Agreement receipt of the Title Commitment and Underlying Documents 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 encumbrances 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 of 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 the each tenant and a statement 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.

(i) *Owner's Association*. Seller shall within 10 or _____ days of 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.

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(j) **Other Agreements.** Seller shall within 10 or _____ days of 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 days from the receipt of said Other Agreements 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 3.3(a) has not been stricken, Seller shall within 10 or _____ days of 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) containing: (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 from 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 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 of 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 from 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 of the Date of Agreement.

(n) **Destruction, Damage or Loss.** There shall not have occurred prior to the Closing, a destruction of, 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, tenancy, 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. Unless expressly provided otherwise herein, Seller's right to cure shall not apply to the remediation of Hazardous Substances 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 Buyer understands and agrees that until such time as all Buyer's Contingencies have been satisfied or waived, Seller and/or its agents may solicit, entertain and/or accept back-up offers to purchase the Property.

9.5 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 Substances 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 Quit Claim 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 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 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.

- (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 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 3.1(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 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 to 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.

(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, Buyer is purchasing the Property in its existing 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 in 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.

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

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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.
19.2 Service of any such communication shall be deemed made on the date of actual receipt if personally delivered. 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. Communications transmitted by facsimile transmission shall be deemed delivered upon telephonic confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. 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 herein 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 Hemet, CA on the date of April 23, 2014

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 initiated 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 \$16,000.00 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.

[Signature]
Buyer Initials

[Signature]
Seller Initials

22. **ARBITRATION OF DISPUTES. (This Arbitration of Disputes paragraph is applicable only if initiated 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.

Buyer Initials

Seller 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.

[Signature]
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23.2 **Applicable Law.** This Agreement shall be governed by, and paragraph 22.3 is amended in 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.

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.

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 licensees, 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. 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. Unless otherwise specifically indicated to the contrary, the word "days" as used in this Agreement shall mean and refer to calendar days. 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 consisting of paragraphs 26.1 through 26.5 (If there are no additional provisions write "NONE".)

26.1 Ground Lease: Buyer is aware that the property is subject to a Ground Lease with the County of Riverside.

26.2 Parcel boundary: Buyer is aware that The westerly fence and a portion of the exterior loading dock and awning may be located on the neighboring property and it is likely that Buyer may need to modify the dock/awning and relocate the fence closer to the subject building.

26.3 This Purchase is contingent upon Seller's obtaining approval from the U.S. Small Business Administration, and the County of Riverside. Buyer's deposit shall remain fully refundable in the event any governmental agency denies the proposed transfer/assignment of the ground lease. This contingency shall remain in effect until the escrow close date.

26.4 The Parties shall execute the attached Exhibit to Standard Offer and Escrow Instructions for Purchase of Real Estate - Additional SBA Conditions

26.5 Also attached and part of this Agreement is "Exhibit to Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate - Additional SBA Conditions"

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[Signature]
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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:

- SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS AGREEMENT.
- 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.

NOTE:

- THIS FORM IS NOT FOR USE IN CONNECTION WITH THE SALE OF RESIDENTIAL PROPERTY.
- 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: BUYER:

Lee & Associates Commercial Real Estate

Menifee Valley Air Conditioning

Attn: Charley Black, SIOR
Title: Senior Vice President
Address: 25240 Hancock Ave, Suite 101
Murrieta, CA 92562
Telephone: (951) 445-4507
Facsimile: ()
Email: cblack@lee-associates.com
Federal ID No.

By: [Signature]
Date: 4/17/14
Name Printed: Michael McCarthy
Title: Chief Financial Officer
Telephone: (888) 785-6125
Facsimile: (951) 471-3430
Email: mmccarthy@mvac-inc.com

Broker/Agent DRE License #:

By: [Signature]
Date: 4-17-2014
Name Printed: John R. Lawson
Title: President
Address:
Telephone: (951) 795-6125
Facsimile: (951) 471-3430
Email: jlawson@mvac-inc.com
Federal ID No: 33-0785961

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 Seller acknowledges that Brokers have been retained to locate a Buyer and are the procuring cause of the purchase and sale of the Property set forth in this Agreement. 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 5% of the Purchase Price to be divided between the Brokers as follows: Seller's Broker 2.5% and Buyer's Broker 2.5%. 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:

SELLER:

Lee & Associates Commercial Real Estate
Services, Inc. - Riverside

U.S. Small Business Administration
its attorney-in-fact

Attn: Charley Black, SIOR
Title: Senior Vice President
Address: 25240 Hancock Ave., Ste. 100
Murrieta, CA 92562
Telephone: (951) 445-4507
Facsimile: (951) 445-4547
Email: cblack@lee-associates.com
Federal ID No.: 33-0355610

By: [Signature] 4-18-2014
Date: 4-18-2014
Name Printed: Nick Stoneman
Title: Manager
Telephone: (619) 243-8693
Facsimile: ()
Email:

Broker/Agent DRE License #: 01000597

By:
Date:
Name Printed:
Title:
Address: c/o CDC Small Business Finance
2448 Historic Denatur Rd., #200, San Diego
Telephone: ()
Facsimile: ()
Email:
Federal ID No.:

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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.

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

ADDITIONAL SBA CONDITIONS

Condition of Property:

- The property is purchased in "AS IS, WHERE IS" Condition.
- SBA makes no warranty or representation, expressed or implied, including but not limited, implied warranties of merchantability and fitness for a particular purpose. No document or information provided by SBA or SBA's broker, to Buyer shall constitute a representation as to the completeness or accuracy of such documents or information.
- Buyer has or will make its own investigation concerning the physical condition of the property, condition of title or any other matter pertaining to the property.

Buyer is not relying on any representations, warranties or inducements of SBA or SBA's broker, if any, with respect to the physical condition of the property, condition of title to the property, economic matters, and/or any other matter pertaining to the property. Accordingly, except for those specific written representations and warranties of SBA set forth in this Agreement, Buyer is purchasing the property and each and every aspect thereof in an "AS IS" condition, and SBA or SBA's broker makes no expressed or implied representation concerning (i) the status of title to the property; (ii) any leases, (iii) the current or future real estate tax liability assessment or valuation of the property; (iv) the compliance of the property in its current or future state with applicable laws or any violation thereof, including without limitation, those relating to access for the handicapped, environmental or zoning matter, or the ability to obtain a change in the zoning of the property; (v) the nature and extent of any right-of-way, lease, lien, encumbrance, license or reservation; (vi) the availability of any financing for the purchase, alteration or operation of the property from any source, including without limitation, any governmental authority or lender; (vii) the current or future use of the property; (viii) the viability or financial condition of any tenant; and (ix) the actual or projected income or operating expenses of the property.

No Indemnity:

SBA will not indemnify or hold buyer harmless from and against any claim, loss damage or expense, including any reasonable attorneys fees (including attorneys fees on appeal), asserted against or suffered by the buyer resulting from (i) any breach by the SBA of this Agreement, (ii) any liability of the SBA with respect to the property, under the leases or other contract, or otherwise, or (iii) the inaccuracy or breach of any of the representations, warranties or covenants made by SBA.

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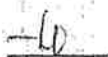
[Signature]
initials

No Arbitration Or Alternative Dispute Resolution:


Notwithstanding any provision to the contrary, if any dispute arises under this agreement, SBA does not consent nor is it bound to any arbitration, mediation, or other alternative dispute resolution process.

Federal Law:

This document shall be construed and enforced under Federal Law, including SBA regulations. Bank and/or SBA may use local or state procedures for purposes such as filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using these procedures, SBA does not waive any federal immunity from local or state control, penalty, tax or liability. Nor borrower or guarantor or lender (including Bank) may claim or assert against SBA any local or state law to deny and obligation hereunder or under any of the subject SBA loan documents or defeat any claim of SBA with respect to the SBA loan. Any clause in this document requiring arbitration is not enforceable when SBA is the holder of the Note secured by this instrument.



Title



Title



First American Title

First American Title Company
3400 Central Avenue, Suite 100
Riverside, CA 92506
(951)787-1757
Fax - (866)558-2890

ASSIGNMENT OF BUYER'S INTEREST INSTRUCTION

To: **First American Title Company, Escrow Holder**
Debra Dunn, Escrow Officer

Date: **April 25, 2014**
File No.: **RR1-4624545 (DD)**

Re: **3875 Industrial Ave., Hemet, CA**

Assignment: Menifee Valley Air Conditioning, Buyer herein, assigns to MVAC Holdings, LLC, a California limited liability company:

1. All interest in and to all right to acquire title to the property which is the subject of this escrow.
2. All funds now on deposit to the account of the undersigned in this escrow. No consideration is to be paid to the undersigned through this escrow for or on account of this agreement.

Agreement: IT IS AGREED BETWEEN United States Small Business, as Seller and Menifee Valley Air Conditioning, as Buyer and MVAC Holdings, LLC, a California limited liability Company as Assignee, with respect to the Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate, and original Escrow Instructions with multiple dates in Escrow No. RRI-4624545 as follows:

- ~~1. Seller hereby releases Buyer from all claims and demands against Buyer with respect to the escrow instructions~~
2. Seller accepts assignee in place of Buyer as the substituted party to said escrow instructions and hereby agrees with Assignee to be bound by the terms of the escrow instructions in all respects as if Assignee was originally named therein as a party in place of Buyer.
3. Seller hereby acknowledges the above assignment and new Buyer and instructs Escrow Holder to prepare for our signature(s) the Grant Deed showing the Assignee as the new Buyer.
4. Assignee agrees to perform in accordance with the escrow instructions and to be bound by all terms thereof in all respects as if he were the original party to the escrow instructions in place of Buyer.

W MM 9-26-14
JK 9-26-14

SELLER:

BUYER:

United States Small Business Administration

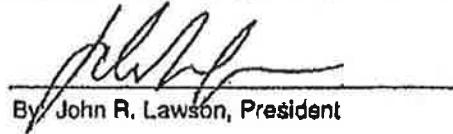


By: Lisa Ortega, Vice President

Menifee Valley Air Conditioning



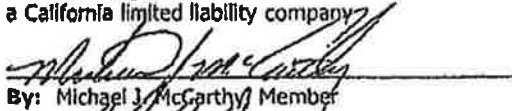
By: Michael McCarthy, CFO



By: John R. Lawson, President

ASSIGNEE:

MVAC Holdings, LLC
a California limited liability company



By: Michael J. McCarthy, Member



By: John R. Lawson, Member

Attachment E
Exhibit A - Lease

1 LEASE

2 HEMET-RYAN AIRPORT

3
4 The County of Riverside, herein called County, leases to James Walter Garvin and
5 Judith Marie Garvin Family Trust dated September 25, 1996, herein called Lessee, the
6 property described below under the following terms and conditions:

7 1. Recitals.

8 (a) County owns a parcel of land totaling approximately 1.54 acres at the
9 Hemet-Ryan Airport, Hemet, California improved with a single story, metal industrial
10 building of approximately 22,500 square feet, commonly known as 3875 Industrial
11 Avenue. The parcel is currently leased to Lessee. The Lease is referred to herein as
12 the "1984 Lease," and described as follows: a lease for 1.54 acres of land dated May 1,
13 1984 between the County of Riverside and Robert P. Miller, assigned to Marie I.
14 Bennett on January 1989 and amended on January 3, 1989 (First Amendment) and
15 assigned on May 1993 to Inland Empire Sales and Marketing and amended on June
16 29, 1993 (Second Amendment) and amended on December 12, 1995 (Third
17 Amendment) and assigned to Edmond Equipment West on May 18, 2004; and

18 (b) County and Lessee desire to execute a new lease to replace the
19 1984 Lease in its entirety such that County and Lessee are relieved of all duties and
20 obligations under the 1984 Lease; and

21 (c) Upon execution of the new lease and its subsequent approval by
the County Board of Supervisors, the 1984 Lease shall become null and void and of no
further effect; provided however that until the new lease is fully executed and approved
by the Board of Supervisors, the 1984 Lease shall remain in full force and effect.

2. Description. The premises leased hereby are located within the Hemet-
Ryan Airport, City of Hemet, State of California and consist of approximately 1.54 acres
improved land, being described in Exhibit "A" attached hereto and incorporated by
reference herein. Said property is hereafter referred to as the "Leased Premises".

1 County and Lessee herein acknowledge that Lessee has no fee title
2 interest in or to the Leased Premises.

3 3. Term. This lease shall commence on the first day of the month following
4 execution by all parties thereto and terminate thirty years (30 years) thereafter, a term of
5 thirty years (30 years).

6 (a) Any holding over by the Lessee after the expiration of this Lease
7 shall be on a day-to-day basis strictly, and continuing tenancy rights shall not accrue to
8 the Lessee.

9 (b) With respect to the Leased Premises, subject to the provisions of
10 paragraphs 5, 8, 11(c), 16 and 18 hereof and provided that Lessee at the time of
11 exercising the option is in full compliance with the terms of this Lease, Lessee shall
12 have the option to extend the term of this Lease for an additional period of ten (10)
13 years. Lessee shall notify County in writing of its intention to exercise this option to
14 extend not more than six (6) or less than three (3) months prior to the expiration date of
15 the initial term.

16 4. Use.

17 (a) The Leased Premises is leased hereby for the purposes of
18 conducting a light manufacturing/industrial/commercial business as permitted in the City
19 of Hemet Zoning Ordinance applicable to the property.

20 (b) The Leased Premises shall not be used for any purpose other than
21 in paragraph 4 (a) without first obtaining the written consent of County, which consent
22 shall not be unreasonably withheld.

23 5. Rent.

24 (a) Commencing upon the first day of the month after Lease execution
25 by both parties hereto, Lessee shall pay to Lessor as base rent for the use and
26 occupancy of the Leased Premises, monthly rent equal according to the following
27 schedule:

28 7/1/04 \$274.00 per month
7/1/05 \$324.00 per month

1	7/1/06	\$374.00 per month
2	7/1/07	\$425.00 per month
3	7/1/08	\$475.00 per month
4	7/1/09	\$525.00 per month
5	7/1/10	Adjust rent to Fair Market Value per 5(b) below

6 Said rent is due and payable in advance on the first of each month. The rent is
7 delinquent if not paid by the 15th of the month. If the monthly rent becomes delinquent,
8 Lessee will be charged a late fee equivalent to ten percent (10%) of the delinquent
9 rental amount, exclusive of late fees, for each month that rent is delinquent

10 (b) Beginning July 1, 2010, and every fifth (5th) year thereafter, the
11 basic monthly rent shall be adjusted to be one-twelfth (1/12) of eight percent (8%) of the
12 appraised fair market value. A property appraisal for this purpose is to be performed by
13 an independent certified appraiser, in good standing with the American Institute of Real
14 Estate Appraisers, and to be procured by the County. Once established, said rent shall
15 be adjusted annually in the manner set forth in Paragraph 5(c) below. In no event will
16 application of this paragraph result in a monthly rental amount lower than the most
17 previous monthly rental amount.

18 (c) Consumer Price Index (CPI). Beginning July 1, 2011 and at each
19 July 1st thereafter, except for dates coinciding with the appraisals conducted every fifth
20 year as referenced in 5(b) above. The rent shall be adjusted by the percentage change,
21 in the CPI, All Urban Consumers, Los Angeles-Riverside-Orange County Area for the
22 twelve-month period ending three months before the month of rent adjustment under
23 this paragraph. In no event will application of this paragraph result in a monthly rental
24 amount lower than the most previous monthly rental amount.

25 6. Additional Obligations of Lessee. Lessee shall, during the term of this
26 Lease and any extensions thereof, observe and obey, and compel its employees,
27 agents, invitees and those doing business with it to observe and obey all such rules and
28 regulations of County which are now in effect or which may hereafter be promulgated;

1 provided that such rules and regulations may not unduly interfere or conflict with the
2 rights and privileges granted to Lessee in this amendment or any later amendments.

3 Lessee shall maintain the Leased Premises, approaches thereto, and
4 improvements now or hereafter located thereon, in good and sanitary order, condition,
5 and repair, and upon any termination of this Lease, Lessee agrees to surrender said
6 Leased Premises and improvements thereon in such condition, reasonable use and
7 wear thereof and damages by fire, acts of God, war, civil insurrection, or by the
8 elements excepted.

9 7. Permits, Licenses and Taxes. Lessee shall secure at its expense, all
10 necessary permits and licenses as it may be required to obtain, and Lessee shall pay
11 for all fees and taxes levied or required by any authorized public entity, specifically
12 including those required or levied by the City of Hemet. Lessee recognizes and
13 understands that this lease may create a possessory interest subject to property
14 taxation and that Lessee may be subject to the payment of property taxes levied on
15 such interest.

16 8. On-Site Improvements.

17 (a) All improvements are to be designed and constructed at Lessee's
18 sole cost. Lessee to pay for construction of any required utility extensions and hookups
19 and any access road improvements. All improvement plans are to be submitted to
20 County for approval prior to start of any construction.

21 (b) Any improvements, alterations and installation of fixtures, to be
22 undertaken by Lessee shall have the prior written approval of the Economic
23 Development Agency after Lessee has submitted to County proposed site plans,
24 building plans and specifications therefore in writing. In addition, Lessee understands
25 and agrees that such improvements, alterations and installation of fixtures may be
26 subject to County Ordinance Nos. 348 and 457, as well as other applicable County
27 ordinances, and that Lessee shall fully comply with such ordinances prior to the
28 commencement of any construction in connection therewith.

1 (c) All improvements, alterations and fixtures shall remain or become,
2 as the case may be, the property of County with the exception of trade fixtures as that
3 term is used in Section 1019 of the Civil Code; provided, however, that Lessee shall
4 have the full and exclusive use and enjoyment of such improvements, alterations and
5 fixtures during the term of this lease. At or prior to the expiration of this lease, Lessee
6 shall remove, at its expense, such trade fixtures and restore said leased premises to
7 their original shape and condition as nearly as practicable. In the event Lessee does
8 not so remove such trade fixtures, they shall become the property of the County for no
9 further consideration of any kind and Lessee shall execute any documents that may be
10 required or necessitated conveying its interest in such improvements, alterations and
11 fixtures to County.

12 9. Off-Site Improvements

13 (a) County shall provide the following off-site improvements to serve
14 the site: (1) water, (2) sewer, and (3) a paved access road. Connections to these off-
15 site improvements shall be the sole cost and responsibility of Lessee as described in
16 paragraph 9 (b). Additionally, Lessee shall be responsible for any improvements
17 beyond those listed in this paragraph, including, but not limited to, electricity, telephone
18 and gas service.

19 (b) It is understood by the parties hereto that utility services are
20 available in the general vicinity of the leased premises, but in order for the on-site
21 improvements required in Paragraph 8 herein to be fully usable and operational,
22 Lessee, at its expense, shall extend and/or connect, or cause to be extended and/or
23 connected, to such utility service all facilities that may be required or desired by Lessee
24 in the use, operation and maintenance of such on-site improvements. After such
25 extensions and/or connections have been made, Lessee shall be responsible for
26 payment of the use of such utility services including, without limitation, all electricity,
27 gas, telephone and water.

28 (c) Lessee shall obtain, or cause to be obtained performance, material
and labor, and payment bonds in the amounts required by law and determined by

1 County and shall furnish County with copies thereof prior to the commencement of such
2 off-site improvements.

3 10. Compliance with Law. Lessee shall, at its sole cost and expense, comply
4 with all of the requirements of all governmental agencies now in force, or which may
5 hereafter be in force, pertaining to the Leased Premises, and any improvements
6 hereafter constructed or maintained thereon, and Lessee shall faithfully observe all
7 ordinances now or hereafter in force in the use of the Leased Premises.

8 11. County's Reserved Rights.

9 (a) The leased premises are accepted by Lessee subject to any and all
10 existing easements or other encumbrances, and County shall have the right to enter
11 upon the leased premises and to install, lay, construct, maintain, repair and operate
12 such sanitary sewers, drains, storm water sewers, pipelines, manholes, connections,
13 water, oil and gas pipelines, and telephone and telegraph power lines and such other
14 facilities and appurtenances necessary or convenient to use in connection therewith,
15 over, in, upon, through, across and along the leased premises or any part thereof.

16 County also reserves the right to grant franchises, easements, rights of way and
17 permits in, over and upon, along or across any and all portions of said leased premises
18 as County may elect; provided, however, that no right of the County provided for in this
19 paragraph shall be so executed as to interfere unreasonably with Lessee's use
20 hereunder, or impair the security of any secured creditor of Lessee. County shall cause
21 the surface of the leased premises to be restored to its original condition (as they
22 existed prior to any such entry) upon the completion of any construction by County or its
23 agents. In the event such construction renders any portion of the leased premises
24 unusable, the rent shall abate pro rata as to such unusable portion during the period of
25 such construction.

26 Any right of County set forth in this paragraph shall not be exercised unless a
27 prior written notice of thirty (30) days is given to Lessee; provided, however, in the event
28 such right must be exercised by reason of emergency, then County shall give Lessee
such notice in writing as is reasonable under the existing circumstances.

1 (b) County reserves the right to further develop or improve the aircraft
2 operating area of Hemet-Ryan Airport, as it deems appropriate. County reserves the
3 right to take any action it considers necessary to protect the aerial approaches of the
4 Hemet-Ryan Airport against obstruction, together with the right to prevent Lessee from
5 erecting or permitting to be erected, any building or other structure on the Hemet-Ryan
6 Airport, which in the opinion of county, would limit the usefulness of the Hemet-Ryan
7 Airport or constitute a hazard to aircraft.

8 (c) During the time of war or national emergency, County shall have
9 the right to lease the landing area of the Hemet-Ryan Airport, or any part thereof, to the
10 United States Government for military use and, if such lease is executed, the provisions
11 of this lease insofar as they are inconsistent with the provisions of such lease to the
12 Government, shall be suspended. In that event, a just and proportionate part of the rent
13 hereunder shall be abated, and the period of such closure shall be added to the term of
14 this lease, or any extensions thereof, so as to extend and postpone the expiration
15 thereof unless Lessee otherwise elects to terminate this lease.

16 (d) Notwithstanding any provisions herein, this lease shall be
17 subordinate to the provisions of any existing or future agreement between County and
18 the United States, relative to the operation or maintenance of Hemet-Ryan Airport, the
19 terms and execution of which have been or may be required as a condition precedent to
20 the expenditure or reimbursement to County of Federal funds for the development of
21 said airport.

22 (e) This lease is subject to the provisions set forth in Exhibit "B"
23 (Federally Required Lease Provisions), attached hereto and by this reference made a
24 part of this lease.

25 12. Inspection of Premises. County, through its duly authorized agents, shall
26 have, at any time during normal business hours, the right to enter the leased premises
27 for the purpose of inspecting, monitoring and evaluating the obligations of Lessee
28 hereunder and for the purpose of doing any and all things which it is obligated and has
a right to do under this lease.

1 13. Quiet Enjoyment. Lessee shall have, hold and quietly enjoy the use of the
2 leased premises so long as lessee shall fully and faithfully perform the terms and
3 conditions that the lessee is required to do under this lease.

4 14. Compliance with Government Regulations. Lessee shall, at Lessee's sole
5 cost and expense, comply with the requirements of all local, state and federal statutes,
6 regulations, rules, ordinances and orders now in force or which may be hereafter in
7 force, pertaining to the leased premises. The final judgment, decree or order of any
8 Court of competent jurisdiction, or the admission of Lessee in any action or proceedings
9 against Lessee, whether Lessee be a party thereto or not, that Lessee has violated any
10 such statutes, regulations, rules, ordinances, or orders, in the use of the leased
11 premises, shall be conclusive of that fact as between County and Lessee.

12 15. Discrimination or Segregation.

13 (a) Lessee shall not discriminate in Lessee's recruiting, hiring,
14 promotion, demotion or termination practice on the basis of race, religious creed, color,
15 national origin, ancestry, sex, age, physical handicap, medical condition or marital
16 status with respect to its use of the leased premises hereunder, and Lessee shall
17 comply with the provisions of the California Fair Employment and Housing Act
18 (Government Code Sections 12900 et seq.), the Federal Civil Rights Act of 1964 (P.L.
19 88-352), and all amendments thereto, Executive Order No. 11246 (30 Federal Register
20 12319), as amended, and all Administrative Rules and Regulations issued pursuant to
21 said Acts and orders with respect to its use of the leased premises.

22 (b) Lessee shall not discriminate against or cause the segregation of
23 any person or group of persons on account of race, religious creed, color, national
24 origin, ancestry, sex, age, physical handicap, medical condition or marital status, in the
25 occupancy, use, tenure or enjoyment of the leased premises, nor shall Lessee, or any
26 person claiming under or through Lessee, establish or permit any such practice or
27 practices of discrimination or segregation with reference to the selection, location,
28 number, use or occupancy of any persons within the leased premises.

1 (c) Lessee assures that it will undertake an affirmative action program
2 as required by 49 CFR, Part 21, to insure that no person shall on the grounds of race,
3 creed, color, national origin, or sex be excluded from participating in any employment
4 activities covered in 49 CFR, Part 21, with respect to its use of the leased premises.
5 Lessee further assures that no person shall be excluded on these grounds from
6 participating in or receiving services or benefits of any program or activity covered
7 herein with respect to its use of the leased premises. Lessee further assures that it will
8 require that its subcontractors and independent contractors provide assurance to
9 Lessee that they similarly will undertake affirmative action programs and that they will
10 require assurances from their subcontractors and independent contractors, as required
11 by 49 CFR, Part 21, to the same effect with respect to their use of the leased premises.

12 16. Termination by County. County shall have the right to terminate this lease
13 forthwith:

14 (a) In the event a petition is filed for voluntary or involuntary
15 bankruptcy for the adjudication of Lessee as debtors.

16 (b) In the event that Lessee makes a general assignment, or Lessee's
17 interest hereunder is assigned involuntarily or by operation of law, for the benefit of
18 creditors.

19 (c) In the event of abandonment of the Leased Premises by Lessee.

20 (d) In the event Lessee fails or refuses to perform, keep or observe
21 any of Lessee's duties or obligations hereunder; provided, however, that Lessee shall
22 have thirty (30) days in which to correct Lessee's breach or default after written notice
23 thereof has been served on Lessee by County.

24 (e) In the event Lessee fails, or refuses, to meet its rental obligations,
25 or any of its obligations hereunder, or as otherwise provided by law.

26 (f) Failure of Lessee to maintain insurance coverage required herein
27 and to provide evidence of coverage to the County.

28 (h) Failure of the Lessee to require all tiers of sublessees and/or
contractors to indemnify the County and to have appropriate insurance coverages;

1 and/or failure by Lessee to monitor each sublessee and/or contractor for current and
2 correct Certificates of Insurance and required endorsements throughout the term of this
3 lease.

4 17. Termination by Lessee. Lessee shall have the right to terminate this lease
5 in the event County fails to perform, keep or observe any of its duties or obligations
6 hereunder; provided, however, that County shall have thirty (30) days in which to correct
7 its breach or default after written notice thereof has been served on it by Lessee;
8 provided, further, however, that in the event such breach or default is not corrected,
9 Lessee may elect to terminate this lease in its entirety or as to any portion of the
10 premises affected thereby, and such election shall be given by an additional thirty (30)
11 day written notice to County.

12 18. Eminent Domain. If any portion of the leased premises shall be taken by
13 eminent domain and a portion thereof remains which is usable by Lessee for the
14 purposes set forth in Paragraph 4 herein, this lease shall, as to the part taken, terminate
15 as of the date title shall vest in the condemnor, or the date prejudgment possession is
16 obtained through a court of competent jurisdiction, whichever is earlier, and the rent
17 payable hereunder shall abate pro rata as to the part taken; provided, however, in such
18 event County reserves the right to terminate this lease as of the date when title to the
19 part taken vests in the condemnor or as of such date of prejudgment possession. If all
20 of the leased premises are taken by eminent domain, or such part be taken so that the
21 leased premises are rendered unusable for the purposes set forth in Paragraph 4
22 herein, this lease shall terminate. If a part or all of the leased premises be so taken, all
23 compensation awarded upon such taking shall be apportioned between County and
24 lessee according to law.

25 19. Insurance. Lessee shall procure and maintain or cause to be maintained,
26 at its sole cost and expense, the following insurance coverages during the term of this
27 Lease. These requirements may be modified to reflect the activities associated with the
28 Lessee. The procurement and maintenance of the insurance required below will not
diminish or limit Lessee's obligation to indemnify or hold the County harmless.

1 (a) Workers Compensation. Lessee shall maintain or cause to be
2 maintained Workers' Compensation Insurance (Coverage A) as prescribed by the laws
3 of the State of California. Policy shall include Employers' Liability (Coverage B)
4 including Occupational Disease with limits not less than \$1,000,000 per person per
5 accident. Policy shall be endorsed to provide a Waiver of Subrogation in favor of the
6 County of Riverside, its Agencies, Districts, Special Districts and Departments, their
7 respective directors, officers, Board of Supervisors, employees, elected or appointed
8 officials, agents and representatives.

9 (b) Commercial General Liability. Commercial General Liability
10 insurance coverage, including but not limited to, premises liability, contractual liability,
11 products and completed operations, contingent liability, personal and advertising injury
12 and, if liquor is sold, liquor law liability covering claims which may arise from or out of
13 Lessee's performance of its obligations hereunder. Policy shall name the County of
14 Riverside, Specials Districts, Directors, Officers, Board of Supervisors, elected officials,
15 employees, agents and representatives as Additional Insureds. Policy's limit of liability
16 shall not be less than \$3,000,000 per occurrence combined single limit. If such
17 insurance contains a general aggregate limit, it shall apply separately to this agreement
18 or be no less than two (2) times the occurrence limit. Such insurance will include
19 Medical Payments for a limit of \$5,000 and Fire Legal Liability for a limit of \$300,000.

20 (c) Vehicle Liability. If Lessee's vehicles or mobile equipment are
21 used in the performance of the obligations under this Lease, then Lessee shall maintain
22 liability insurance for all owned, non-owned or hired vehicles so used in an amount not
23 less than \$1,000,000 per occurrence combined single limit. Policy shall name all of the
24 County of Riverside, its Agencies, Districts, Special Districts and Departments, their
25 respective directors, officers, Board of Supervisors, employees, elected or appointed
26 officials, agents or representatives as Additional Insureds. This coverage may be
27 included in the Airport Commercial General Liability policy.

28 (d) Products Liability Insurance. If Lessee Provides maintenance
and repair services under the terms of this Lease, Lessee shall provide Products

1 Liability Insurance including completed operations not otherwise covered by the
2 Commercial General Liability policy with a limit of not less than \$2,000,000 any one
3 occurrence combined single limit and in the annual aggregate.

4 (e) All Risk Property Insurance:

5 (1) All Risk real and personal insurance coverage, including
6 earthquake and flood if applicable, for the full replacement cost value of building,
7 structures, fixtures, equipment, improvements/alterations and systems on the premises
8 for property that the Lessee owns or is contractually responsible for. Policy shall
9 include Business Interruption, Extra Expense and Expediting Expense to cover the
10 actual loss of business income sustained during the restoration period. Policy shall
11 name the County of Riverside as a Loss Payee and provide a Waiver of Subrogation in
12 favor of the County of Riverside.

13 (2) Boiler & Machinery insurance coverage on a full replacement
14 cost value basis. Policy shall provide Business Interruption, Extra Expense, and
15 Expediting Expense coverage as well as coverage for off-premises power failure.
16 Policy shall name the County of Riverside as a Loss Payee, and contain a Waiver of
17 Subrogation in favor of the County of Riverside.

18 (3) Course of Construction Insurance: During the full term of
19 construction of the planned improvements, Lessee shall purchase and maintain or
20 cause to be maintained, All Risk Builder's Risk insurance (Completed Value Form),
21 including earthquake and flood for the entire Project, if applicable, including coverage
22 for materials and supplies located on and offsite but to be part of, or used in the
23 construction of, the completed Project. Policy shall also include as insured property,
24 scaffolding, falsework, and temporary buildings located on the Project site, and the cost
25 of demolition and debris removal. If the contractor or others insure scaffolding,
26 falsework and temporary buildings separately, evidence of such separate coverage
27 shall be provided to County prior to the start of the work. The Course of Construction
28 coverage limit of insurance shall equal or exceed the highest values exposed to loss at
any one time during the project term. Policy shall waive subrogation in favor of all

1 Agencies, Districts, Special Districts and Departments of the County of Riverside, their
2 respective directors, officers, Board of Supervisors, employees, elected or appointed
3 officials, agents or representatives.

4 (f) General Insurance Provisions - All lines:

5 (1) Any insurance carrier providing insurance coverage hereunder
6 shall be admitted to the State of California unless waived, in writing, by the County Risk
7 Manager. Carrier(s) shall have an A.M. BEST rating of not less than an A: VIII (A: 8).

8 (2) Insurance deductibles or self-insured retentions must be
9 declared by the Lessee's insurance carrier(s), and such deductibles and retentions shall
10 have the prior written consent from the County Risk Manager. Failure of the Lessee's
11 carriers to declare deductibles or self-insured retentions to the County shall waive any
12 obligation of the County, as additional insured, to honor said deductibles or self-insured
13 retentions in the event of Lessee's insolvency. Upon notification of deductibles or self-
14 insured retentions unacceptable to the County and at the election of the County's Risk
15 Manager, Lessee's carriers shall either: 1) reduce or eliminate such deductibles or self-
16 insured retentions as respects this Lease with the County, or 2) procure a bond which
17 guarantees payment of losses and related investigations, claims administration, and
18 defense costs and expenses.

19 (3) Cause Lessee's insurance carrier(s) to furnish the County of
20 Riverside with either: 1) a properly executed original Certificate(s) of Insurance and
21 certified original copies of Endorsements effecting coverage as required herein, or 2) if
22 requested to do so in writing in the County Risk Manager, provide original Certified
23 copies of policies including all Endorsements and all attachments thereto, showing such
24 insurance is in full force and effect. Further, said Certificates (s) and policies of
25 insurance shall contain the covenant of the insurance carrier(s) that thirty (30) days
26 written notice shall be given to the County of Riverside prior to any material
27 modification, cancellation, expiration or reduction in coverage of such insurance. In the
28 event of a material modification, cancellation, expiration, or reduction in coverage, this
Lease shall terminate forthwith, unless the County of Riverside receives, prior to such

1 effective date, another properly executed original Certificate of Insurance and original
2 copies of endorsements or, if requested, certified original policies, including all
3 endorsements and attachments thereto evidencing coverages set forth herein and the
4 insurance required herein is in full force and effect. Lessee shall not commence
5 operations until the County of Riverside has been furnished original Certificate(s) of
6 Insurance and certified original copies of endorsements or, if requested, policies of
7 insurance including all endorsements and any and all other attachments as required in
8 this Section. The original endorsements for each policy and the Certificate of Insurance
9 shall be signed by an individual authorized by the insurance carrier to do so on its
10 behalf.

11 (4) It is understood and agreed to by the parties hereto and the
12 insurance company(s), that the Certificate(s) of Insurance and policies shall so
13 covenant and shall be construed as primary insurance, and the County's insurance
14 and/or deductibles and/or self-insured retentions or self-insured programs shall not be
15 construed as contributory.

16 (g) The County of Riverside's Reserved Rights – Insurance. If during
17 the term of this Lease or any extension thereof there is a material change in the scope
18 of services or performance of work, the County of Riverside reserves the right to adjust
19 the types of insurance required under this Lease and the monetary limits of liability for
20 the insurance coverages currently required herein, if, in the Assistant County Executive
21 Officer/EDA's reasonable judgment, upon advise of the County Risk Manager, the
22 amount or type of insurance carried by the Lessee has become inadequate. The
23 Lessee agrees to notify the County of any plan or change of plan for the Lessee's
24 operations and such notification shall occur prior to implementing any such change.

25 Beginning July 1, 2005, and every fifth year thereafter during the term of
26 this Lease or any extension thereof, County reserves the right to adjust the monetary
27 limits of insurance coverage as required in paragraph 20.

28 (h) Lessee shall notify County of any claim made by a third party or an
incident or event that may give rise to a claim arising from this Lease.

1 20. Insurance for Sublessees and Contractors. Lessee shall require each of
2 its Sublessees and Contractors to meet all insurance requirements imposed by this
3 Lease. These requirements, with the approval of the County's Risk Manager, may be
4 modified to reflect the activities associated with the Sublessee or Contractor. On every
5 sublease or contract the Lessee shall have the Sublessee or Contractor name the
6 Lessee and the County by endorsement as an additional insured and/or have the
7 Sublessee or Contractor provide an endorsement waiving subrogation in favor of the
8 Lessee and the County on every Sublessee's or Contractor's insurance policy, as
9 applicable. Certificates and endorsements evidencing compliance with this section will
10 be provided to the County prior to the Sublessee taking occupancy.

11 21. Indemnities and Hold Harmless. Lessee shall indemnify and hold
12 harmless all Agencies, Districts, Special Districts and Departments of the County of
13 Riverside, its respective directors, officers, Board of Supervisors, elected and appointed
14 officials, employees, agents and representatives from any liability whatsoever, based on
15 asserted upon any services of Lessee, its officers, employees, subcontractors, agents
16 or representatives arising out of or in any way relating to this Agreement, including but
17 not limited to property damage, bodily injury, or death or any other element of any kind
18 or nature whatsoever and resulting from any reason whatsoever arising from the
19 performance of Lessee, its officers, agents, employees, subcontractors, agents or
20 representatives from this Agreement. Lessee shall defend at its sole expense, all costs
21 and fees including but not limited to attorney fees, cost of investigation, defense and
22 settlements or awards of all Agencies, Districts, Special Districts and Departments of
23 the County of Riverside, their respective directors, officers, Board of Supervisors,
24 elected and appointed officials, employees, agents and representatives in any claim or
25 action based upon such alleged acts or omissions.

26 With respect to any action or claim subject to indemnification herein by Lessee,
27 Lessee shall, at their sole cost, have the right to use counsel of their own choice and
28 shall have the right to adjust, settle, or compromise any such action or claim without the
prior consent of County provided, however, that any such adjustment, settlement or

1 compromise in no manner whatsoever limits or circumscribes Lessee 's indemnification
2 to County as set forth herein. Lessee's obligation to defend, indemnify and hold
3 harmless County shall be subject to County having given Lessee written notice within a
4 reasonable period of time of the claim or of the commencement of the related action, as
5 the case may be, and information and reasonable assistance, at Lessee's expense, for
6 the defense or settlement thereof. Lessee's obligation hereunder shall be satisfied
7 when Lessee has provided to County the appropriate form of dismissal relieving County
8 from any liability for the action or claim involved.

9 The specified insurance limits required in this Agreement shall in no way limit or
10 circumscribe Lessee's obligations to indemnify and hold harmless the County herein
11 from third party claims.

12 In the event there is conflict between this clause and California Civil Code
13 Section 2782, this clause shall be interpreted to comply with Civil Code 2782. Such
14 interpretation shall not relieve the Lessee from indemnifying the County to the fullest
15 extent allowed by law.

16 22. Assignment. Lessee cannot assign, sublet, mortgage, hypothecate or
17 otherwise transfer in any manner any of its rights, duties or obligations hereunder to any
18 person or entity without the written consent of County being first obtained, which
19 consent shall not be unreasonably withheld. In the event of any transfer as provided in
20 this Paragraph, Lessee expressly understands and agrees that it shall remain liable with
21 respect to any and all of the obligations and duties contained in this Lease.

22 Lessee shall submit all documents pertaining to any such transaction referenced
23 in the foregoing paragraph to County for approval prior to entering into such
24 agreements. Lessee will submit executed subleases and all required certificates of
25 insurance and endorsements to insurance policies, as specified in paragraphs 19, 20
26 and 21 of this Lease, to County for approval prior to sublessees occupying the
27 subleased premises.

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1 23. Right to Encumber/Right to Cure.

2 (a) Lessee Right to Encumber. Notwithstanding provisions of
3 Paragraph 22 herein, County does hereby consent to and agree that Lessee may
4 encumber or assign, or both, for the benefit of a lender, herein called Encumbrancer,
5 this lease, the leasehold estate and the improvements thereof by a deed of trust,
6 mortgage or other security-type instrument, herein called trust deed, to assure the
7 payment of the promissory note of Lessee if the Encumbrancer is an established bank,
8 savings and loan association or insurance company and the prior written consent of
9 County shall not be required:

10 (1) To a transfer of this lease at foreclosure under the trust
11 deed, judicial foreclosure, or an assignment in lieu of foreclosure; or

12 (2) To any subsequent transfer by the Encumbrancer if the
13 Encumbrancer is an established bank, savings and loan association or insurance
14 company, and is the purchaser at such foreclosure sale, or is the assignee under an
15 assignment in lieu of foreclosure; provided, however, that in either such event the
16 Encumbrancer forthwith gives notice to county in writing of any such transfer, setting
17 forth the name and address of the transferee, the effective date of such transfer, and
18 the express agreement of the transferee assuming and agreeing to perform all of the
19 obligations under this lease, together with a copy of the document by which such
20 transfer was made.

21 Any Encumbrancer described in Paragraph 23(a)(2) above which is the
22 transferee under the provisions of Paragraph 23(a)(1) above shall be liable to perform
23 the obligations and duties of Lessee under this lease only so long as such transferee
24 holds title to the leasehold.

25 Any subsequent transfer of this leasehold hereunder, except as provided for in
26 Paragraph 23(a)(2) above, shall not be made without the prior written consent of County
27 and shall be subject to the conditions relating hereto as set forth in Paragraph 22
28 herein.

1 Lessee shall give County prior notice of any such trust deed, and shall
2 accompany such notice with a true copy of the trust deed and note secured thereby.

3 (b) Right of Encumbrancer to Cure. County agrees that it will not
4 terminate this lease because of any default or breach hereunder on the part of Lessee if
5 the Encumbrancer under the trust deed, within ninety (90) days after service of written
6 notice on the Encumbrancer by County of its intention to terminate this lease for such
7 default or breach shall:

8 (1) Cure such default or breach if the same can be cured by the
9 payment or expenditure of money provided to be paid under the terms of this lease;
10 provided, however, that for the purpose of the foregoing, the Encumbrancer shall not be
11 required to pay money to cure the bankruptcy or insolvency of Lessee; or,

12 (2) If such default or breach is not so curable, cause the trustee
13 under the trust deed to commence and thereafter diligently to pursue to completion
14 steps and proceedings for judicial foreclosure, the exercise of the power of sale under
15 and pursuant to the trust deed in the manner provided by law, or accept from Lessee an
16 assignment in lieu of foreclosure, and keep and perform all of the covenants and
17 conditions of this lease requiring the payment or expenditure, of money by Lessee(s)
18 until such time as said leasehold shall be sold upon foreclosure pursuant to the trust
19 deed, be released or reconveyed thereunder, be sold upon judicial foreclosure or be
20 transferred by deed in lieu of foreclosure.

21 24. SBA Loan. Lessee plans to obtain financing in connection with the
22 acquisition of the improvements to the Leased Premises and for the on-site
23 improvements described in paragraph 8 above. Said financing will be secured by the
24 Lease and the underlying "Leasehold Estate." Lessee may pledge the Leasehold
25 Estate and the Lease. The provisions of this paragraph are intended to modify and
26 supplement the provisions of Paragraph 23 Right Encumber/Right to Cure above only
27 with regard to obtaining an SBA Loan.

28 a. Consent to Encumbrance. It is acknowledged and County hereby gives
its consent to the encumbrance and pledging of the Lease and the Leasehold Estate to

1 the CDC Small Business Finance Corp., which entity assigns its rights to the United
2 States Small Business Administration. This loan, which is an SBA 504 loan, will be
3 junior and subordinate to one or more senior encumbrances, as is required pursuant to
4 the SBA 504 loan program.

5 b. Notice to and Service on Lienholder. County shall mail to Lienholder, a
6 duplicate copy of notices that County may from time to time give to or serve on Lessee
7 pursuant to or relating to any default or amendment to this Lease. Lessee shall at all
8 time keep County informed in writing of the name and mailing address of Lienholder and
9 any changes in Lienholder's mailing address. Any notices or other communications
10 permitted by this or any other section of this Lease or by law to be served on or given to
11 Lienholder by County shall be given in the manner prescribed in the Lease addressed to
12 Lienholder at the last mailing address for Lienholder furnished in writing to County by
13 Lessee or Lienholder.

14 c. No Modification Without Lienholder's Consent. Lessee and County
15 hereby expressly stipulate and agree that, without the prior written consent of all
16 approved Lienholders, they will not (1) modify the Lease, as amended, in any way, and
17 (2) cancel, terminate or avoid this Lease, except as provided under the Lease.

18 d. Rights of Lienholder. A Lienholder shall have the right at any time
19 during the term of the Lease and the existence of such encumbrance to:

20 1) Substitute Performance by Lienholder. Do any act or thing
21 required of Lessee under the Lease, and any such act or thing done and performed by
22 Lienholder shall be as effective to prevent a forfeiture of Lessee's rights under the
23 Lease as if done by Lessee.

24 2) Foreclosure of Deed of Trust. Realize on the security afforded
25 by the Leasehold Estate by exercising foreclosure proceedings or power of sale or other
26 remedy afforded in law or in equity or by the Deed of Trust and to:

27 (a) Transfer, convey or assign the title of Lessee to the
28 Leasehold Estate created by the Lease to any purchaser at any foreclosure sale,
whether the foreclosure sale be conducted pursuant to court order or pursuant to a

1 power of sale contained in the Deed of Trust; and

2 (b) Acquire and succeed to the interest of Lessee under the
3 Lease by virtue of any foreclosure sale, whether the foreclosure sale is conducted
4 pursuant to a court order or pursuant to a power of sale contained in the Deed of Trust.

5 e. Assignment and Sublease. Lienholder and Lienholder's successors
6 shall, upon becoming owner of the Leasehold Estate, have the right to assign and
7 sublease subject Leasehold Estate with the consent of County, which consent shall not
8 be unreasonably withheld.

9 f. Assignment on Foreclosure. Provided that (1) the Lienholder gives
10 written notice of transfer to County setting forth the name and address of the transferee
11 as well as the effective date of the transfer, and (2) the transferee assumes the
12 obligations of this Lease (including the provisions pertaining to payment of rent and
13 permitted uses), the written consent of County shall not be required for a transfer of
14 Lessee's interest under the Lease to:

15 1) A purchaser at a foreclosure sale of the encumbrance
16 whether the foreclosure sale be conducted pursuant to court order or pursuant to a
17 power of sale in the Deed of Trust.

18 2) If (a) a Lienholder acquires Lessee's interest under this
19 Lease at a foreclosure sale or by an assignment under this Lease in lieu of foreclosure,
20 and (b) such Lienholder desires to assign Lessee's interest under the Lease to a third
21 party assignee, then the following shall apply:

22 a) Except as provided in the immediately succeeding
23 paragraph, the proposed assignment to the third party assignee shall be subject to the
24 terms and conditions of the Lease.

25 b) Notwithstanding the provisions of the Lease to the
26 contrary, such Lienholder shall be obligated to perform Lessee's obligations under the
27 Lease only during the time commencing on the date such Lienholder acquires Lessee's
28 interest under this Lease until the date such Lienholder assigns Lessee's interest under
the Lease to a third party assignee (i.e., which Lienholder shall be relieved of all

1 obligations under this Lease which accrue after the date of such assignment).

2 g. New Lease to Lienholder. Notwithstanding any other provision of this
3 Lease to the contrary, if the Lease terminates because of the insolvency or bankruptcy
4 of Lessee or because of any event of default by Lessee, County will execute a new
5 lease for the Premises to the Lienholder under a Deed of Trust incurred by Lessee,
6 provided:

7 1) Written Request. A written request for the new lease is
8 served on County by Lienholder within ninety (90) days after the effective date of
9 termination of this Lease;

10 2) Same Terms. The new lease (1) is for a term ending on the
11 same date the Term of the Lease would have ended had not this Lease been
12 terminated, (2) provides for the payment of rent at the same rate that would have been
13 payable under the Lease during the remaining Term of the Lease had the Lease not
14 been terminated, and (3) contains the same terms, covenants, conditions and
15 provisions as are contained in the Lease; and

16 3) Cure Existing Defaults. Lienholder, on execution of the new
17 lease by County, shall pay any and all sums that would at the time of the execution of
18 the new lease be due under this Lease but for its termination and shall otherwise fully
19 remedy or agree in writing to remedy any other defaults or breaches of this Lease
20 committed by Lessee that can be remedied;

21 h. Non-Liability of Lienholder for Hazardous Waste Contamination.
22 Lienholder shall have no liability for any costs arising out of hazardous waste
23 contamination in or about the Premises which arose or began to arise prior in time to
24 the date on which Lienholder comes into possession of the Premises or becomes the
25 owner of the Leasehold Estate. Notwithstanding any indemnification obligation of the
26 Lessee under the Lease, Lienholder shall have no such indemnity obligation for
27 hazardous waste contamination, as defined in its broadest sense, which arose or began
28 to arise prior in time to possession of the Premises by Lienholder and/or lienholder
becomes the owner of the Leasehold Estate.

1 i. No Merger of Leasehold and Fee Estates. Should Lessee incur a Deed
2 of Trust, then there shall thereafter, during the existence of the Deed of Trust, be no
3 merger without the consent of the Lienholder of the Leasehold Estate created by the
4 Lease and the fee estate in the Premises merely because both estates have been
5 acquired or become vested in the same person or entity.

6 j. Amendments. The County shall make certain modifications to the
7 Lease that will reasonably accommodate the Lienholder so long as the amendments do
8 not materially change the County's rights or remedies or jeopardize the economics of
9 the transaction.

10 k. Lienholder as Assignee of Lease. No Lienholder shall be liable to
11 County as an assignee of this Lease unless and until such time as Lienholder acquires
12 all rights of Lessee under this Lease through foreclosure or other proceedings in the
13 nature of foreclosure or as a result of some other action or remedy provided by law or
14 the instrument creating the encumbrance.

15 l. Lienholder as Including Subsequent Security Holders. The term
16 "Lienholder" shall mean and refer to the persons and/or entities that are named in any
17 Deed of Trust as well as all subsequent assignees and holders of the security interest
18 created by such Deed(s) of Trust. County agrees that by acceptance of the Deed(s) of
19 Trust or other encumbrance of the Lease, Lienholder has not become liable under the
20 terms of the Lease. Lessee and Lessor agrees that Lienholder shall be so liable only if
21 Lienholder acquires ownership of the Leasehold Estate, and then only for such period of
22 time as Lienholder holds such leasehold interest. Lessor further agrees that Lienholder's
23 liability shall be limited to Lienholder's interest in the Premises, notwithstanding any
24 assumption of the Lease or entering into a new lease by Lienholder.

25 m. Condemnation. In the event of any taking or condemnation of all or
26 any part of Leasehold Estate, and/or improvements thereon, all such compensation
27 and/or damages awarded and/or received therefore shall belong to Lessee. Provided,
28 all such compensation and proceeds shall first be applied to repay the Lienholder's
Loan and other Trust Deeds given by Lessee secured by the Leasehold Estate and with

1 a lien position senior to Lienholder's Loan.

2 n. Insurance Policy Provisions. Lienholder shall be named as an
3 additional insured under all insurance coverages of Lessee, as may be required
4 pursuant to the Deed of Trust and related documents. Any of Lessee's insurance
5 policies on the Leasehold Estate and/or any improvements thereon are cancelable only
6 upon prior written notice to the Lienholder. In case of a loss, and if Lessee rebuilds or
7 repairs the Premises or any portion thereof, all in accordance with the Lease, then the
8 proceeds of any such insurance shall be used for such rebuilding and/or repairing. If
9 repairs to and/or rebuilding of the Premises are not commenced within 60 days after
10 receipt of any insurance policy proceeds, then the same shall be paid to the Lienholder
11 and used toward the payment of the obligation (i.e., the Deed of Trust) in favor of
12 Lienholder. Lienholder shall not be obligated to rebuild improvements in the event the
13 insurance proceeds are insufficient.

14 o. Attornment and Non-Disturbance. Upon acquisition of the Lease by
15 Lienholder, Lienholder shall attorn to County as landlord under the Lease, which
16 attornment shall be effective and self-operative without the execution of any other
17 instrument on the part of any party hereto, immediately upon Lienholder's succeeding to
18 the interest of Lessee under the Lease. In the event that a Lender or successor of
19 County takes title to the Real Property, either as a result of foreclosure of the mortgage
20 or accepting a deed to the Real Property in lieu of foreclosure, sale or otherwise, or the
21 Real Property shall be purchased at such a foreclosure by a third party, and County's
22 successor or such other third party shall furnish Lessee reasonably satisfactory
23 evidence that it has acquired title to the Real Property, Lessee shall attorn to such third
24 party and recognize Lienholder as required under the Lease. Such successor to County
25 shall attorn to the Lease and shall not disturb the tenancy of Lessee or the Deed of
26 Trust, so long as there is no default under the Lease and then, only in accordance with
27 the Lease and this Amendment.

28 p. Estoppel Certificates by County. County hereby agrees to provide,
from time to time for a lienholder, an estoppel certificate in a commercially reasonable

1 form.

2 25. Estoppel Certificate. Each party shall, at any time during the term of the
3 Lease, within ten (10) days of written Notice (or as soon as reasonably possible) from
4 the other party, execute and deliver a statement in writing certifying that this Lease is
5 unmodified and in full force and effect, or if modified, stating the nature of such
6 modification. The statement shall include other details requested by the other party as
7 to the date to which rent and other charges have been paid, and the knowledge of the
8 other party concerning any uncured defaults with respect to obligations under this Lease
9 and the nature of such defaults, if they are claimed. Any such statement may be relied
10 upon conclusively by any prospective purchaser, Encumbrancer or Sublessee of the
11 Demised Premises, the building or any portion thereof.

12 26. Toxic Materials. During the term of this lease and any, extensions thereof,
13 Lessee shall not violate any federal, state or local law, or ordinance or regulation,
14 relating to industrial hygiene or to the environmental condition on, under or about the
15 leased premises including, but not limited to, soil air and groundwater conditions.
16 Further, Lessee, its successors, assigns and sublessees, shall not use, generate,
17 manufacture, produce, store or dispose of on, under or about the leased premises or
18 transport to or from the leased premises any flammable explosives, asbestos,
19 radioactive materials, hazardous wastes, toxic substances or related injurious materials,
20 whether injurious by themselves or in combination with other materials (collectively,
21 "hazardous materials"): For the purpose of this lease, hazardous materials shall
22 include, but not be limited to, substances defined as "hazardous substances,"
23 "hazardous materials," or "toxic substances" in the Comprehensive Environmental
24 Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section
25 9601, et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et
26 seq.; the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq.;
27 and those substances defined as "hazardous wastes" in Section 25117 of the California
28 Health and Safety Code or as "hazardous substances" in Section 25316 of the
California Health and Safety Code; and in the regulations adopted in publications

1 promulgated pursuant to said laws.

2 27. National Pollution Discharge Elimination System (NPDES) Permit. Lessee
3 acknowledges, understands and agrees that it shall comply with California State Water
4 Resources Control Board general permit requirements relating to storm water
5 discharges associated with Lessee's use of the Premises. Lessee further agrees that it
6 shall prepare a Storm Water Pollution Prevention Plan (SWPPP) as required by the City
7 of Hemet for the development of the Premises.

8 28. Free from Liens. Lessee shall pay, when due, all sums of money that may
9 become due for any labor, services, material, supplies, or equipment, alleged to have
10 been furnished or to be furnished to Lessee, in, upon, or about the leased premises,
11 and which may be secured by a mechanics, materialmen's or other lien against the
12 leased premises or County's interest therein, and will cause each such lien to be fully
13 discharged and released at the time the performance of any obligation secured by such
14 lien matures or becomes due; provided, however, that if Lessee desire to contest any
15 such lien, it may do so, but notwithstanding any such contest, if such, lien shall be
16 reduced to final judgment, and such judgment or such process as may be issued for the
17 enforcement thereof is not promptly stayed, or if so stayed, and said stay thereafter
18 expires, then and in such event, Lessee shall forthwith pay and discharge said
19 judgment.

20 29. Employees and Agents of Lessee. It is understood and agreed that all
21 persons hired or engaged by Lessee shall be considered to be employees or agents of
22 Lessee and not of County.

23 30. Binding on Successors. Lessee, its assigns and successors in interest,
24 shall be bound by all the terms and conditions contained in this lease, and all of the
25 parties thereto shall be jointly and severally liable hereunder.

26 31. Right of First Refusal. Providing Lessee faithfully performs all of the
27 conditions and covenants contained herein, and is not in default of the Lease at the date
28 of expiration, and further providing Lessor offers the Leased Premises for lease at any
time during the twelve (12) months subsequent to said expiration, Lessee, its

1 successor, or assigns shall have the first right of refusal to enter into a new lease
2 agreement with Lessor under the final terms being offered by Lessor to any prospective
3 lessee. Issuance of a Request for Proposals or Bid or similar issuance does not
4 constitute an offering of lease terms. Lessor shall provide Lessee written notice by
5 United State mail, that the Leased Premises are available for lease and the terms of
6 said lease, and Lessee shall have thirty (30) days from the postmark of said notice to
7 give written notice of acceptance of the proposed lease under the terms and conditions
8 contained in said notice. Should Lessee fail to notify Lessor of acceptance of said lease
9 agreement within the thirty (30) days set forth herein, Lessee shall be deemed to have
10 rejected said offer to lease, and Lessor shall be released from any further obligation
11 hereunder.

12 32. Waiver of Performance. No waiver by County at any time of any of the
13 terms and conditions of this lease shall be deemed or construed as a waiver at any time
14 thereafter of the same or of any other terms or conditions contained herein or of the
15 strict and timely performance of such terms and conditions.

16 33. Severability. The invalidity of any provision in this lease as determined by
17 a court of competent jurisdiction shall in no way affect the validity of any other provision
18 hereof.

19 34. Venue. Any action at law or in equity brought by either of the parties
20 hereto for the purpose of enforcing a right or rights provided for by this lease shall be
21 tried in a Court of competent jurisdiction in the County of Riverside, State of California,
22 and the parties hereby waive all provisions of law providing for a change of venue in
23 such proceedings to any other County.

24 35. Attorneys' Fees. In the event of any litigation or arbitration between
25 Lessee and County to enforce any of the provisions of this lease or any right of either
26 party hereto, the unsuccessful party to such litigation or arbitration agrees to pay to the
27 successful party all costs and expenses, including reasonable attorneys' fees, incurred
28 therein by the successful party, all of which shall be included in and as a part of the
judgment or award rendered in such litigation or arbitration.

1 36. Notices. Any notices required or desired to be served by either party upon
2 the other shall be addressed to the respective parties as set forth below:

3 COUNTY
4 County of Riverside
5 Economic Development Agency
6 3525 14th Street
7 Riverside, CA 92501
8 Attn: Assistant County Executive Officer/EDA

LESSEE
 Edmond Equipment West
 3875 Industrial Avenue
 Hemet, CA 92545
 Attn: James Garvin

9 LIENHOLDER
10 (TO BE ADDED)

11 or to such other addresses as from time to time shall be designated by the respective
12 parties.

13 37. Paragraph Headings. The paragraph headings herein are for the
14 convenience of the parties only, and shall not be deemed to govern, limit, modify or in
15 any manner affect the scope, meaning or intent of the provisions or language of this
16 lease.

17 38. County's Representative. County hereby appoints the Economic
18 Development Agency Assistant County Executive Officer/EDA or his designee as its
19 authorized representative to administer this lease.

20 39. Acknowledgment of Lease by County. Upon execution of this lease by the
21 parties hereto, this lease shall be acknowledged by County in such a manner that it will
22 be acceptable by the County Recorder for recordation purposes, and thereafter, Lessee
23 shall cause this lease to be recorded in the office of the county Recorder of Riverside
24 County forthwith and furnish County with a conformed copy thereof.

25 40. Agent for Service of Process. It is expressly understood and agreed that
26 in the event Lessee is not a resident of the State of California or it is an association or
27 partnership without a member or partner resident of the State of California, or it is a
28 foreign corporation, then in any such event, Lessee shall file with County's clerk, upon

1 its execution hereof, a designation of a natural person residing in the State of California,
2 giving his or her name, residence and business addresses, as its agent for the purpose
3 of service of process in any court action arising out of or based upon this lease, and the
4 delivery to such agent of a copy of any process in any such action shall constitute valid
5 service upon Lessee. It is further expressly understood and agreed that if for any
6 reason service of such process upon such agent is not feasible, then in such event
7 Lessee may be personally served with such process out of this County and that such
8 service shall constitute valid service upon Lessee. It is further expressly understood
9 and agreed that Lessee is amenable to the process so served, submits to the
10 jurisdiction of the Court so obtained and waives any and all objections and protests
11 thereto.

12 41. FAA Consent to Lease. Lessee acknowledges that Hemet-Ryan Airport
13 was transferred to the County by the Federal Government and, as such, may require
14 FAA consent to the Lease.

15 42. Entire Lease. This lease is intended by the parties hereto as a final
16 expression of their understanding with respect to the subject matter hereof and as a
17 complete and exclusive statement of the terms and conditions thereof and supersedes
18 any and all prior and contemporaneous leases, agreements and understandings, oral or
19 written, in connection therewith. This lease may be changed or modified only upon the
20 written consent of the parties hereto.

21 //
22 ///
23 ///
24 ///
25 ///
26 ///
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28 ///
///

1 43. Construction of Lease. The parties hereto negotiated this lease at arms
2 length and with the advise of there respective attorneys, and no provisions contained
3 herein shall be construed against County solely because it prepared this lease in its
4 executed form.

5
6 Date: 09/07/2004

James Walter Garvin and Judith Marie Garvin
Family Trust dated September 25, 1996

7
8 By: James W. Garvin
9 James W. Garvin, Trustee

By: Judith M. Garvin, Trustee
Judith M. Garvin, Trustee

10
11 Date: SEP 28 2004

COUNTY OF RIVERSIDE

12
13 By: Joy Wilson
14 Chairman, Board of Supervisors

15
16 ATTEST:
17 NANCY ROMERO
18 Clerk of the Board

FORM APPROVED:
WILLIAM C. KATZENSTEIN
County Counsel

19 By: Cairne Daly
20 Deputy

By: Gordon V. Woo 9/14/04
Deputy

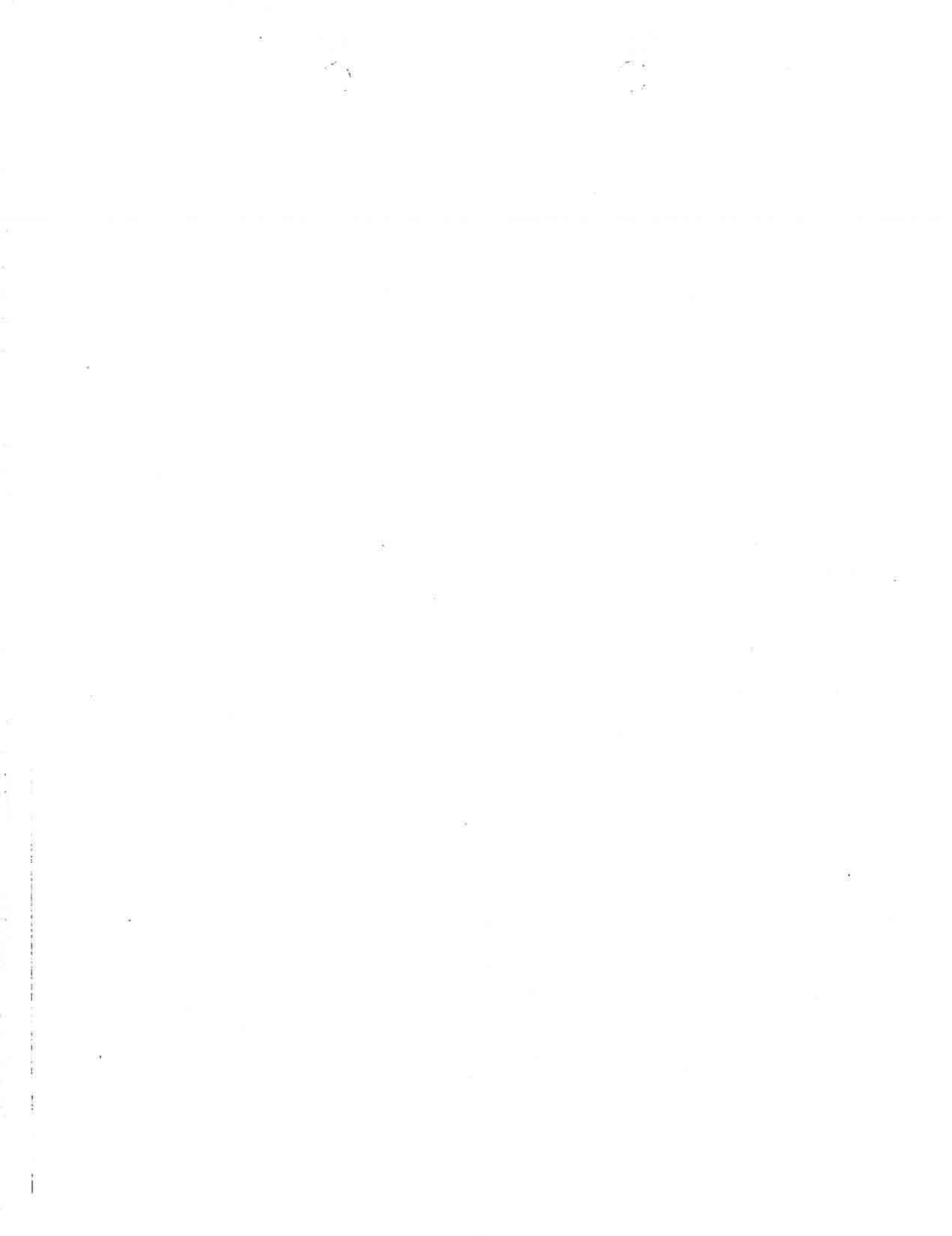
21 (SEAL)

22
23 Attachments:

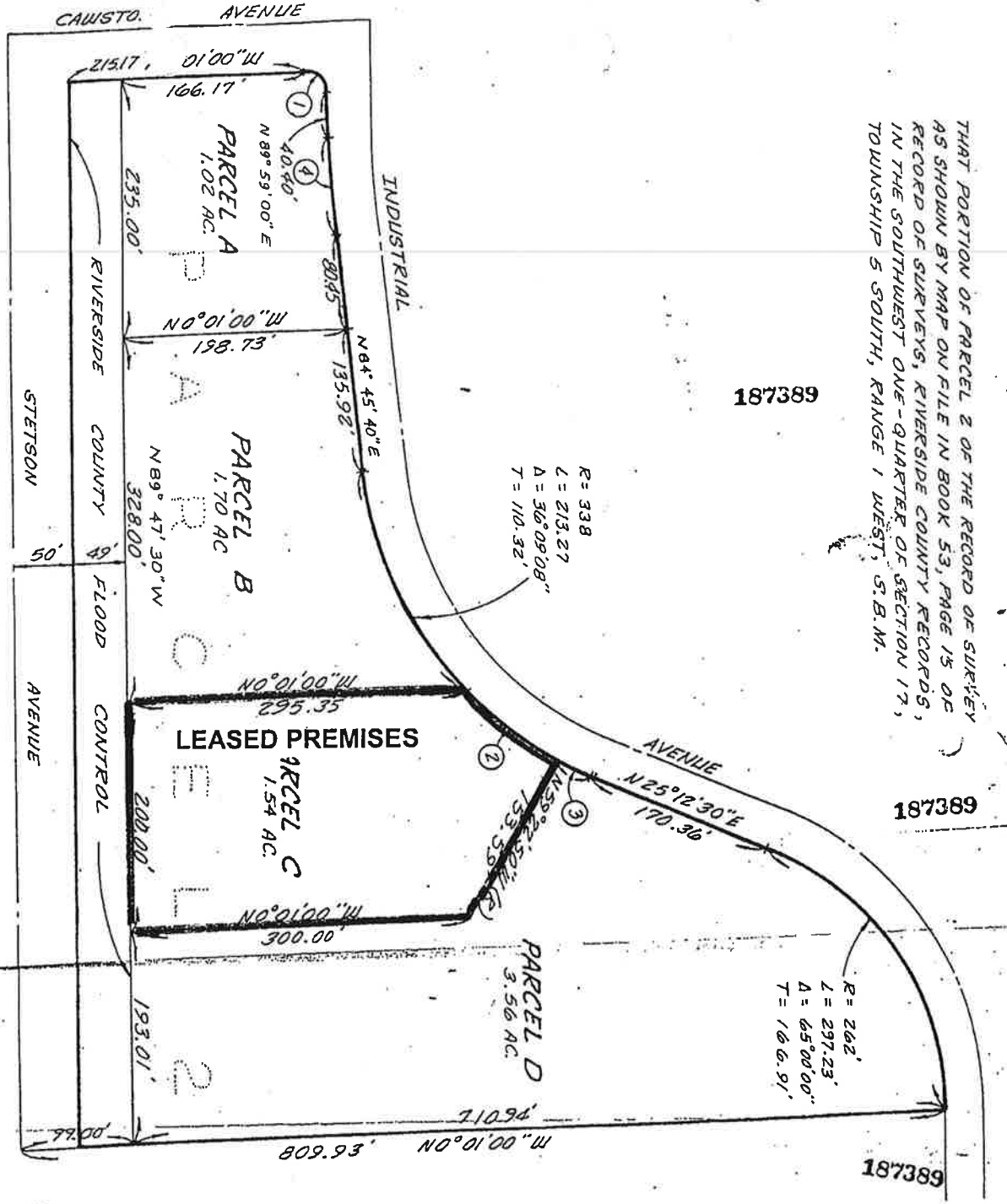
- 24 1. Exhibit A - Description
25 2. Exhibit B - Federally Required Lease Provisions
26 3. Exhibit C - Minimum Standards

27 SAEDCOMAIRPORTSHMTRYANIHermet-Ryan INDUSTRIALEdmund Equipment WestJWGJMGFT LSE 3875 Ind Bl aug 3004.doc

28



THAT PORTION OF PARCEL 2 OF THE RECORD OF SURVEY AS SHOWN BY MAP ON FILE IN BOOK 53, PAGE 15 OF RECORD OF SURVEYS, RIVERSIDE COUNTY RECORDS, IN THE SOUTHWEST ONE-QUARTER OF SECTION 17, TOWNSHIP 5 SOUTH, RANGE 1 WEST, S.B.M.



187389

187389

187389

SCALE 1" = 100'

EXHIBIT A

PLAT MAP	
EXHIBIT A-1	
APPROVED BY: <i>Frank D. Robinson</i>	PREPARED FOR: BOB MILLER

FEDERALLY REQUIRED LEASE PROVISIONS

1. The Lessee for himself, his heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree, as a covenant running with the land, that in the event facilities are constructed, maintained, or otherwise operated on the said property described in this lease agreement for a purpose for which a U.S. Department of Transportation (DOT) program or activity is extended or for another purpose involving the provision of similar services or benefits, the Lessee shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, DOT, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.
2. The Lessee for himself, his personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree, as a covenant running with the land, that: (1) no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under such land and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subject to discrimination, and (3) that the Lessee shall use the premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Non-Discrimination in Federally-Assisted Programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.
3. That in the event of breach of any of the above nondiscrimination covenants, the County of Riverside, herein called the County, shall have the right to terminate the lease agreement and to reenter and repossess said land and the facilities thereon, and hold the same as if said lease agreement had never been made or issued. This provision does not become effective until the procedures of 49 CFR Part 21 are followed and completed, including expiration of appeal rights.
4. The Lessee shall furnish its accommodations and/or services on a fair, equal, and not unjustly discriminatory basis to all users thereof, and it shall charge fair, reasonable, and not unjustly discriminatory prices for each unit or service; provided, however, that the Lessee may be allowed to make reasonable and nondiscriminatory discounts, rebates, or other similar type of price reductions to volume purchasers.

5. Non-compliance with Provision 4 above shall constitute a material breach thereof, and in the event of such noncompliance, the County shall have the right to terminate this lease agreement and the estate thereby created without liability therefore or, at the election of the County or the United States, either or both said Governments shall have the right to judicially enforce these Provisions.
6. The Lessee agrees that it shall insert the above five provisions in any sublease agreement by which said Lessee grants a right or privilege to any person, firm, or corporation to render accommodations and/or services to the public on the premises herein leased.
7. The Lessee assures that it will undertake an affirmative action program as required by 14 CFR Par 152, Subpart E, to ensure that no person shall on the grounds of race, creed, color, national origin, or sex be excluded from participating in any employment activities covered in 14 CFR Part 152, Subpart E. The Lessee assures that no person shall be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by this subpart. The Lessee assures that it will require that its covered suborganizations provide assurances to the Lessee that they similarly will undertake affirmative action programs and that they will require assurances from their suborganizations, as required by 14 CFR 152, Subpart E, to the same effort.
8. The County reserves the right to further develop or improve the landing area of the airport as it sees fit, regardless of the desires or view of the Lessee and without interference or hindrance.
9. The County reserves the right, but shall not be obligated to the Lessee, to maintain and keep in repair the landing area of the airport and all publicly-owned facilities of the airport, together with the right to direct and control all activities of the Lessee in this regard.
10. This lease agreement shall be subordinate to the provisions and requirements of any existing or future agreement between the County and the United States relative to the development, operation, or maintenance of the airport.
11. There is hereby reserved to the County, its successors and assigns, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the premises herein leased. This public right of flight shall include the right to cause in said airspace any noise inherent in the operation of any aircraft used for navigation or flight through the said airspace or landing at, taking off from, or operating on the French Valley Airport.

12. The Lessee agrees to comply with the notification and review requirements covered in Part 77 of the Federal Aviation Regulations in the event future construction of a building is planned for the leased premises, or in the event of any planned modification or alteration of any present or future building or structure situated on the leased premises.
13. The Lessee, by accepting this lease agreement, expressly agrees for itself, its successors and assigns that it will neither erect nor permit the erection of any structure or object, nor permit the growth of any tree, on land leased hereunder with a height that exceeds the height limitation formula specified in Part 77 of the Federal Aviation Regulations without first obtaining the approval of the DOT and the County, which approval can be sought by submitting FAA Form 7460-1 (copy attached). In the event that the aforesaid covenants are breached, the County reserves the right to enter upon the land leased hereunder and to remove the offending structure or object and cut the offending tree, all of which shall be at the expense of the Lessee.
14. The Lessee, by accepting this lease agreement, agrees for itself, its successors and assigns that it will not make use of the leased premises in any manner, which might interfere with the landing and taking off of aircraft from French Valley Airport or otherwise constitute a hazard. In the event that the aforesaid covenant is breached, the County reserves the right to enter upon the premises hereby leased and to cause the abatement of such interference at the expense of the Lessee.
15. It is understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 308a of the Federal Aviation Act of 1958 (49 USC 1349a)
16. This lease agreement and all the provisions hereof shall be subject to whatever right the United States Government now has or in the future may have or acquire affecting the control, operation, regulation, and taking over of said airport or the exclusive or non-exclusive use of the airport by the United States during time of war or national emergency.

Minimum Standards for Fixed Base Operators

Riverside County Airports

RIVERSIDE
C O U N T Y



**County of Riverside
Economic Development Agency**
5555 Arlington Avenue
Riverside CA 92504
Phone: (909) 351-0700
Fax: (909) 688-6873

Adopted January 30, 2001

EXHIBIT C

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I. INTRODUCTION

Riverside County is the owner (sponsor) of the following six airports in Riverside County: Blythe, Chiriaco Summit, Desert Center, Desert Resorts Regional, French Valley, and Hemet Ryan. The Riverside County Economic Development Agency (EDA) is the county agency responsible for operation of the County's airports.

Minimum standards are established to promote and attract a professional level of aviation services to the County's airports while safeguarding the public's interest. The Minimum Standards provide a framework that strengthens the relationship between the Sponsor and the Fixed Base Operator (FBO). They offer information, advice and, where necessary, they provide strict regulation so that both the prospective and experienced FBO may have a firmer understanding of the many considerations which contribute to a safe, successful, and useful operation. The standards are intended to be the minimum requirements for those wanting to provide aeronautical services to the public at Riverside County airports. Operators are encouraged to exceed the minimum requirements.

FBOs are responsible for complying with the Minimum Standards and shall be familiar with revisions made to the Standards. All FBOs on the airports must comply with the standards herein as well as all applicable government regulations; however, leases executed prior to August 16, 1988, are exempt until lease renegotiations. The County's airports are subject to federal, state, and local rules and regulations. The County has adopted local rules and regulations to implement Federal Aviation Administration (FAA) requirements and to provide for safe and orderly operation on the airports. Local rules and regulations governing airport activities include, but are not limited to, applicable portions of the following:

1. Ordinance No. 576 - Rules and Regulations for Operation of County Airports
2. Fixed Base Operator Minimum Standards
3. County Airport Fueling Standards
4. Special Event Permit Policy
5. Airport Design Standards

Federal and state rules and regulations include, but are not limited to: FAA Grant Assurances; FAA Order 5190.6A - Airport Compliance Requirements; Federal Airport Regulations (FAR's); State Aeronautics Act (. PUC § 21000); Government Code § 50470 - 50478; ADA Regulations; the California Environmental Quality Act (CEQA); and the National Environmental Policy Act (NEPA).

II. DEFINITIONS

AERONAUTICAL ACTIVITY - Any activity or service that involves, makes possible, or is required for the operation of aircraft, or which contributes to or is required for the safety of such operations.

AGREEMENT, LEASE, OR PERMIT - A contractual agreement between the EDA and an entity granting a concession or otherwise authorizing the conduct of certain activities which is in writing, executed by both parties, and enforceable by law.

AIRPORT - Includes the following six (6) airports owned by Riverside County: Blythe, Chiriaco Summit, Desert Center, Desert Resorts Regional, French Valley, and Hemet Ryan, and its environs, such as, the property, buildings, facilities, and improvements within the exterior boundaries of each airport as it now exists or as it may hereafter be extended, enlarged, or modified.

AIRPORT SPONSOR - The designated entity or duly authorized representative, appointed by the Board of Supervisors, to manage the operation and development of Blythe, Chiriaco Summit, Desert Center, Desert Resorts Regional, French Valley, and Hemet Ryan airports.

ALP - Airport Layout Plan

APPLICANT - A person, persons, firm, partnership, or corporation desiring to acquire the use of a portion of an airport, or to establish or use any facility on an airport for an aeronautical activity or special event and who shall apply in writing and in the manner or form prescribed for authorization to establish such activities.

CEQA - California Environment Quality Act

COUNTY - County of Riverside, the FAA authorized airport sponsor.

EDA - Riverside County Economic Development Agency, the County agency designated to oversee and manage the County airports.

EQUIPMENT - All machinery, together with the supplies, tools, and apparatus necessary for the safe and proper procedure of the activity being performed.

FAA - Federal Aviation Administration

FAR - Federal Aviation Regulation

FIXED BASE OPERATOR (FBO) - Any person, firm, partnership, corporation, association, limited partnership, or any other legal entity duly licensed and authorized by written agreement with the Airport Sponsor (the County) to provide specific aeronautical services at an Airport, under strict compliance with such agreement and pursuant to these and all applicable regulations and standards.

FUEL - FAA authorized aviation fuel, including jet fuel

FUEL FARM - Any portion of an Airport, authorized by the Airport Sponsor, as an area in which gasoline or any other type of fuel may be stored.

FULL SERVICE FBO - An FBO which provides certain essential aeronautical services (e.g. aircraft maintenance and repair, flight instruction, fueling of aircraft, transient aircraft parking guidance, positioning of wheel chocks and tie-downs, fireguard for engine starts, baggage handling, standardized ground service and recovery equipment, pilots' lounge, and restrooms), subject to restrictions agreed to during lease negotiations (see Table A below for complete guidelines).

LIMITED SERVICE FBO - An FBO which provides certain of the aeronautical services provided by a Full Service FBO, subject to restrictions imposed by leasehold size requirements and to restrictions agreed to during lease negotiations (see Tables B through H below for complete guidelines).

MINIMUM STANDARDS - The qualifications and criteria set forth herein as the minimum requirements to be met as a condition for an FBO to conduct an aeronautical activity on an EDA sponsored airport.

NEPA - National Environmental Policy Act

THE BOARD - The Riverside County Board of Supervisors

TLMA - Transportation and Land Management Agency

III. AIRPORT RULES AND REGULATIONS

A. Lease

All revenue generating, commercial and/or business activities, at County operated airports are required to secure a lease approved by the County Board of Supervisors (the "Board") prior to commencement of any commercial activity.

Prospective lessees should begin the process by requesting a meeting with County staff. The purpose of the initial meeting is to introduce staff, show the available sites,

and answer any questions. At the conclusion of this meeting the prospective lessee will be asked to submit a Lease Application and proposal.

Upon receipt of a lease application and proposal, County staff will review the proposal and will provide a written response. Once an agreement has been reached on the deal points and development proposal, a lease will be prepared for execution by the lessee. The lease shall be executed in three counterparts and all three copies shall be returned to the County. The County will then schedule the lease for consideration at the next available Board of Supervisors' meeting. ***Please be advised that the County Board of Supervisors is the only entity that can make a binding lease commitment and development may not proceed until the Board has approved the lease.***

Exclusive rights for any aeronautical activity will not be issued at any County airport. This is to ensure that airport patrons are offered competitive market prices for services.

B. Airport Layout

All new leases and new airport development shall comply with the current FAA approved Airport Layout Plan (ALP) for each airport. In addition, Desert Resorts Regional, French Valley, and Hemet Ryan airports have adopted Airport Master Plans and all new development shall comply with those master plans. Lessee proposals that conflict with ALP's and Master Plans will not be approved.

C. Signs

All signs (commercial, traffic, services, advertising, etc.) must receive written approval from the Assistant County Executive Officer / EDA or Designee prior to their placement. The request for approval should include the size, location, and design of sign. All outdoor advertising shall comply with County Ordinance No. 348 and applicable federal and state laws. FAA Form 7460-1, *Building Design, Construction, and/or Alteration*, must be submitted to the FAA Western Pacific Region for review and determination, with a copy of the form sent to the Assistant County Executive Officer / EDA

D. Building Design, Construction, and/or Alterations

All design, construction, and/or alterations shall be in compliance with Airport Design Guidelines. The County reserves the right to review and approve all architectural design of all construction or alterations to be performed on County operated airports.

The County reserves the right to review and approve the design and construction methods of all development at the County operated airports. All buildings shall comply with local codes and regulations as to their construction. FAA Form 7460-1, *Building Design, Construction, and/or Alteration*, must be submitted to the FAA for their review

and assessment with a copy of the form submitted to the Assistant County Executive Officer / EDA.

The County reserves the right to require a Material and Performance Bonds or a Letter of Credit prior to the construction of any facility for the return of funds expended by the County in the event that the applicant defaults on any obligations.

E. Inspections

The County reserves the right to make periodic inspections of the leased premises during reasonable hours to ensure lease compliance and Lessee's adherence with all applicable regulations. County staff, County contractors, the FAA, and/or the State of California may conduct inspections, under this provision.

F. Flying Clubs

All flying clubs located at Riverside County operated airports shall be nonprofit organizations. All rights shall be equally shared between members. No member shall share in profits, earnings, salaries, or other forms of compensation. The Flying Club shall not be engaged in any type of commercial operation. A copy of the Flying Club's Charter and By-laws, or other comparable documents, must be filed with the Aviation Division. Flying clubs must submit annual financial reports and furnish the County with proof of insurance of the types listed on Appendix A.

A minimum of one (1) aircraft, properly certified, is required for a flying club. Flight instruction shall only be offered to club members. The instructor must be a club member or an instructor who is a lessee on the airport for the purpose of flight instruction.

G. Waiver from Minimum Standards

Any tenant or prospective tenant wishing to waive any minimum standard set forth in the approved Minimum Standards must submit a letter to the Assistant County Executive Officer / EDA expressing their hardship to conform with the Minimum Standards. The Assistant County Executive Officer/EDA has the discretion of approving or disapproving the waiver as it would apply to the future viability of the airport, subject to applicable provisions, which may be contained in the tenant's lease approved by the Board. Waivers may be granted on a temporary basis, and may be withdrawn or terminated at the Director's discretion.

H. Civil Rights

All individuals using the County operated airports must comply with all the provisions of the Federal Civil Rights Act of 1964. The tenant or prospective tenant shall ensure

there shall be no discrimination in the availability of any services or commodities based on race, religious creed, color, national origin, ancestry, sex, age, physical handicap, medical condition, or marital status.

I. Insurance

The FBO shall procure, maintain, and pay premiums during the term of the agreement for insurance of the types and the minimum limits set forth by the County for each aeronautical activity. The FBO shall obtain and maintain insurance (See Appendix A), which contains an endorsement that the "County of Riverside, including its elected officials, officers, employees, and agents" are named as additional insured. Any insurance carrier providing insurance coverage hereunder shall be admitted to the State of California unless such requirement is waived, in writing, by the Assistant County Executive Officer / EDA and/or the County Risk Manager. Each insurance company shall have an A.M. BEST rating of not less than A:VIII (A:8).

Proof of insurance must be submitted to the Assistant County Executive Officer / EDA prior to commencement of operations and upon each insurance renewal. The FBO shall provide either 1) a properly executed original Certificate(s) of Insurance and 'certified original' copies of Endorsements effecting coverage as required herein, or 2) if requested to do so in writing by the Assistant County Executive Officer / EDA and/or County Risk Manager, provide original Certified copies of policies including all endorsements and all attachments thereto, showing such insurance is in full force and effect. Certificate(s) shall contain the covenant that thirty (30) days written notice shall be given to the County of Riverside prior to any material modification, cancellation, expiration, or reduction in coverage of such insurance. Certificates of Insurance and the policies shall covenant that their coverage is primary and the County's insurance and/or deductibles and/or self-insured retentions or self-insured programs shall not be construed as primary.

If any policy contains a general aggregate limit, it shall apply separately to the Agreement with the County or be less than two (2) times the occurrence limit. All insurance policies are subject to review by the County's Department of Risk Management. The Assistant County Executive Officer / EDA, upon the advice of the County Risk Manager, reserves the right to increase the limits, or require additional insurance coverage, beyond those set forth in these Minimum Standards, subject to applicable provisions of the tenant's lease.

J. Lot Size

Lot sizes may vary according to the type of operation. If available, aircraft tie-downs and hangar space, as well as automobile parking spaces, may be leased from the County to meet these minimum standards. The number of aircraft, hangar, or automobile parking spaces shall be determined during lease negotiations.

K. Outdoor Storage

No outside storage will be permitted except behind enclosed block walls, screened from public view, or as approved by the Assistant County Executive Officer / EDA.

L. Maintenance

Lessee shall be responsible for the adequate maintenance of leased property and in compliance with all applicable Federal, State, and Local health and safety regulations.

IV. SCOPE OF SERVICES

Each aeronautical activity has a separate scope of services. The services required of a Full-Service FBO include the Minimum Standards for all combinations of aeronautical activities. The cumulative effect of the Minimum Standards will not equate to any minimum standard greater than that applicable to the Full-Service FBO.

Table A - FULL SERVICE FBO

Each airport shall have a minimum of one (1) Full Service FBO. Mandatory Requirements: Full Service FBOs shall provide: aircraft maintenance & repair; flight instruction; fueling of aircraft; transient aircraft parking guidance; positioning of wheel chocks and tie-downs; fireguard for engine starts; baggage handling upon request; have available and provide standardized ground service equipment and recovery equipment for aircraft weighing up to 30,000 lbs at FVA, 40,000 lbs at HRA, and 80,000 lbs at DRRRA (service and recovery equipment shall include, but not be limited to, wheel chocks, tie-down ropes or chains, aircraft jacks, tow bars, auxiliary power units, and aircraft tugs); pilots' lounge; and restrooms. Optional Requirements: In addition to the required services listed in the preceding sentence, Full Service FBOs may provide: aircraft sales or leasing (including financing), sales of aircraft parts and supplies, radio and avionics sales and repair, aircraft storage hangars and tie-downs, painting and upholstering of aircraft, leasing or renting of automobiles, and operating a restaurant or café.

<u>REQUIREMENT</u>	<u>MINIMUM STANDARD</u>	<u>PURPOSE / OTHER</u>
<u>LOT SIZE:</u> 3 acres or 130,680 SF		
Hangar area	14,000 SF	For aircraft storage
Outside storage area	30,000 SF	For tie-down or apron parking
Building space	2,000 SF	For offices, pilots' lounge and briefing area, conference rooms, classrooms, and restrooms
Automobile parking	20 spaces, with landscaping as required by Ord. 348	For employees per shift and customer parking
Fuel farm	Refer to Fueling Standards	
Landscaping	To be determined during lease negotiations	Landscaping required around vehicle parking, sidewalks, and building
<u>CERTIFICATION:</u>		
As applicable for each activity	FAA, State, and/or other responsible agency as applicable	For safe and efficient operation of airport and aeronautical activities
<u>PERSONNEL:</u>		
Staff	Adequate number	For safe and efficient operation of airport and aeronautical activities
Certification & training	Proper certification and training	To comply with all applicable regulations
<u>HOURS OF OPERATION:</u>		
Business Hours	7 days/week, 10 hrs/day	Or as demand may require
Fueling services	During business hours and emergency situations	One (1) hr response time during non-business hours
<u>EQUIPMENT:</u>		
Aeronautical operations	Refer to tables for equipment required for each activity	
FBOs providing aircraft fueling and servicing	Refer to Airport Fueling Standards	
<u>INSURANCE:</u>		
Refer to Appendix A		

Table B - AIRCRAFT MAINTENANCE

An aircraft airframe, engine, and accessory maintenance and repair FBO shall provide one or a combination of airframe, engine, and accessory overhauls and repair services on aircraft up to and may include business jet aircraft and helicopters. This category shall include the sale of aircraft parts and accessories.

<u>REQUIREMENT</u>	<u>MINIMUM STANDARD</u>	<u>PURPOSE / OTHER</u>
<u>LOT SIZE:</u> ½ acre or 21,780 SF		
Hangar area	6,000 SF	For aircraft storage
Tie-down or apron parking	One (1) per 1,000 SF of hangar space	Outside storage
Building space	400 SF	For offices, public phone, and restrooms
Automobile parking	200 SF	Office storage room
Landscaping	One (1) per 1,000 SF of hangar area, with landscaping as required by Ord. 348	For employees per shift and customer parking
	Specific plans to be determined during lease negotiations	Landscaping required around vehicle parking, sidewalks, and building
<u>CERTIFICATION:</u>		
Station	Authorized repair station and certified under FAR Part 145 or Holder of an FAA inspection authorization under FAR Part 43	
<u>PERSONNEL:</u>		
Staff	Sufficient qualified technicians to meet proposal.	
Certification & training	Proper certification and training	To comply with all applicable regulations
<u>HOURS OF OPERATION:</u>		
Services	5 days/week, 8 hrs/day	
	Services offered for emergency situations	One (1) hr response time during non-business hours
<u>EQUIPMENT:</u>		
Sufficient inventory and equipment available to perform maintenance and repairs to manufacturers' specifications.	Should include but is not limited to tug, tow bar, jacks, and dollies	Operator is encouraged to have the capability of aircraft removal from the airport's operational areas
<u>INSURANCE:</u>		
Refer to Appendix A		

Table C - RADIO AND AVIONICS REPAIR STATION & SALES

A radio and avionics repair station FBO engages in the business of and provides a shop for the repair of aircraft avionics, instruments, and accessories for general aviation aircraft. This category also includes the sale of new or used aircraft avionics, instruments, and accessories.

<u>REQUIREMENT</u>	<u>MINIMUM STANDARD</u>	<u>PURPOSE / OTHER</u>
<u>LOT SIZE:</u> 150 SF		
Repair station	150 SF	
Automobile parking	One (1) space per 150 SF, with landscaping as required by Ord. 348	
<u>CERTIFICATION:</u>		
Station	Authorized repair station and certified under FAR Part 145	
<u>PERSONNEL:</u>		
Staff	One (1) FAA certified repairman	
Certification & training	Proper certification and training	To comply with all applicable regulations
<u>HOURS OF OPERATION:</u>		
Business Hours	Available for appointment for at least 40 hrs/week	
<u>EQUIPMENT:</u>		
Sufficient inventory and equipment available to perform maintenance and repairs to manufacturers' specifications.		
<u>INSURANCE:</u>		
Refer to Appendix A		

Table D - FLIGHT INSTRUCTION

A flight instruction FBO engages in instructing pilots in dual and solo flight training, in fixed and/or rotary wing aircraft, and provides such related ground school instruction as is necessary preparatory to taking a written examination and flight check ride for the category or categories of pilots' licenses and ratings involved.

<u>REQUIREMENT</u>	<u>MINIMUM STANDARD</u>	<u>PURPOSE / OTHER</u>
<u>LOT SIZE: 500 SF (not necessarily contiguous)</u>		
Classroom space	200 SF or as appropriate to the size of student population	For classroom instruction
Office and lobby areas	300 SF	For phones, restrooms, and space for adequate customer service
Automobile parking	3 spaces per aircraft, 2 for each additional for a maximum of 10 spaces, with landscaping as required by Ord. 348	For students and employees
Other	Any additional space necessary to house all owned or leased aircraft	
<u>PERSONNEL:</u>		
Staff	One (1) certified flight instructor	To be available during normal hours of operation
	One (1) qualified ground school instructor	For classroom instruction
<u>HOURS OF OPERATION:</u>		
Business Hours	Available for appointment for at least 40 hrs/week	
<u>EQUIPMENT:</u>		
Aircraft	One (1) single-engine aircraft	Available for flight training
<u>INSURANCE:</u>		
Refer to Appendix A		

Table E - AIRCRAFT SALES AND LEASING

An aircraft sales and/or lease FBO engages in the sale and/or lease of aircraft to the public. New aircraft sales involves the sale of new aircraft through franchises or licensed dealerships (if required by local, county, or state authority) or distributorship (either on a retail or wholesale basis) of an aircraft manufacturer. Aircraft sales FBOs may also engage in the sale of used aircraft. This can be accomplished through various methods, including matching potential purchasers with an aircraft (brokering), assisting a customer in the purchase or sale of an aircraft, or purchasing used aircraft and marketing them to potential purchasers. A new aircraft sales and/or leasing FBO must show capability to support maintenance agreements for aircraft sold or leased. A used aircraft sales FBO may also provide such repair, services, and parts as may be necessary to support the operation of aircraft sold. Some requirements may not be appropriate to the sale of used aircraft because of each aircraft's unique operational history. An aircraft sales FBO may also finance aircraft purchases, subject to the applicable licensing requirements.

<u>REQUIREMENT</u>	<u>MINIMUM STANDARD</u>	<u>PURPOSE / OTHER</u>
<u>LOT SIZE: 150 SF</u>		
Building space	150 SF	For offices, lobby area, public phone, and restrooms
Tie-down/Hangar space	Adequate number	Storage
Automobile parking	One (1) per employee One (1) per 500 SF of leased space With landscaping as required by Ord. 348	For employees per shift and customer parking
Landscaping	Specific plans to be determined during lease negotiations.	Landscaping required around vehicle parking, sidewalks, and buildings
<u>CERTIFICATION:</u>		
New aircraft	Dealers must possess sales and/or distribution franchise from a recognized aircraft manufacturer	
Aircraft available for sale and leasing	Aircraft must hold FAA registration and current airworthiness certificate	
<u>PERSONNEL:</u>		
Staff	One (1) commercial, qualified for aircraft type.	For demonstration of aircraft
<u>HOURS OF OPERATION:</u>		
Business Hours	Available for appointment at least 40 hrs/week	
<u>EQUIPMENT:</u>		
	Minimum equipment required shall be determined during lease negotiations.	
<u>INSURANCE:</u>		
Refer to Appendix A		

Table F - AIRCRAFT STORAGE

An aircraft storage FBO engages in the construction, rental, and maintenance of conventional hangars or multiple T-hangars.

<u>REQUIREMENT</u>	<u>MINIMUM STANDARD</u>	<u>PURPOSE / OTHER</u>
LOT SIZE: 1acre or 43,560 SF		
Storage area of the following or proportionate combination of:	<ol style="list-style-type: none"> 1. Minimum of ten (10) T-Hangars to max of fourteen (14) per acre, or 2. Apron tie-down space of a minimum of 15 aircraft per acre, or 3. Conventional hangar of 10,000 SF. 4. Box hangars - Plot Plan subject to EDA and BOS approval 	
Automobile parking	One (1) for every two (2) hangars, with landscaping as required by Ord. 348	Automobile parking separate from aircraft storage area
Landscaping	Specific plans to be determined during lease negotiations	Landscaping required around vehicle parking, sidewalks, and buildings
PERSONNEL:		
Staff	One (1) contact person	To be available during the normal work week (M-F, 8am-5pm)

HOURS OF OPERATION:

Minimum via phone contact	5 days/week, 8 hrs/day
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INSURANCE:

Refer to Appendix A

ADDITIONAL GUIDELINES:

The County and Full Service FBOs shall possess the right to provide and operate the public aircraft storage areas unless circumstances warrant otherwise. No business activities shall be operated from storage areas.

Table G - AGRICULTURAL APPLICATION

An agricultural application FBO engages in air transportation for hire for the purpose of providing the use of aircraft for agricultural operations such as, but not limited to, crop dusting, seeding, spraying, and bird chasing.

<u>REQUIREMENT</u>	<u>MINIMUM STANDARD</u>	<u>PURPOSE / OTHER</u>
LOT SIZE: ½ acre or 21,780 SF		
Apron, tie-down area	6,000 SF	Storage
Building space	400 SF	For offices, lobby, public phone, and restrooms
Chemical storage	400 SF	
Automobile parking	Minimum of five (5) parking spaces, with landscaping as required by Ord. 348	For number of employees per shift and average number customers
Landscaping	Specific plans to be determined during lease negotiations	Required around vehicle parking, sidewalks, and buildings
<u>CERTIFICATION:</u>		
Permits and certificates	Must be submitted to Assistant County Executive Officer / EDA or Designee prior to operations.	
Renewals	Furnished to EDA Executive Director or Designee as received.	
Agricultural Application Operator	Procure and maintain FAR Part 137 Commercial Agricultural Operators Certificate.	
Hazardous Materials Management Permit	Possess Hazardous Materials Management Permit	County Ordinance No. 615.
<u>PERSONNEL:</u>		
Staff	Minimum number to be determined during lease negotiations.	
Certification & training	Personnel must be knowledgeable about the safe handling of poisons and agricultural chemicals and the proper disposal of substances intended to be used in operations.	
<u>HOURS OF OPERATION:</u>		
Business Hours	Available for appointment for a minimum of 40 Hrs/week	Services offered 7 days/week
<u>EQUIPMENT:</u>		
To be determined during lease negotiations.		
<u>INSURANCE:</u>		
Refer to Appendix		

Table G - AGRICULTURAL APPLICATION (continued)

<u>REQUIREMENT</u>	<u>MINIMUM STANDARD</u>	<u>PURPOSE / OTHER</u>
ADDITIONAL GUIDELINES: Storage and containment of Hazardous Materials		
<p>a. Comply with California Regional Water Quality Control Board Resolution No. 79-38, dated March 14, 1979.</p> <p>b. Comply with County Ordinance No. 546, Division VIII-Fire Protection Requirement Buildings; and Division XIV-Fire Protection Requirements relating to storage of flammable or combustible liquids used as motor fuel.</p> <p>c. Comply with the 1982 Uniform Fire Code Article 80-Hazardous Materials (section 80.107, 80.108, 80.109, and 80.111); and Article 86-Pesticides storage (all sections).</p> <p>d. Comply with all hazardous waste regulations which can be found in Title 22 of the California Administrative Code and the California Health and Safety Code.</p> <p>e. Submit a waste management plan addressing the items mentioned below with an explicit clause stating that the applicant shall be held responsible for the safe and proper cleanup of any hazardous waste spills.</p> <p>f. Comply with Riverside County Ordinance No. 615 by completing the reporting form and obtaining a Hazardous Materials Management Permit.</p> <p>g. If hazardous wastes are treated and/or stored more than 90 days, or disposed or on-site, a hazardous waste facility must be obtained from the State Department of Health.</p> <p>h. If hazardous wastes are stored 90 days or less, storage area and containment shall meet the following:</p> <ol style="list-style-type: none"> 1. Tanks and/or containers shall be of sound construction and compatible with waste stored (Title 22, California Administrative Code, Sections 66508, 67242, and 67247). 2. Tanks and/or containers shall be designed, constructed, maintained, and operated to minimize the possibility of fire, explosion, or any unplanned sudden, or non-sudden release of hazardous waste or any constituents to the soil, air, or surface waste which could threaten human health or the environment (Title 22, California Administrative Code, Sections 67241, 67243, 67244, 67257, and 67259). 3. Storage of on-site hazardous waste containers shall be in a structure that will prevent the contamination of the environment with hazardous waste. Design of the structure shall be submitted to the Assistant County Executive Officer / EDA or Designee and Hazardous Material Division prior to construction. 4. If hazardous wastes or materials are to be stored underground, applicant must comply with County Ordinance No. 617 by completing the reporting form and obtaining the proper permits. 5. Underground tanks shall be of proper design and construction with approved monitoring systems. Records shall be maintained concerning operations, inspections, and monitoring pursuant to County Ordinance No. 617. 6. The applicant must take steps to minimize the quantity, toxicity, or other hazards of the waste generated. Such steps shall be submitted in writing to Assistant County Executive Officer / EDA or Designee. 7. The facility shall be in compliance with all statutes, regulations, and ordinances pertaining to the management of hazardous waste. 8. Operator must submit a Letter of Credit or Performance Bond covering any clean-up or fines imposed caused by the actions or the operator. 		

Table H - OTHER AERONAUTICAL ACTIVITIES

All aeronautical activities that were not included in previous sections are required to comply with these minimum standards. Activities include, but are not limited to, Air Tours, Air Charter, Banner Towing, Gliders, Ultra Lights, Parachuting, Airship Operations, and Ballooning.

<u>REQUIREMENT</u>	<u>MINIMUM STANDARD</u>	<u>PURPOSE / OTHER</u>
LOT SIZE: ½ acre or 21,780 SF		
Building space	400 SF	For offices, lobby area, and restrooms. Additional space may be required depending on the operation
Aircraft storage	To be determined during lease negotiations	Hangar or outside storage to accommodate the operational activities desired.
Automobile parking	Minimum of five (5) parking spaces or 810 SF, with landscaping as required by Ord. 348	For number of employees per shift and average number customers.
Landscaping	Specific plans to be determined during lease negotiations.	Required around vehicle parking, sidewalks, and buildings.
<u>CERTIFICATION:</u>		
As applicable for each activity	FAA, State, and local certification and licensing as applicable	For safe and efficient operation of airport and aeronautical activities
<u>PERSONNEL:</u>		
Staff	Sufficient number during normal hours of operation	
Certification & training	Properly trained and, if applicable, certified or licensed to perform the activities or a normal course of operation.	To comply with all applicable regulations
<u>HOURS OF OPERATION:</u>		
Services	To be determined during lease negotiations.	Minimum requirements would be: normal telephone contact five (5) days a week (M-F) eight (8) hours a day.
<u>EQUIPMENT:</u>		
	To be determined during lease negotiations depending on the type of activity proposed.	
<u>INSURANCE:</u>		
Refer to Appendix A		